Louisville Gas and Electric Company
Case No. 2016-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/18; Base Period 12ME 2/28/17)

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 1, 2014 Form 8-K
- December 31, 2014 Form 10-K Annual Report to the Securities and Exchange Commission
- March 31, 2015 Form 10-Q Quarterly Report to the Securities and Exchange Commission
- April 22, 2015 Form 8-K
- June 30, 2015 Form 10-Q Quarterly Report to the Securities and Exchange Commission
- July 1, 2015 Form 8-K
- July 30, 2015 Form 8-K
- September 28, 2015 Form 8-K
- September 30, 2015 Form 10-Q Quarterly Report to the Securities and Exchange Commission
- December 31, 2015 Form 10-K Annual Report to the Securities and Exchange Commission
- January 12, 2016 Form 8-K
- February 3, 2016 Form 8-K
- March 31, 2016 Form 10-Q Quarterly Report to the Securities and Exchange Commission
- June 17, 2016 Form 8-K
- June 30, 2016 Form 10-Q Quarterly Report to the Securities and Exchange Commission
- September 15, 2016 Form 8-K
- September 30, 2016 Form 10-Q Quarterly Report to the Securities and Exchange Commission

FORM 8-K

LOUISVILLE GAS & ELECTRIC CO /KY/ - N/A

Filed: December 01, 2014 (period: November 26, 2014)

Report of unscheduled material events or corporate changes.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 26, 2014

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
333-173665	**LG&E and KU Energy LLC** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-2893	**Louisville Gas and Electric Company** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150
1-3464	**Kentucky Utilities Company** (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 8 - Other Events

Item 8.01 Other Events

On November 26, 2014, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU" and, together with LG&E, the "Companies") filed requests with the Kentucky Public Service Commission ("KPSC") for increases in annual base electric and gas rates.

The applications request increases of approximately $153 million in base electric rates at KU and approximately $30 million at LG&E and approximately $14 million in base gas rates at LG&E. The proposed amounts would represent increases in base electric rates of 9.6% at KU and 2.7% at LG&E, and in base gas rates of 4.2% at LG&E. The Companies' applications include a request for an authorized return-on-equity of 10.50% for each such rate category. The applications are based upon a forecasted test year of July 1, 2015 through June 30, 2016.

Subject to KPSC approval, the requested increases would become effective July 1, 2015. A number of parties have been granted intervention requests in the proceedings. A hearing on the rate increases is expected to be scheduled during the second quarter of 2015.

The proceedings have been designated as KPSC Case No. 2014-00371 for KU and Case No. 2014-00372 for LG&E.

LG&E and KU cannot predict the outcome of these proceedings.

Statements in this report constituting statements with respect to future events and their timing, including the Companies' regulatory proceedings, such as the requested rate increases and rate mechanisms and the future rates or returns on equity ultimately authorized or achieved, as well as other statements as to future costs or expenses, regulation, corporate strategy and performance, are "forward-looking statements" within the meaning of the federal securities laws. Although the Companies believe that the expectations and assumptions reflected in these forward-looking statements are reasonable, these expectations, assumptions and statements are subject to a number of risks and uncertainties, and actual results may differ materially from the results discussed in the statements. The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: subsequent phases of application review or approval and other aspects of rate relief and regulatory cost recovery; market demand and prices for electricity; political, regulatory or economic conditions in states, regions or countries where the Companies conduct business; and the pace and magnitude of actual purchase, construction or repair of assets subject to tracker mechanisms. Any such forward-looking statements should be considered in light of such important factors and in conjunction with PPL Corporation's, LG&E and KU Energy LLC's and the Companies' Form 10-K and other reports on file with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

PPL CORPORATION

By: /s/ Stephen K. Breininger
Stephen K. Breininger
Controller

LG&E AND KU ENERGY LLC

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

LOUISVILLE GAS AND ELECTRIC COMPANY

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

KENTUCKY UTILITIES COMPANY

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

Dated: December 1, 2014

FORM 10-K

PPL CORP - PPL

Filed: February 23, 2015 (period: December 31, 2014)

Annual report with a comprehensive overview of the company

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, 2014

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
Junior Subordinated Notes of PPL Capital Funding, Inc.	
2007 Series A due 2067	New York Stock Exchange
2013 Series B due 2073	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 30, 2014, PPL Corporation had 664,018,408 shares of its $0.01 par value Common Stock outstanding. The aggregate market value of these common shares (based upon the closing price of these shares on the New York Stock Exchange on that date) held by non-affiliates was $23,592,574,036. As of January 30, 2015, PPL Corporation had 666,968,138 shares of its $0.01 par value Common Stock outstanding.

PPL Corporation indirectly holds all of the membership interests in PPL Energy Supply, LLC.

As of January 30, 2015, PPL Corporation held all 66,368,056 outstanding common shares, no par value, of PPL Electric Utilities Corporation.

PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC.

As of January 30, 2015, 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 30, 2015, 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 2015 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, 2014. 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, 2014

TABLE OF CONTENTS

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

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

GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its subsidiaries

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

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

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

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

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

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

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

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

PPL EU Services - PPL EU Services Corporation, a subsidiary of PPL that, beginning in 2015, provides support services and corporate functions such as financial, supply chain, human resources and information technology services primarily to PPL Electric and its affiliates.

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 through its subsidiaries, owns and operates WPD, PPL's regulated electricity distribution businesses in the U.K.

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 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 to PPL and its subsidiaries.

PPL Susquehanna - PPL Susquehanna, LLC, a subsidiary of PPL Generation that owns a nuclear-powered generating station.

PPL WEM - PPL WEM Holdings Limited, an indirect U.K. subsidiary of PPL Global.

PPL WPD Ltd - an indirect U.K. subsidiary of PPL Global. PPL WPD Ltd holds a liability for a closed defined benefit pension plan and a receivable with WPD Ltd.

PPL WW - PPL WW Holdings Limited, an indirect U.K. subsidiary of PPL Global.

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

Subsidiary Registrant(s) - Registrants that are direct or indirect wholly owned subsidiaries of PPL: PPL Energy Supply, PPL Electric, LKE, LG&E and KU.

WPD - refers to WPD Ltd and its subsidiaries together with a sister company PPL WPD Ltd.

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

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

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

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

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

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

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

Other terms and abbreviations

£ - British pound sterling.

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 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 Purchases Contract(s) - a contract that is a component of a 2010 Equity Unit requiring holders to purchase shares of PPL common stock on or prior to July 1, 2013.

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 requiring 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 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.

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.

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.

COBRA - Consolidated Omnibus Budget Reconciliation Act, which provides individuals the option to temporarily continue employer group health insurance coverage after termination of employment.

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 in the U.K.

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.

DOJ - Department of Justice.

DPCR4 - Distribution Price Control Review 4, the U.K. five-year rate review period applicable to WPD that commenced April 1, 2005.

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

DRIP - Dividend Reinvestment and Direct Stock Purchase Plan.

DSIC - the Distribution System Improvement Charge authorized under Act 11, which is an alternative ratemaking mechanism providing more-timely cost recovery of qualifying distribution system capital expenditures.

DSM - Demand Side Management. Pursuant to Kentucky Revised Statute 278.285, the KPSC may determine the reasonableness of DSM plans proposed by any utility under its jurisdiction. Proposed DSM mechanisms may seek full recovery of costs and revenues lost by implementing DSM programs and/or incentives designed to provide financial rewards to the utility for implementing cost-effective DSM programs. The cost of such programs shall be assigned only to the class or classes of customers which benefit from the programs.

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.

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.

E.ON AG - a German corporation and the parent of E.ON UK plc, 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.

ERCOT - the Electric Reliability Council of Texas, operator of the electricity transmission network and electricity energy market in most of Texas.

ESOP - Employee Stock Ownership Plan.

EWG - exempt wholesale generator.

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.

FTRs - financial transmission rights, which are financial instruments established to manage price risk related to electricity transmission congestion that entitle the holder to receive compensation or require the holder to remit payment for certain congestion-related transmission charges based on the level of congestion between two pricing locations, known as source and sink.

GAAP - Generally Accepted Accounting Principles in the U.S.

GBP - British pound sterling.

GHG - greenhouse gas(es).

GLT - Gas Line Tracker. The KPSC approved LG&E's recovery of costs associated with gas service lines, gas risers, leak mitigation, and gas main replacements. Rate recovery became effective January 1, 2013.

GWh - gigawatt-hour, one million kilowatt-hours.

Holdco - Talen Energy Holdings, Inc., a Delaware Corporation, which was formed for the purposes of the spinoff transaction.

IBEW - International Brotherhood of Electrical Workers.

ICP - Incentive Compensation Plan.

ICPKE - Incentive Compensation Plan for Key Employees.

If-Converted Method - A method applied to calculate diluted EPS for a company with outstanding convertible debt. The method is applied as follows: Interest charges (after-tax) applicable to the convertible debt are added back to net income and the convertible debt is assumed to have been converted to equity at the beginning of the period, and the resulting common shares are treated as outstanding shares. Both adjustments are made only for purposes of calculating diluted EPS. This method was applied in 2013 and 2014 to PPL's Equity Units prior to settlement.

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 together own and operate, a natural gas combined-cycle unit in Lebanon, Pennsylvania.

Ironwood Facility - a natural gas combined-cycle unit in Lebanon, Pennsylvania with a summer rating of 662 MW.

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

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

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

kV - Kilovolt.

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.

LTIIP - Long Term Infrastructure Improvement Plan.

MACRS - Modified Accelerated Cost Recovery System that is used to recover the basis of most business and investment property placed in service after 1986.

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.

NGCC - Natural gas-fired combined-cycle generating plant.

NOL - Net operating loss.

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.

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.

NRC - Nuclear Regulatory Commission, the U.S. 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 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.

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

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

PP&E - property, plant and equipment.

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

Purchase Contract(s) - refers collectively to the 2010 and 2011 Purchase Contracts, which are components of the 2010 and 2011 Equity Units.

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.

RAV - regulatory asset value. This term, used within the U.K. regulatory environment, is also commonly known as RAB or regulatory asset base. RAV is based on historical investment costs at time of privatization, plus subsequent allowed additions less annual regulatory depreciation, and represents the value on which DNOs earn a return in accordance with the regulatory cost of capital. RAV is indexed to Retail Price Index in order to allow for the effects of inflation. Since the beginning of DPCR5 in April 2010, RAV additions have been based on a percentage of annual total expenditures. Although calculated differently, RAV is intended to represent expenditures that have a long-term benefit to WPD (similar to capital projects for the U.S. regulated businesses that are generally included in rate base).

RCRA - Resource Conservation and Recovery Act of 1976.

RECs - Renewable Energy Credits.

Regional Transmission Expansion Plan - PJM conducts a long-range Regional Transmission Expansion Planning process that identifies changes and additions to the grid necessary 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 assigned to them by the PJM Board.

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.

RIIO-ED1 - RIIO represents "Revenues = Incentive + Innovation + Outputs - Electricity Distribution." RIIO-ED1 refers to the initial eight-year rate review period applicable to WPD commencing April 1, 2015.

Riverstone - Riverstone Holdings LLC, a Delaware limited liability company and ultimate parent company of the entities that own the competitive power generation business to be contributed to Talen Energy other than the competitive power generation business to be contributed by virtue of the spinoff of a newly formed parent of PPL Energy Supply.

RJS Power - RJS Generation Holdings LLC, a Delaware limited liability company controlled by Riverstone, that owns the competitive power generation business to be contributed by its owners to Talen Energy other than the competitive power generation business to be contributed by virtue of the spinoff of a newly formed parent of PPL Energy Supply.

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.

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.

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' competitive 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.

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

Talen Energy - Talen Energy Corporation, the Delaware corporation formed to be the publicly traded company and owner of the competitive generation assets of PPL Energy Supply and certain affiliates of Riverstone.

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 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.

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.

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

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.

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FORWARD-LOOKING INFORMATION

Statements contained in this Annual Report concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in "Item 1A. Risk Factors" and in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report, the following are among the important factors that could cause actual results to differ materially 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, 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 or revenue filings by PPL Electric, LG&E, KU or WPD;
- 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, including the anticipated formation of Talen Energy via the spinoff of PPL Energy Supply and subsequent combination with Riverstone's competitive generation business and our ability to realize expected benefits from such business transactions.

Any such forward-looking statements should be considered in light of such important factors and in conjunction with other documents of the Registrants on file with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for the Registrants to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and the Registrants undertake no obligation to update the information contained in such statement to reflect subsequent developments or information.

PART I

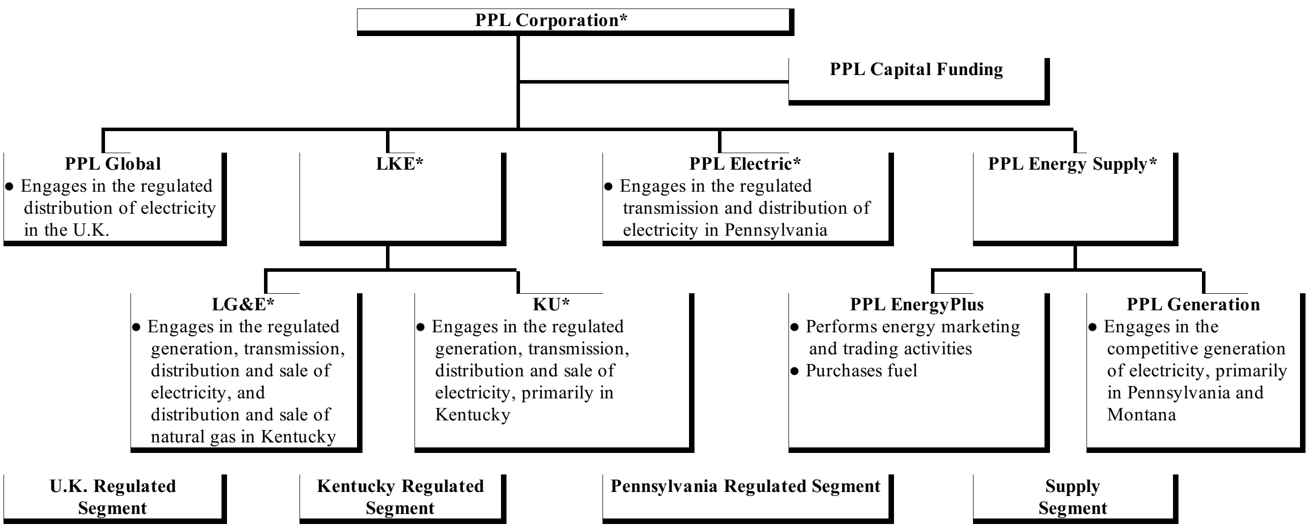
ITEM 1. BUSINESS

General

(All Registrants)

PPL Corporation, headquartered in Allentown, Pennsylvania, is an energy and utility holding company that was incorporated in 1994. Through its subsidiaries, PPL delivers electricity to customers in the U.K., Pennsylvania, Kentucky, Virginia and Tennessee; delivers natural gas to customers in Kentucky; generates electricity from power plants in the northeastern, northwestern and southeastern U.S.; and markets wholesale or retail energy primarily in the northeastern and northwestern portions of the U.S. Beginning in 2010, PPL expanded the rate regulated portion of its business, principally through the 2010 acquisition of LKE and the 2011 acquisition of WPD Midlands. In addition, in June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy. See "Anticipated Spinoff of PPL Energy Supply" below for more information.

PPL's principal subsidiaries at December 31, 2014 are shown below (* denotes a Registrant).



In addition to PPL Corporation, the other Registrants included in this filing are:

PPL Energy Supply, LLC, headquartered in Allentown, Pennsylvania, is an indirect wholly owned subsidiary of PPL formed in 2000 and is an energy company that through its principal subsidiaries is primarily engaged in the competitive generation and marketing of electricity in the northeastern U.S. PPL Energy Supply's principal subsidiaries are PPL EnergyPlus, its marketing and trading subsidiary, and PPL Generation, the owner of its generating facilities in Pennsylvania and Montana. As noted above, in June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy. See "Anticipated Spinoff of PPL Energy Supply" below for more information.

PPL Electric Utilities Corporation, headquartered in Allentown, Pennsylvania, is a direct wholly owned subsidiary of PPL incorporated in Pennsylvania in 1920 and a regulated public utility that is an electricity transmission and distribution service provider in eastern and central Pennsylvania. PPL Electric is subject to regulation as a public utility by the PUC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act.

LG&E and KU Energy LLC, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of PPL since 2010 and a holding company that owns regulated utility operations through its subsidiaries, LG&E and KU, which constitute substantially all of LKE's assets. LG&E and KU are engaged in the generation, transmission, distribution and sale of electricity. LG&E also engages in the distribution and sale of natural gas. LG&E and KU maintain their separate corporate identities and serve customers in Kentucky under their respective names. KU also serves customers in Virginia under the Old Dominion Power name and in Tennessee under the KU name. LKE, formed in 2003, is the successor to a Kentucky entity incorporated in 1989.

Louisville Gas and Electric Company, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity and distribution and sale of natural gas in Kentucky. LG&E is subject to regulation as a public utility by the KPSC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act. LG&E was incorporated in 1913.

Kentucky Utilities Company, headquartered in Lexington, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity in Kentucky, Virginia and Tennessee. KU is subject to regulation as a public utility by the KPSC, the VSCC and the TRA, and certain of its transmission and wholesale power activities are subject to the jurisdiction of the FERC under the Federal Power Act. KU was incorporated in Kentucky in 1912 and in Virginia in 1991. KU serves its Virginia customers under the Old Dominion Power name and its Kentucky and Tennessee customers under the KU name.

(PPL and PPL Energy Supply)

Anticipated Spinoff of PPL Energy Supply

In recognition of the changes in recent years in the wholesale power markets, PPL performed an in-depth analysis of its business mix to determine the best available opportunities to maximize the value of its competitive generation business for shareowners. As a result, in June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy. Under the terms of the agreements, at closing, PPL will spin off to PPL shareowners a newly formed entity, Talen Energy Holdings, Inc. (Holdco), which at such time will own all of the membership interests of PPL Energy Supply and all of the common stock of Talen Energy. Immediately following the spinoff, Holdco will merge with a special purpose subsidiary of Talen Energy, with Holdco continuing as the surviving company to the merger and as a wholly owned subsidiary of Talen Energy and the sole owner of PPL Energy Supply. Substantially contemporaneous with the spinoff and merger, RJS Power will be contributed by its owners to become a subsidiary of Talen Energy. Following completion of these transactions, PPL shareowners will own 65% of Talen Energy and affiliates of Riverstone will own 35%. PPL will have no continuing ownership interest in, control of, or affiliation with Talen Energy and PPL's shareowners will receive a number of Talen Energy shares at closing based on the number of PPL shares owned as of the spinoff record date. The spinoff will have no effect on the number of PPL common shares owned by PPL shareowners or the number of shares of PPL common stock outstanding. The transaction is intended to be tax-free to PPL and its shareowners for U.S. federal income tax purposes and is subject to customary closing conditions, including receipt of certain regulatory approvals by the NRC, FERC, DOJ and PUC. In addition, there must be available, subject to certain conditions, at least $1 billion of undrawn credit capacity under a Talen Energy (or its subsidiaries) revolving credit or similar facility. Any letters of credit or other credit support measures posted in connection with energy marketing and trading transactions at the time of the spinoff are excluded from this calculation.

On December 18, 2014, the FERC issued a final order approving, subject to certain market power mitigation requirements, the combination of the competitive generation assets to form Talen Energy. On January 27, 2015, PPL and an affiliate of RJS Power filed a joint response with the FERC accepting additional market power mitigation measures required for the FERC's approval. PPL and RJS Power originally proposed divesting either of two groups of assets each having approximately 1,300 MW of generating capacity. PPL and RJS Power have agreed that within 12 months after closing of the transaction, Talen Energy will divest generating assets in one of the groups (from PPL Energy Supply's existing portfolio, this includes either the Holtwood and Wallenpaupack hydroelectric facilities or the Ironwood facility), and limit PJM energy market offers from assets it would retain in the other group to cost-based offers.

The transaction is expected to close in the second quarter of 2015. Talen Energy will own and operate a diverse mix of approximately 14,000 MW (after divestitures to meet FERC market power standards) of generating capacity in certain U.S. competitive energy markets primarily in PJM and ERCOT.

Following the transaction, PPL's focus will be on its regulated utility businesses in the U.K., Kentucky and Pennsylvania, serving more than 10 million customers. PPL intends to maintain a strong balance sheet and manage its finances consistent with maintaining investment grade credit ratings and providing a competitive total shareowner return, including an attractive dividend. Excluding costs required to provide transition services to Talen Energy and following the spinoff transaction, PPL expects to reduce annual ongoing corporate support costs by approximately $75 million.

See Note 8 to the Financial Statements for additional information.

Montana Hydro Sale

In November 2014, PPL Montana completed the sale to NorthWestern of 633 MW of hydroelectric generating facilities located in Montana for approximately $900 million in cash. The sale included 11 hydroelectric generating facilities and related assets.

See Note 8 to the Financial Statements for additional information.

Distribution of PPL Global *(PPL Energy Supply)*

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.

Acquisitions

(PPL, LKE, LG&E and KU)

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.

(PPL)

On April 1, 2011, PPL, through an indirect, wholly owned subsidiary, PPL WEM, acquired 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 defined herein as WPD Midlands), from subsidiaries of E.ON AG. WPD Midlands operates two regulated distribution networks in the Midlands area of England and is included in the U.K. Regulated segment.

Segment Information

(PPL)

PPL is organized into four reportable segments as depicted in the chart above: U.K. Regulated, Kentucky Regulated, Pennsylvania Regulated and Supply. PPL's reportable segments primarily reflect the activities of its related Subsidiary Registrants, except that the reportable segments are also allocated certain corporate level financing and other costs that are not included in the results of the applicable Subsidiary Registrants. The U.K. Regulated segment has no related Subsidiary Registrant. Upon completion of the anticipated spinoff of PPL Energy Supply in the second quarter of 2015, PPL will no longer have a Supply segment.

A comparison of PPL's three regulated segments is shown below:

	U.K. Regulated	Kentucky Regulated	Pennsylvania Regulated
For the year ended December 31, 2014:			
Operating Revenues (in billions)	$ 2.6	$ 3.2	$ 2.0
Net Income Attributable to PPL Shareowners (in millions)	$ 982	$ 312	$ 263
Electric energy delivered (GWh)	75,813	31,543	37,026
At December 31, 2014:			
Regulatory Asset Base (in billions) (a)	$ 9.5	$ 8.3	$ 4.9
Service area (in square miles)	21,600	9,400	10,000
End-users (in millions)	7.8	1.3	1.4

(a) Represents RAV for U.K. Regulated, capitalization for Kentucky Regulated and rate base for Pennsylvania Regulated.

See Note 2 to the Financial Statements for additional financial information about the segments.

(All Registrants except PPL)

PPL Energy Supply, PPL Electric, LKE, LG&E and KU each operate within a single reportable segment.

- ***U.K. Regulated Segment*** *(PPL)*

  Consists of PPL Global which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from British pound sterling into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs and allocated financing costs.

WPD, through indirect wholly owned subsidiaries, operates four of the 15 regulated distribution networks providing electricity service in the U.K. The number of network customers (end-users) served by WPD totals 7.8 million across 21,600 square miles in Wales and southwest and central England.

Details of revenue by category for the years ended December 31 are shown below.

	2014		2013		2012	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
Utility revenues	$ 2,573	98	$ 2,359	98	$ 2,289	98
Energy-related businesses	48	2	44	2	47	2
Total	$ 2,621	100	$ 2,403	100	$ 2,336	100

The majority of WPD's utility revenue is known as DUoS and is from providing regulated electricity distribution services to licensed third party energy suppliers who use the network to transfer electricity to their customers, the end-users.

WPD's energy-related business revenues include ancillary activities that support the distribution business.

Franchise and Licenses

The operations of WPD's principal subsidiaries, 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 framework of electricity companies and established licenses that require each of the DNOs to develop, maintain and operate efficient distribution networks.

WPD is authorized by Ofgem to provide electricity distribution services within its concession areas and service territories, subject to certain conditions and obligations. For instance, WPD is subject to Ofgem regulation with respect to 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.

Ofgem has formal powers to propose modifications to each distribution license. In January 2014, Ofgem and WPD agreed to a reduction of £5 per residential end-user in the 2014/15 regulatory year to be recovered in the 2016/2017 regulatory year. See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview - Distribution Revenue Reduction" for additional information. In May 2014, Ofgem made license changes as part of the RIIO-ED1 process discussed below.

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 are, therefore, regulated monopolies which operate under regulatory price controls.

Revenue and Regulation

Ofgem has established a price control mechanism that provides the amount of base demand revenue that a regulated business can earn and provides for an increase or reduction in revenues based on incentives or penalties for exceeding or underperforming relative to pre-established targets. WPD is currently operating under DPCR5 which is effective for the period from April 1, 2010 through March 31, 2015.

In October 2010, Ofgem announced changes to the regulatory framework that will be effective for the U.K. electricity distribution sector, including WPD, beginning April 2015. Throughout the following discussion of this regulatory framework, the use of the term "customers" refers to the end-users of WPD's regulated distribution networks. The framework, known as RIIO (Revenues = Incentives + Innovation + Outputs), is intended to:

- encourage DNOs to deliver safe, reliable and sustainable network service at long-term value to customers;
- enable DNOs to finance the required investment in a timely and efficient way; and
- remunerate DNOs according to their delivery for customers.

In addition to extending the price control period from five to eight years, the key components of RIIO-ED1 are:

- increased emphasis on outputs and incentives;
- enhanced stakeholder engagement including network customers;
- a stronger incentive framework to encourage more efficient investment and innovation;
- replacement of the current Low Carbon Network Fund to continue to stimulate innovation;
- depreciation of RAV for additions after April 1, 2015 will be extended from 20 years to 45 years, with a transitional arrangement that will gradually change the life over the price control period that will result in an average life of 35 years for RAV additions during RIIO-ED1. RAV at March 31, 2015 will continue to be depreciated over 20 years. The asset lives used to determine depreciation expense for U.S. GAAP purposes are not the same as those used for the depreciation of the RAV and as such vary by asset type and are based on the expected useful lives of the assets;
- the ability for DNOs to be fast-tracked through the process, providing several benefits to the qualified DNOs, including the ability to collect the fast-track incentive, which is additional revenue equivalent to 2.5% of total annual expenditures during the 8-year price control period (approximately $43 million annually for WPD), greater revenue certainty and a higher level of cost savings retention; and
- capital return comprised of a 10 year trailing average debt allowance, to be adjusted annually, and an equity allowance determined by Ofgem with a debt to equity ratio of 65:35. The real cost of equity determined by Ofgem for fast-tracked DNOs was 6.4% and 6.0% for slow-tracked DNOs and will be uplifted by inflation as measured by the Retail Price Index (RPI) to determine the nominal cost of equity.

In November 2013, Ofgem determined that the 8-year business plans of all four of WPD's DNOs were suitable for accelerated consideration or "fast tracking" and as a result merited early settlement of their price controls for the 8-year RIIO-ED1 period starting April 1, 2015. This was confirmed in February 2014.

The U.K. regulatory structure is an incentive-based structure in contrast to the typical U.S. regulatory structure which operates on a cost-recovery model. The base demand revenue that a DNO can earn in each year of a price control period is the sum of: (i) the regulator's determination of efficient operating costs, including certain pension deficit funding, (ii) a return on capital from RAV plus an annual adjustment for inflation as determined by the RPI, (iii) a return of capital from RAV (i.e. depreciation), (iv) an allowance for taxation less a potential reduction for tax benefits from excess leverage, (v) legacy price control adjustments from preceding price control periods and (vi) certain pass-through costs over which the DNO has no control. As WPD's four DNOs were fast-tracked through the price control review process for RIIO-ED1, their base demand revenue also includes the fast-track incentive discussed above. The RIIO-ED1 price control will also include an Annual Iteration Process. This will allow base demand revenues to be updated during the price control for financial adjustments covering tax, pension and cost of debt issues, adjustments relating to actual and allowed total expenditure together with the total cost incentive mechanism and the information quality incentive (IQI) discussed below, and legacy price control adjustments from preceding price control periods. This process calculates an incremental change to base revenue, known as the "MOD." RIIO-ED1 prices will be set using a forecast of RPI which is trued up 2 years later.

During DPCR5, WPD's total base demand revenue for the five-year period was profiled in a manner that resulted in a weighted-average increase of about 5.5% per year for all four DNOs. In the first year of RIIO-ED1, base demand revenue will decrease by about 11.8% primarily due to a change in the profiling approach and a lower weighted-average cost of capital. For each regulatory year thereafter, base demand revenue will increase by approximately 1% per annum before inflation for the remainder of RIIO-ED1.

In addition to base demand revenue, certain other items are added or subtracted to arrive at allowed revenue. The most significant of these are discussed below.

During the price control period, WPD's revenue is decoupled from volume. However, in any fiscal period, WPD's revenue could be negatively affected if its tariffs and the volume delivered do not fully recover the allowed revenue for a particular period. Conversely, WPD could also over-recover revenue. Over and under-recoveries are added or subtracted to base demand revenue in future years. Over and under-recovered amounts arising from 2014/15 onwards and refunded/recovered under RIIO-ED1 will be refunded/recovered on a two year lag (previously one year). Therefore the 2014/15 over/ under-recovery adjustment will occur in 2016/17 instead of in 2015/16. In 2016/17, WPD will recover the £5 per residential network customer reduction provided for in 2014/15 as that amount is currently considered an under-recovery. Under applicable U.S. GAAP, WPD does not record a receivable for under-recoveries, but does record a liability for over-recoveries. WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP. See Note 1 to the Financial Statements for additional information.

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 include:

- Information Quality Incentive (IQI) - The IQI is designed to incentivize the DNOs to provide good quality information in the business plans they submit to Ofgem during the price control review process and to execute their business plans as submitted. The IQI eliminates the distinction between capital expenditure and operating expense and instead focuses on total expenditure:
  - DPCR5 - 85% of all network related expenditure is allocated to RAV and currently recovered over 20 years through the regulatory depreciation of RAV and 15% is recovered in the year of expenditure together with business support, non-operational capital expenditures and traffic management expenditures. The IQI provides for incentives or penalties at the end of DPCR5 under the rolling RAV incentive mechanism based on the ratio of actual expenditures to the expenditures submitted to Ofgem that were the basis for the revenues allowed for the five-year price control period. In addition, at the beginning of DPCR5, WPD was awarded $301 million in IQI revenue of which $222 million will be included in revenue throughout the current price control period with the balance recovered over 20 years through the RAV mechanism.
  - RIIO-ED1 - 80% of total costs will be allocated to RAV with 20% recovered in the year of expenditure. As a result of being fast-tracked, WPD's DNOs are able to retain 70% of any amounts not spent against the RIIO-ED1 plan and bear 70% of any over-spends. The cost incentive or penalty mechanism will be calculated each year on a 2 year lag basis as part of the annual MOD process discussed above.

- Interruptions Incentive Scheme (IIS) - This incentive has two major components: (1) Customer interruptions (CIs) and (2) Customer minutes lost (CMLs), and both are designed to incentivize the DNOs to invest and operate their networks to manage and reduce both the frequency and duration of power outages. During DPCR5 the target for each DNO is based on a benchmark of data from the last four years of the prior price control period. The IIS target under RIIO-ED1 will be divided into interruptions caused by planned and unplanned work. The target for planned work will be calculated as the annual average level of planned interruptions and minutes lost over a previous three year period. The target for unplanned interruptions for the first year of RIIO-ED1 is specified in the DNO's license and targets for both the CIs and CMLs become more demanding each year.

- In addition to the IIS, the broad measure of customer service is enhanced. This broad measure encompasses:
  - customer satisfaction in supply interruptions, connections and general inquiries;
  - complaints;
  - stakeholder engagement; and
  - delivery of social obligations.

The following table shows the amount of incentive revenue, primarily from IIS, which WPD has earned since the beginning of DPCR5:

Regulatory Year Ended	Incentive Earned (in millions)		Regulatory Year Ended Incentive Included in Revenue
March 2011	$	30	March 2013
March 2012		83	March 2014
March 2013		104	March 2015
March 2014		125	March 2016

For regulatory years 2015/16 through 2018/19 allowed revenue will also be reduced to reflect Ofgem's final decision on the DPCR4 line loss incentives and penalties mechanism. WPD has a liability recorded related to this future revenue reduction; therefore, this will not impact future earnings. See Note 6 to the Financial Statements for additional information.

See "Item 1A. Risk Factors - Risks Related to U.K. Regulated Segment" for additional information on the risks associated with the U.K. Regulated Segment.

Customers

WPD provides regulated electricity distribution services to licensed third party energy suppliers (its customers) who use the network to transfer electricity to their customers, the end-users. WPD bills the energy supplier for this service and the supplier is responsible for billing the end-users. Ofgem requires that all licensed electricity distributors and suppliers become parties to the Distribution Connection and Use of System Agreement. This agreement specifies how creditworthiness will be determined and, as a result, whether the supplier needs to collateralize for its payment obligations.

- ***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 distribution and sale of natural gas, representing primarily the activities of LG&E and KU. In addition, certain financing costs are allocated to the Kentucky Regulated segment.

(PPL, LKE, LG&E and KU)

LG&E and KU, direct subsidiaries of LKE, are engaged in the regulated generation, transmission, distribution and sale of electricity in Kentucky and, in KU's case, Virginia and Tennessee. LG&E also engages in the distribution and sale of natural gas in Kentucky. LG&E provides electric service to approximately 400,000 customers in Louisville and adjacent areas in Kentucky, covering approximately 700 square miles in nine counties and provides natural gas service to approximately 321,000 customers in its electric service area and eight additional counties in Kentucky. KU provides electric service to approximately 515,000 customers in 77 counties in central, southeastern and western Kentucky, approximately 28,000 customers in five counties in southwestern Virginia, and fewer than ten 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.

Details of operating revenues by customer class for the years ended December 31 are shown below.

	2014		2013		2012	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
LKE						
Commercial	$ 815	26	$ 770	26	$ 723	26
Industrial	627	20	587	20	551	20
Residential	1,281	40	1,205	40	1,071	39
Retail - other	279	9	260	9	270	10
Wholesale - municipal	109	3	110	4	102	4
Wholesale - other (a)	57	2	44	1	42	1
Total	$ 3,168	100	$ 2,976	100	$ 2,759	100

	2014			2013			2012		
	Revenue		% of Revenue	Revenue		% of Revenue	Revenue		% of Revenue
LG&E									
Commercial	$	433	28	$	405	29	$	374	28
Industrial		194	13		186	13		170	13
Residential		650	43		614	44		548	41
Retail - other		130	8		119	8		131	10
Wholesale - other (a) (b)		126	8		86	6		101	8
Total	$	1,533	100	$	1,410	100	$	1,324	100
KU									
Commercial	$	382	22	$	365	22	$	349	23
Industrial		433	25		401	25		381	25
Residential		631	36		591	36		523	34
Retail - other		149	9		141	9		139	9
Wholesale - municipal		109	6		110	7		102	7
Wholesale - other (a) (b)		33	2		27	1		30	2
Total	$	1,737	100	$	1,635	100	$	1,524	100

(a) Includes wholesale power and transmission revenues.
(b) Includes intercompany power sales and transmission revenues, which are eliminated upon consolidation at LKE.

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 legislative or regulatory actions, if any, regarding industry restructuring and their impact on LKE, which may be significant, cannot currently be predicted. Virginia, formerly a deregulated jurisdiction, has enacted legislation that implemented a hybrid model of cost-based regulation. KU's operations in Virginia have been and remain regulated.

Alternative energy sources such as electricity, oil, propane and other fuels 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.

Power Supply

At December 31, 2014, LKE owned, controlled or had a minority ownership interest in generating capacity (summer rating) of 8,087 MW, of which 3,342 MW related to LG&E and 4,745 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 2014, LKE's Kentucky power plants generated the following amounts of electricity.

	GWh		
Fuel Source	LKE	LG&E	KU
Coal (a)	33,768	14,944	18,824
Oil / Gas	1,505	522	983
Hydro	344	272	72
Total (b)	35,617	15,738	19,879

(a) Includes 896 GWh of power generated by and purchased from OVEC for LKE, 620 GWh for LG&E and 276 GWh for KU.
(b) This generation represents a 1.4% increase for LKE, a 5.4% increase for LG&E and a 1.6% decrease for KU from 2013 output.

A majority 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 and municipal 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 and municipal customers 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 Cane Run Unit 7 which is currently under construction, and LG&E's and KU's CPCN application to construct a solar generating facility at the E.W. Brown generating site. As a result of environmental requirements, LG&E and KU anticipate retiring five older coal-fired electric generating units at the Cane Run plant in 2015 and the Green River plant in 2016, which have a combined summer capacity rating of 724 MW. In addition, KU retired the remaining 71 MW coal-fired unit at the Tyrone plant in February 2013 and retired a 12 MW gas-fired unit at the Haefling plant in December 2013.

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 as baseload generation. The natural gas for this generating unit will be contracted from suppliers separately from LG&E's natural gas customers. 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 NGCC unit at Cane Run and six simple cycle combustion turbine units.

LG&E and KU have entered into coal supply agreements with various suppliers for coal deliveries through 2019 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 and southern Illinois. In 2015 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)

Natural Gas Distribution Supply

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, 2014, LG&E had 12 Bcf of natural gas stored underground with a carrying value of $54 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 2020. Total winter season capacity under these contracts is 194,900 MMBtu/day and summer season capacity is 88,000 MMBtu/day. Additionally, LG&E has a contract with the same pipeline for the month of January 2015 with a total capacity of 35,000 MMBtu/day, and a contract with a second pipeline with a total capacity of 20,000 MMBtu/day during both the winter and summer seasons that expires in October 2018.

LG&E expects to purchase natural gas supplies for its gas distribution operations from onshore producing regions in South Texas, East Texas, North Louisiana and Arkansas, as well as gas originating in the Rockies, Marcellus and Utica production areas.

(PPL, LKE, LG&E and KU)

<u>Transmission</u>

LG&E and KU contract with the Tennessee Valley Authority to act as their transmission reliability coordinator and contract with TranServ International, Inc. to act as their independent transmission operator.

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 group 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.

<u>Rates</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 (OATT).

LG&E's and KU's Kentucky base rates are calculated based on a return on capitalization (common equity, long-term debt and short-term debt) including adjustments for certain net investments and costs recovered separately through other means. As such, LG&E and KU generally earn a return on regulatory assets.

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 12 municipal customers for wholesale requirements are calculated based on annual updates to a formula rate that utilizes a return on rate base (net utility plant plus working capital less 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. In April 2014, nine municipalities submitted notices of termination, under the original notice period provisions, to cease taking power under the wholesale requirements contracts. Such terminations are to be effective in 2019, except in the case of one municipality with a 2017 effective date. In addition, a tenth municipality has a previously settled termination date of 2016.

See Note 6 to the Financial Statements for additional information on cost recovery mechanisms.

<u>Rate Case</u>

On November 26, 2014, LG&E and KU filed requests with the KPSC for increases in annual base electricity rates of approximately $30 million at LG&E and approximately $153 million at KU and an increase in annual base gas rates of approximately $14 million at LG&E. The proposed base rate increases would result in electricity rate increases of 2.7% at LG&E and 9.6% at KU and a gas rate increase of 4.2% at LG&E and would become effective in July 2015. LG&E's and KU's applications each include a request for authorized returns-on-equity of 10.5%. The applications are based on a forecasted test year of July 1, 2015 through June 30, 2016. A number of parties have been granted intervention requests in the proceedings. A hearing on the applications is scheduled to commence on April 21, 2015. LG&E and KU cannot predict the outcome of these proceedings.

- ***Pennsylvania Regulated Segment*** *(PPL)*

  Includes the regulated electricity delivery operations of PPL Electric.

(PPL and PPL Electric)

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 to retail customers in this area as a PLR under the Customer Choice Act.

Details of revenues by customer class for the years ended December 31 are shown below.

	2014		2013		2012	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
Distribution						
Residential	$ 1,285	63	$ 1,215	65	$ 1,108	63
Industrial	52	3	52	3	53	3
Commercial	367	18	363	19	366	21
Other	5		(11)		26	1
Transmission	335	16	251	13	210	12
Total	$ 2,044	100	$ 1,870	100	$ 1,763	100

Franchise, Licenses and Other Regulations

PPL Electric is authorized to provide electric public utility service throughout its service area as a result of grants by the Commonwealth of Pennsylvania in corporate charters to PPL Electric and companies which it has succeeded and as a result of certification by the PUC. PPL Electric is granted the right to enter the streets and highways by the Commonwealth subject to certain conditions. In general, such conditions have been met by ordinance, resolution, permit, acquiescence or other action by an appropriate local political subdivision or agency of the Commonwealth.

Competition

Pursuant to authorizations from the Commonwealth of Pennsylvania and the PUC, PPL Electric operates a regulated distribution monopoly in its service area. Accordingly, PPL Electric does not face competition in its electricity distribution business. Pursuant to the Customer Choice Act, generation of electricity is a competitive business in Pennsylvania, and PPL Electric does not own or operate any generation facilities.

The PPL Electric transmission business, operating under a FERC-approved PJM Open Access Transmission Tariff, is subject to competition pursuant to FERC Order 1000 from entities that are not incumbent PJM transmission owners with respect to the construction and ownership of transmission facilities within PJM.

Rates and Regulation

Transmission

PPL Electric's transmission facilities are within PJM, which operates the electricity transmission network and electric energy market in the Mid-Atlantic and Midwest regions of the U.S.

PJM serves as a FERC-approved RTO to promote greater participation and competition in the region it serves. In addition to operating the electricity transmission network, PJM also administers regional markets for energy, capacity and ancillary services. A primary objective of any RTO is to separate the operation of, and access to, the transmission grid from market participants that buy or sell electricity in the same markets. Electric utilities continue to own the transmission assets and to receive their share of transmission revenues, but the RTO directs the control and operation of the transmission facilities. Certain types of transmission investment are subject to competitive processes outlined in the PJM tariff.

As a transmission owner, PPL Electric's transmission revenues are recovered through PJM in accordance with a FERC approved tariff that allows recovery of incurred transmission costs, a return on transmission-related plant and an automatic annual update based on a formula rate mechanism. As a PLR, PPL Electric also purchases transmission services from PJM. See "PLR" below.

See Note 6 to the Financial Statements for additional information on rate mechanisms.

Distribution

PPL Electric's distribution base rates are calculated based on a return on rate base (net utility plant plus a cash working capital allowance less plant-related deferred taxes and other miscellaneous additions and deductions). All regulatory assets and liabilities are excluded from the return on rate base; therefore, no return is earned on the related assets unless specifically provided for by the PUC. Currently, PPL Electric's Smart Meter rider and the DSIC are the only regulatory assets earning a return. Certain operating expenses are also included in PPL Electric's distribution base rates including wages and benefits, other operation and maintenance expenses, depreciation and taxes.

Pennsylvania's AEPS 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 created an energy efficiency and conservation program, a demand side management program, smart metering technology requirements, new PLR generation supply procurement rules, remedies for market misconduct and changes to the existing AEPS.

Act 11 authorizes the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, the use of a DSIC. Such alternative ratemaking procedures and mechanisms provide opportunity for accelerated cost-recovery and, therefore, are important to PPL Electric as it is in a period of significant capital investment to maintain and enhance the reliability of its delivery system, including the replacement of aging assets. In January 2013, PPL Electric filed a petition requesting permission to establish a DSIC. In May 2013, the PUC approved PPL Electric's proposed DSIC with an initial rate effective July 1, 2013, subject to refund after hearings. The PUC also assigned four technical recovery calculation issues to the Office of Administrative Law Judge for hearing and preparation of a recommended decision. In August 2014, the presiding Administrative Law Judge issued a recommended decision which would not have a significant impact on PPL Electric. This matter remains pending before the PUC.

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, or an alternative supplier approved by the PUC to act as a PLR of electricity supply for customers who do not choose to shop for supply with a competitive supplier and provides that electricity supply costs will be recovered by the PLR pursuant to regulations established by the PUC. As of December 31, 2014, the following percentages of PPL Electric's customer load were provided by competitive suppliers: 50% of residential, 83% 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 June 2013 through May 2015, which includes 4 solicitations for electricity supply held in April and October, annually. 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 12- and 9-month fixed-price load-following contracts for residential, small commercial and small industrial customers, and 12-month real-time pricing contracts for large commercial and large industrial customers to fulfill PPL Electric's obligation to provide customer electricity supply as a PLR. In April 2014, PPL Electric filed a new Default Service Plan with the PUC for the period of June 1, 2015 through May 31, 2017. The petition was approved by the PUC on January 15, 2015.

Numerous alternative suppliers have offered to provide generation supply in PPL Electric's service territory. Since the cost of generation supply is a pass-through cost for PPL Electric, its financial results are not impacted if its customers purchase electricity supply from these alternative suppliers. See "Energy Purchase Commitments" in Note 13 to the Financial Statements for additional information regarding PPL Electric's solicitations.

- ***Supply Segment*** *(PPL)*

  Consists primarily of the activities of PPL Energy Supply's subsidiaries, PPL Generation and PPL EnergyPlus. PPL Generation owns and operates competitive domestic power plants to generate electricity and acquires and develops competitive domestic generation projects. PPL EnergyPlus markets and trades electricity, natural gas, and other energy-related products in competitive wholesale and retail markets. In addition, certain financing and other costs are allocated to the Supply segment. Upon completion of the anticipated spinoff of PPL Energy Supply in 2015, PPL will no longer have a Supply segment. See "Anticipated Spinoff of PPL Energy Supply" above for additional information.

(PPL and PPL Energy Supply)

PPL Energy Supply's generation assets are primarily located in Pennsylvania and 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 2015 is anticipated to be used to meet its committed contractual sales. PPL Energy Supply has also entered into commitments of varying quantities and terms for 2016 and beyond.

Details of revenue by category for the years ended December 31, are shown below.

	2014		2013		2012	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
Energy						
Unregulated wholesale energy (a)	$ 1,892	51	$ 2,960	65	$ 4,054	76
Unregulated retail energy	1,243	33	1,027	23	844	16
Total energy	3,135	84	3,987	88	4,898	92
Energy-related businesses (b)	601	16	527	12	448	8
Total	$ 3,736	100	$ 4,514	100	$ 5,346	100

(a) Included in these amounts for 2014, 2013 and 2012 are $84 million, $51 million and $78 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 for 2012, which are not included in this table.

Power Supply

PPL Energy Supply owned or controlled generating capacity (summer rating) of 9,896 MW at December 31, 2014. 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 details of PPL Energy Supply's generating capacity.

During 2014, PPL Energy Supply owned or controlled power plants that generated the following amounts of electricity.

	GWh		
Fuel Source	Northeastern	Northwestern	Total
Nuclear	16,903		16,903
Oil / Gas	11,080		11,080
Coal	16,074	4,030	20,104
Hydro (a)	931	3,318	4,249
Renewables (b)	413		413
Total	45,401	7,348	52,749

(a) The Northwestern amount reflects generation from hydroelectric generating facilities that were sold by PPL Montana to NorthWestern in November 2014. See Note 8 to the Financial Statements for additional information.

(b) PPL Energy Supply subsidiaries own or control renewable energy projects located in Pennsylvania, New Jersey, Vermont and New Hampshire with a generating capacity (summer rating) of 25 MW. PPL EnergyPlus sells the energy, capacity and RECs produced by these plants into the wholesale market as well as to commercial and industrial 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.

Fuel Supply

Coal

Pennsylvania

PPL EnergyPlus actively manages PPL Energy Supply's coal requirements by purchasing coal principally from mines located in northern Appalachia.

During 2014, PPL Generation purchased 5.6 million tons of coal required for its wholly owned Pennsylvania plants. Coal 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. PPL Generation, by and through its agent PPL EnergyPlus, has agreements in place that will provide more than 16 million tons of PPL Generation's projected coal needs for the Pennsylvania power plants from 2015 through 2018 and augments its coal supply agreements with spot market purchases, as needed.

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 4.5 million tons of coal to the Keystone plant in 2014. The Conemaugh plant requirements are purchased under contract from Conemaugh Fuels, LLC, which provided 4.5 million tons of coal to the Conemaugh plant in 2014.

All wholly owned 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 limestone contracts with suppliers that will provide for those plants' requirements through 2016. During 2014, 430,000 tons of limestone were delivered to Brunner Island and Montour under these contracts. Annual limestone requirements range from approximately 400,000-500,000 tons.

Montana

PPL Montana owns a 30% interest in Colstrip Unit 3 and 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, 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, 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 85% to 100% of their coal requirements (at owners' option) from January 2015 through December 2019. PPL Montana, 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 containing 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 2014 and similar contracts are in place to supply 100% of the expected coal requirements through the suspension of plant operations scheduled for no later than April 2015. The plant is expected to be retired in August 2015.

Oil and Natural Gas

Pennsylvania

PPL Generation's Martins Creek Units 3 and 4 burn both oil and natural gas. During 2014, 100% of the physical gas requirements for the Martins Creek units were purchased on the spot market using either delivered supply or a combination of spot market supply and short-term capacity and oil requirements were supplied from inventory and replenished by purchases made in the spot market. At December 31, 2014, 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 combined-cycle facility.

For PPL's Ironwood combined-cycle facility, 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.

In addition, PPL EnergyPlus has secured long-term natural gas supply for approximately 10% of the combined needs of Ironwood and Lower Mt. Bethel through 2016.

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 2020 and Unit 2 to operate into the first quarter of 2019. 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 2044, 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, PPL Susquehanna entered into a settlement agreement with the U.S. Government relating to PPL Susquehanna's lawsuit. The settlement included reimbursement of certain costs to store spent nuclear fuel at the Susquehanna plant incurred from 1998 through December 31, 2013, and PPL Susquehanna received payments for its claimed costs for those periods. In exchange, PPL Susquehanna waived any claims against the U.S. Government for costs paid or injuries sustained related to storing spent nuclear fuel at the Susquehanna plant through December 31, 2013. In January 2014, PPL Susquehanna entered into a new agreement with the DOE to extend the settlement agreement on the same terms as the prior agreement for an additional three years to the end of 2016.

Energy Marketing

PPL EnergyPlus sells the capacity and electricity produced by PPL Generation subsidiaries, and buys and sells purchased power, capacity, ancillary services, FTRs, natural gas, oil, uranium, emission allowances and RECs in competitive wholesale and competitive retail markets.

PPL EnergyPlus transacts in competitive retail energy markets, and buys and sells electricity and natural gas supply, to meet the diverse needs of business customers. PPL EnergyPlus sells retail electricity supply to business customers in Delaware, the District of Columbia, Maryland, Montana, New Jersey, Ohio and Pennsylvania and sells retail natural gas supply to business customers in Delaware, Maryland, New Jersey, and Pennsylvania. The company also offers electricity supply to select residential customers in Pennsylvania. Although retail energy revenues continue to grow, the net margins related to these activities are not currently a significant component of PPL Energy Supply's margins.

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 Note 17 to the Financial Statements for more information.

Competition

Since the early 1990s, there has been increased competition in U.S. energy markets because of federal and state competitive market initiatives. Although 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 industries. 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 recent 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, governmental mandates for new generation, new market entrants, construction of new 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", "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview" and Notes 13 and 17 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 has a license from the DOE to export electric energy to Canada. PPL EnergyPlus also has a permit from the National Energy Board of Canada to export firm and interruptible energy from Canada to the U.S.

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 2018. See Note 8 to Financial Statements for additional information.

PPL Holtwood operates the Holtwood and Wallenpaupack hydroelectric generating plants pursuant to FERC-granted licenses that expire in 2030 and 2045, respectively.

- ***Other Corporate Functions*** *(PPL)*

PPL Services provides corporate functions such as financial, legal, supply chain, human resources and information technology services. Most of PPL Services' costs are charged directly to the respective PPL subsidiaries for the services provided or indirectly charged to applicable subsidiaries based on an average of the subsidiaries' relative invested capital, operation and maintenance expenses and number of employees.

Upon completion of the anticipated spinoff of PPL Energy Supply and any related transition services to Talen Energy, the remaining corporate functions that would be provided by PPL Services would primarily be in support of PPL Electric. As a result, a newly created centralized services company has been formed, PPL EU Services, which will provide the majority of corporate functions such as financial, supply chain, human resources and information technology services to PPL Electric. Significant portions of the various corporate functions within PPL Services will be transferred to PPL EU Services during 2015 and 2016 as the transition services agreements with Talen Energy expire. Most of PPL EU Services' costs will be charged directly to PPL Electric for the services provided, with limited amounts charged back to PPL Services and its affiliates. PPL Services will continue to provide certain limited corporate functions, as the size of the organization is being reduced from approximately 1,200 employees to less than 200 employees after the transition services with Talen Energy are complete.

PPL Capital Funding, PPL's financing subsidiary, provides financing for the operations of PPL and certain subsidiaries. PPL's growth in rate-regulated businesses provides the organization with an enhanced corporate level financing alternative, through PPL Capital Funding, that further enables PPL to cost effectively support targeted credit profiles across all of PPL's rated companies. As a result, PPL plans to further utilize PPL Capital Funding in future financings, in addition to continued direct financing by the operating companies.

Unlike PPL Services and PPL EU Services, PPL Capital Funding's costs are not generally charged to PPL subsidiaries. Costs are charged directly to PPL. However, PPL Capital Funding participated significantly in the financing for the acquisitions of LKE and WPD Midlands and certain associated financing costs were allocated to the Kentucky and U.K. Regulated segments. The associated financing costs, as well as the financing costs associated with prior issuances of certain other PPL Capital Funding securities, have been assigned to the appropriate segments for purposes of PPL management's assessment of segment performance. The financing costs associated primarily with PPL Capital Funding's securities issuances in 2013 and beyond, with certain exceptions including the remarketing of the debt component of the 2010 and 2011 Equity Units, have not been directly assigned or allocated to any segment.

See "Anticipated Spinoff of PPL Energy Supply" above for information on the expected reductions of $75 million in corporate support costs in connection with the spinoff transaction.

(All Registrants)

SEASONALITY

The demand for and market prices of electricity and natural gas are affected by weather. As a result, the Registrants' operating results in the future may fluctuate substantially on a seasonal basis, especially when 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, the retail load served and the terms of contracts to purchase or sell electricity. See "Financial Condition - Environmental Matters" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information regarding climate change.

FINANCIAL CONDITION

See "Financial Condition" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for this information.

CAPITAL EXPENDITURE REQUIREMENTS

See "Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash - Capital Expenditures" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for information concerning projected capital expenditure requirements for 2015 through 2019. See Note 13 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 "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" on projected environmental capital expenditures for the years 2015-2019. Also, see "Environmental Matters" in Note 13 to the Financial Statements for additional information. To comply with environmental requirements, PPL's forecast for environmental capital expenditures reflects a best estimate projection of expenditures that may be required within the next five years. Such projections are $2.4 billion for PPL, including $2.2 billion for LKE ($1.1 billion each for LG&E and KU), and $192 million for PPL Energy Supply. Actual costs (including capital, emission allowance purchases and operational modifications) may be significantly lower or higher depending on the final compliance requirements and market conditions. PPL's and LKE's subsidiaries may also incur capital expenditures and operating expenses, which are not now determinable, but could be significant. Most 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.

EMPLOYEE RELATIONS

At December 31, 2014, PPL and its subsidiaries had the following full-time employees.

PPL Energy Supply (a)	4,156
PPL Electric	2,122
LKE	
KU	949
LG&E	1,029
LKS	1,504
Total LKE	3,482
PPL Global (primarily WPD)	6,473
PPL Services and other	1,158
Total PPL	17,391

(a) Includes labor union employees of mechanical contracting subsidiaries, whose numbers tend to fluctuate due to the nature of this business.

At December 31, 2014, the breakdown of the total workforce that is represented by labor unions was:

	Number of Employees	Percent of Total Workforce
PPL (a)	9,062	52%
PPL Energy Supply	2,482	60%
PPL Electric	1,319	62%
LKE	855	25%
LG&E	714	69%
KU	141	15%

(a) Includes 4,076 employees of WPD who are members of labor unions (or 63% of PPL's U.K. workforce). WPD recognizes four unions, the largest of which represents 41% of its union workforce. WPD's Electricity Business Agreement, which covers 4,001 union employees, may be amended by agreement between WPD and the unions and can be terminated with 12 months' notice by either side.

See "Anticipated Spinoff of PPL Energy Supply" in Note 8 to the Financial Statements and "Labor Union Agreements" in Note 13 to the Financial Statements for details on the elimination of approximately 430 domestic positions at PPL, PPL Energy Supply and PPL Electric.

AVAILABLE INFORMATION

PPL's Internet website is www.pplweb.com. Under the Investor heading 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. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 13 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.

(PPL and PPL Energy Supply)

Risks Relating to Our Agreement to Spin off PPL Energy Supply and Form Talen Energy Corporation

The proposed spinoff of PPL Energy Supply and the combination with RJS Power are contingent upon the satisfaction of a number of conditions and may present situations that could have an adverse effect on us.

The proposed spinoff of PPL Energy Supply and the subsequent combination with RJS Power to form Talen Energy are complex transactions, subject to various conditions, and may be affected by unanticipated developments or changes in market conditions. On November 5, 2014, Talen Energy filed a registration statement with the SEC containing detailed information regarding Talen Energy. Completion of the proposed spinoff of PPL Energy Supply and subsequent combination with RJS Power will be contingent upon a number of factors, including that (i) PPL receives a favorable legal opinion of tax counsel as described below; (ii) the SEC declares effective Talen Energy's registration statement relating to registration of Talen Energy common stock and no SEC stop order suspending effectiveness of the registration statement be in effect prior to the PPL Energy Supply spinoff; (iii) the Talen Energy common stock be authorized for listing on the New York Stock Exchange; (iv) certain regulatory approvals have been obtained, including approval by the NRC and the FERC, Hart-Scott-Rodino clearance and certain approvals by the PUC and (v) there be, subject to certain conditions, at least $1 billion of undrawn credit capacity under a revolving credit facility or similar facility available to Talen Energy and its subsidiaries (for purposes of which any letters of credit or other credit support measures posted in connection with energy marketing and trading transactions then outstanding shall not be considered as drawn against such facility). The spinoff and subsequent combination may be terminated by mutual written consent of the parties or subject to certain other circumstances, including the failure to complete these transactions by June 30, 2015 or, if the required regulatory approvals have not been obtained at such time but the other conditions to the consummation of these transactions have been or are capable of being satisfied, December 31, 2015. For these and other reasons, the spinoff and subsequent combination may not be completed on the terms or within the expected timeframe, if at all.

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

Among other requirements, the completion of the proposed spinoff of PPL Energy Supply and subsequent combination with RJS Power is conditioned upon PPL's receipt of a legal opinion of tax counsel to the effect that the spinoff will qualify as a reorganization pursuant to Section 368(a)(1)(D) and a tax-free distribution pursuant to Section 355 of the Code. Although receipt of such legal opinion will satisfy a condition to completion of the spinoff and subsequent combination, that legal opinion will not be binding on the IRS. Accordingly, the IRS may reach conclusions that are different from the conclusions reached in such opinion. PPL is not aware of any facts or circumstances that would cause the factual statements or representations on which the legal opinion will be based to be materially different from the facts at the time of the spinoff. If, notwithstanding the receipt of such opinion, the IRS were to determine the Distribution to be taxable, PPL would, and its shareowners could, depending on their individual circumstances, recognize a tax liability that could be substantial. In addition, notwithstanding the receipt of such opinion, if the IRS were to determine the Merger to be taxable, PPL shareowners may, depending on their individual circumstances, recognize a tax liability that could be material.

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

PPL may not be successful in realizing the full amount of anticipated annual savings as a result of the proposed spinoff of PPL Energy Supply.

In connection with the spinoff of PPL Energy Supply, and following any required transition services period, PPL is targeting to reduce its annual corporate support costs by an estimated $185 million. This includes $110 million of corporate support costs to be either eliminated or transferred to Talen Energy and $75 million of corporate support costs to be eliminated as a result of workforce and other corporate cost reductions. If for any reason PPL cannot realize all or a significant portion of the $75 million corporate cost savings it could have an adverse effect on PPL's cash flows and results of operations.

Risks related to our U.K. Segment

Our U.K. distribution business contributes more than 50% of PPL's total annual net income and exposes us to the following additional risks related to operating outside the U.S., including risks associated with changes in U.K. laws and regulations, taxes, economic conditions and political conditions and policies of the U.K. government and the European Union. These risks may reduce the results of operations from our U.K. distribution business or affect our ability to access U.K. revenues for payment of distributions or for other corporate purposes in the U.S.

- changes in laws or regulations relating to U.K. operations, including rate regulations, operational performance and tax laws and regulations;
- changes in government policies, personnel or approval requirements;
- changes in general economic conditions affecting the U.K.;
- regulatory reviews of tariffs for distribution companies;
- changes in labor relations;
- limitations on foreign investment or ownership of projects and returns or distributions to foreign investors;
- limitations on the ability of foreign companies to borrow money from foreign lenders and lack of local capital or loans;
- changes in U.S. tax law applicable to taxation of foreign earnings; and
- compliance with U.S. foreign corrupt practices laws.

We are subject to increased foreign currency exchange rate risks because a majority of our cash flows and reported earnings are currently generated by our U.K. business operations.

These risks relate primarily to changes in the relative value of the British pound sterling and the U.S. dollar between the time we initially invest U.S. dollars in our U.K. businesses, and our strategy to hedge against such changes, and the time that cash is repatriated to the U.S. from the U.K., including cash flows from our U.K. businesses that may be distributed to PPL or used for repayments of intercompany loans or other general corporate purposes. In addition, PPL's consolidated reported earnings on a 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.

Our U.K. delivery business is subject to risks with respect to rate regulation and operational performance.

Our U.K. delivery businesses are rate-regulated and operate under an incentive-based regulatory framework. Managing operational risk is critical to the U.K. Regulated segment's financial performance. Disruption to these distribution networks could reduce profitability both directly by incurring costs for network restoration and also through the system of penalties and rewards that Ofgem administers relating to customer service levels.

A failure by any of our U.K. regulated businesses to comply with the terms of a distribution license may lead to the issuance of an enforcement order by Ofgem that could have an adverse impact on PPL.

Ofgem has powers to levy fines of up to ten percent of revenue for any breach of a distribution license or, in certain circumstances, such as insolvency, the distribution license itself may be revoked. Ofgem also has formal powers to propose modifications to each distribution license and there can be no assurance that a restrictive modification will not be introduced in the future, which could have an adverse effect on the operations and financial condition of the U.K. regulated businesses and PPL.

(PPL, 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 their subsidiaries. Accordingly, these Registrants' cash flows and ability to meet debt and guaranty obligations, as well as PPL's ability to pay dividends, are largely dependent upon the earnings of those subsidiaries and the distribution or other payment of such earnings in the form of dividends, distributions, loans, advances or repayment of loans and advances. The subsidiaries are separate and distinct legal entities and have no obligation to pay dividends or distributions to their parents or to make funds available for such a payment. The ability of the Registrants' subsidiaries to pay dividends or distributions in the future will depend on the subsidiaries' future earnings and cash flows and the needs of their businesses, and may be restricted by their obligations to holders of their outstanding debt and other creditors, as well as any contractual or legal restrictions in effect at such time, including the requirements of state corporate law applicable to payment of dividends and distributions, and regulatory requirements, including restrictions on the ability of PPL Electric, LG&E and KU to pay dividends under Section 305(a) of the Federal Power Act.

Because PPL, 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. 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. 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. 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.

(All Registrants except PPL Energy Supply)

Risks Related to Domestic Regulated Utility Operations

Our domestic regulated utility businesses face many of the same risks, in addition to those risks that are unique to each of the Kentucky Regulated 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 and existing rates may be challenged.

The rates we charge our utility customers must be approved by one or more federal or state regulatory commissions, including the FERC, KPSC, VSCC, TRA and PUC. Although rate regulation is generally premised on the recovery of prudently incurred costs and a reasonable rate of return on invested capital, there can be no assurance that regulatory authorities will consider all of our costs to have been prudently incurred or that the regulatory process by which rates are determined will always result in rates that achieve full recovery of our costs or an adequate return on our capital investments. Federal or state agencies, interveners and other permitted parties may challenge our rate requests, and ultimately reduce, alter or limit our current rates or future rates we seek. Although 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 domestic regulated utility businesses are subject to substantial capital expenditure requirements over the next several years, which will likely require rate increase requests to the regulators. If our costs are not adequately recovered through rates, it could have an adverse effect on our business, results of operations, cash flows and financial condition.

Our domestic utility businesses are subject to significant and complex governmental regulation.

In addition to regulating the rates we charge, various federal and state regulatory authorities regulate many aspects of our domestic utility operations, including:

- the terms and conditions of our service and operations;
- financial and capital structure matters;
- siting, construction and operation of facilities;
- mandatory reliability and safety standards under the Energy Policy Act of 2005 and other standards of conduct;
- accounting, depreciation and cost allocation methodologies;
- tax matters;
- affiliate transactions;
- acquisition and disposal of utility assets and issuance of securities; and
- various other matters, including energy efficiency.

Such regulations or changes thereto may subject us to higher operating costs or increased capital expenditures and failure to comply could result in sanctions or possible penalties which may not be recoverable from customers.

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 our domestic utilities participate.

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.

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, 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.

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, operations changes, permit limitations or other restrictions. At some of our older generating facilities it may be uneconomic for us to install necessary pollution control equipment, which could cause us to retire those units. Market prices for energy and capacity also affect this cost-effectiveness analysis. Many of these environmental law considerations are also applicable to the operations of our key suppliers, or customers, such as coal producers 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 related compliance strategies 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. 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, delayed or incomplete rate recovery or increased costs of implementation.

Risks Specific to Pennsylvania Regulated Segment

(*PPL and PPL Electric*)

We plan to selectively pursue growth of 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 transmission and distribution capacity over the next several years. We plan to do this through the potential construction or acquisition of transmission and distribution projects and capital investments to upgrade transmission and distribution infrastructure. These types of projects involve numerous risks. With respect to 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 construction 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.

We face competition for transmission projects, which could adversely affect our rate base growth

FERC Order 1000, issued in July 2011, establishes certain procedural and substantive requirements relating to participation, cost allocation and non-incumbent developer aspects of regional and inter-regional electric transmission planning activities. The PPL Electric transmission business, operating under a FERC-approved PJM Open Access Transmission Tariff (OATT), is subject to competition pursuant to FERC Order 1000 from entities that are not incumbent PJM transmission owners with respect to the construction and ownership of transmission facilities within PJM. Increased competition can result in lower rate base growth.

We could be subject to higher costs and/or penalties related to Pennsylvania Conservation and Energy Efficiency Programs.

PPL Electric is subject to Act 129 which contains requirements for energy efficiency and conservation programs and for the use of smart metering technology, imposes PLR electricity supply procurement rules, provides remedies for market misconduct, and made changes to the existing AEPS. The law also requires electric utilities to meet specified goals for reduction in customer electricity usage and peak demand. Utilities not meeting these Act 129 requirements are subject to significant penalties that cannot be recovered in rates. Numerous factors outside of our control could prevent compliance with these requirements and result in penalties to us.

Risks Related to Supply Segment

(*PPL and PPL Energy Supply*)

We face intense competition in the competitive power generation market, which may adversely affect our ability to operate profitably and generate positive cash flow.

Our generation business is dependent on our ability to operate successfully in a competitive environment and is not assured of any rate of return on capital investments through a regulated rate structure. Competition is affected 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 affect our ability to sell electricity and related products and services, as well as the prices that we receive 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 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, 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 electricity and capacity prices.

We also face competition in the wholesale markets for generation 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, ISOs and RTOs. 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.

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 rates 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 liquidity 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 credit facilities.

We also face credit risk that counterparties 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 inception of the 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.

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 capacity and related congestion charges and other costs. Unlike most commodities, the limited ability to store electricity 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 time periods and can be unpredictable. Among the factors that influence such prices are:

- demand for electricity;
- supply of electricity available from current or new generation resources;
- variable production costs, primarily fuel (and associated 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 affecting demand for or the price of electricity or the facilities necessary to deliver electricity.

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 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 could be adversely affected.

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 and applicable commodity prices change in ways that would be adverse to us, our results of operations and financial position may be adversely affected. To the extent we do hedge against commodity price risk, those hedges may not ultimately prove to be effective.

The accounting for our hedging activities may increase the volatility in our quarterly and annual financial results.

We engage in commodity-related marketing and price-risk management activities in order to physically and financially hedge our exposure to market risk with respect to electricity sales from our generation assets, fuel utilized by those assets and emission allowances.

We generally attempt to balance our fixed-price physical and financial purchases and sales commitments in terms of contract volumes and the timing of performance and delivery obligations through the use of financial and physical derivative contracts. These derivatives are recorded on the balance sheet at fair value with changes in the fair value resulting from fluctuations in the underlying commodity prices immediately recognized in earnings, unless the derivative qualifies for cash flow hedge accounting treatment or the NPNS exception. Whether a derivative qualifies for cash flow hedge accounting treatment depends upon it meeting specific criteria used to determine if the cash flow hedge is and will remain appropriate for the term of the derivative. Specific criteria are also required in order to elect the NPNS exception, which permits qualifying hedges to be treated under the accrual accounting method. All economic hedges may not necessarily qualify for cash flow hedge accounting treatment or the NPNS exception, or we may elect not to utilize cash flow hedge accounting or the NPNS exception. As a result, our quarterly and annual results are subject to significant fluctuations caused by changes in market prices.

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 supply electricity, most notably fuel cells, micro turbines, batteries, 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 alternative generation 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.

The full-requirements sales 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 full-requirements sales contracts with our own generation or energy purchases from third parties. 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 full-requirements sales 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 and other products consumed during the production of electricity (such as coal, natural gas, oil, water, uranium, lime, limestone and other chemicals) from a number of suppliers. Delivery of these fuels to our facilities is dependent upon the continuing financial viability of contractual counterparties as well as the infrastructure (including rail lines, rail cars, barge facilities, roadways, riverways and natural gas pipelines) available to serve each generation facility. As a result, we are subject to the risks of disruptions or curtailments in the production of power at our generation facilities if fuel is unavailable at any price or if a counterparty fails to perform or if there is a disruption in the fuel delivery infrastructure. Disruption in the delivery of fuel, 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 could cause 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.

If the services provided by the transmission facilities that deliver the wholesale power from our generation facilities are inadequate, our ability to sell and deliver wholesale power may be materially adversely affected. Furthermore, any changes in the structure and operation of, or the various pricing limitations imposed by, the RTOs and ISOs that operate these transmission facilities may adversely affect the profitability of our generation facilities.

We do not own or control the transmission facilities required to sell the wholesale power from our generation facilities. If the transmission service from these facilities is unavailable or disrupted, or if the transmission capacity infrastructure is inadequate, our ability to sell and deliver wholesale power may be materially adversely affected. RTOs and ISOs provide transmission services, administer transparent and competitive power markets and maintain system reliability. Many of these RTOs and ISOs operate in the real-time and day ahead markets in which we sell energy. The RTOs and ISOs that oversee most of the wholesale power markets impose, and in the future may continue to impose, offer caps and other mechanisms to guard against the potential exercise of market power in these markets as well as price limitations. These types of price limitations and other regulatory mechanisms may adversely affect the profitability of our generation facilities that sell energy and capacity into the wholesale power markets. Problems or delays that may arise in the formation and operation of maturing RTOs and similar market structures, or changes in geographic scope, rules or market operations of existing RTOs, may also affect our ability to sell, the prices we receive or the cost to transmit power produced by our generating facilities. Rules governing the various regional power markets may also change from time to time, which could affect our costs or revenues. As a result, our financial condition, results of operations and cash flows may be materially adversely affected.

The FERC has issued regulations that require wholesale electricity 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.

Because our generation facilities are part of interconnected regional grids, we face the risk of blackout due to a disruption on a neighboring interconnected system.

Major electric power blackouts are possible and have occurred, which could disrupt electrical service for extended periods of time. If a blackout were to occur, the impact could result in interruptions to our operations, increased costs to replace existing contractual obligations, the possibility of regulatory investigations and potential operational risks to our facilities. Additionally, in response to the blackout, there could be changes or developments in applicable regulations or market structures that could have longer-term impact on our business and results of operations.

Despite federal and state deregulation initiatives, our generation 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 "Regulatory Issues - FERC Market-Based Rate Authority" in Note 13 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.

Our costs to comply with existing and new environmental and related worker health and safety laws are expected to continue to be significant, and we plan to incur significant capital expenditures for pollution control improvements that could adversely affect our profitability and liquidity or cause the continued operation of certain generation facilities to be uneconomic.

Our business is subject to extensive federal, state and local statutes, rules and regulations relating to environmental protection and worker health and safety. Numerous governmental authorities, such as the EPA and analogous state agencies, have the power to enforce compliance with these laws and regulations and the permits issued under them, oftentimes requiring difficult and costly response actions. These laws and regulations may impose numerous obligations that are applicable to our operations, including the acquisition of permits to conduct regulated activities, the incurrence of capital or operating expenditures to limit or prevent releases of hazardous materials from our operations, the imposition of specific standards addressing worker protection, and the imposition of substantial liabilities and remedial obligations for pollution or contamination resulting from our operations. 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. Failure to comply with these laws, regulations and permits may result in joint and several, strict liability for administrative, civil and/or criminal penalties, the imposition of remedial obligations, and the issuance of injunctions limiting or preventing some or all of our operations. Private parties may also have the right to pursue legal actions to enforce compliance, as well as to seek damages for non-compliance, with environmental laws, regulations and permits or for personal injury or property damage.

Our operations also pose risks of environmental liability due to leakage, migration, releases or spills of hazardous substances to surface or subsurface soils, surface water or groundwater. Certain environmental laws impose strict as well as joint and several liability (that could result in an entity paying more than its fair share) for costs required to remediate and restore sites where hazardous substances, hydrocarbons, or solid wastes have been stored or released. We may be required to remediate contaminated properties currently or formerly owned or operated by us or facilities of third parties that received waste generated by our operations regardless of whether such contamination resulted from the conduct of others or from consequences of our own actions that were in compliance with all applicable laws at the time those actions were taken. In addition, claims for damages to persons or property, including natural resources, may result from the environmental, health and safety impacts of our operations.

The trend of more expansive and stringent environmental legislation and regulations applied to the power generation industry could continue, resulting in increased costs of doing business and consequently affecting profitability. Many states and environmental groups have challenged certain federal laws and regulations relating to air emissions, water discharge and intake requirements, and management of CCRs as not being sufficiently strict. As a result, state and federal regulations have been proposed or adopted that would impose more stringent restrictions, which could require us to significantly increase capital and operating expenditures for additional environmental controls. At some of our older generating facilities it may be uneconomic for us to install necessary environmental controls to comply with new or proposed regulations, which could cause us to retire those units.

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.

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 32% of PPL Energy Supply's 2014 competitive power 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 19 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, particularly in response to the 2011 incident in Fukushima, Japan, 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 us that cannot be predicted. In addition, although we have no reason to anticipate a serious nuclear incident at our Susquehanna nuclear 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 13 to the Financial Statements for a discussion of nuclear insurance.

We plan to optimize our competitive power generation operations, which involves a number of uncertainties and may not achieve the desired financial results.

We plan to optimize our competitive power generation operations. We plan to do this through the construction of new power plants or modification of existing power plants, and the potential closure of certain existing plants and acquisition of plants that may become available for sale. These types of projects involve numerous risks. Any planned power plant modifications could result in cost overruns, reduced plant efficiency and higher operating and other costs. With respect to the construction of new plants or modification of existing plants, 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. The success of both a new or acquired project would likely be contingent, among other things, upon 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 modified plants as efficiently as projected, which could result in higher than projected operating and other costs and reduced earnings.

Risks Related to All Segments

(*All Registrants*)

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 sensitive customer information lost or stolen, causing us to incur significant losses of revenues, other substantial liabilities and damages, costs to replace or repair damaged equipment and damages to our reputation.

Adverse economic conditions could adversely affect our financial condition and results of operations.

Adverse economic conditions and the declines in wholesale energy prices, partially resulting from adverse economic conditions, have significantly impacted our earnings. The breadth and depth of these negative economic conditions had a wide-ranging impact on the U.S. business environment, including our businesses. In addition, adverse economic conditions also reduce the demand for electricity and natural gas and/or reduce our customers' ability to pay their bills. 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, economic and commodity market conditions will continue to impact our unhedged future energy margins, utility profits, liquidity, earnings growth and overall financial condition.

Increases in electricity prices and/or a weak economy, can lead to changes in legislative and regulatory policy, including the promotion of energy efficiency, conservation and self-generation, which may adversely impact our business.

Energy consumption is significantly impacted by overall levels of economic activity and costs of energy supplies. Economic downturns or periods of high energy supply costs can lead to changes in or the development of legislative and regulatory policy designed to promote reductions in energy consumption and increased energy efficiency and self-generation by customers. This focus on conservation, energy efficiency and self-generation may result in a decline in electricity demand, which could in turn adversely affect our business.

A downgrade in our credit ratings could negatively affect our ability to access capital and increase the cost of maintaining our credit facilities and any new debt.

Credit ratings assigned by Moody's and S&P to our businesses and their financial obligations have a significant impact on the cost of capital incurred by our businesses. A ratings downgrade could increase our short-term borrowing costs and negatively affect our ability to fund liquidity needs and access new long-term debt at acceptable interest rates. See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition - Liquidity and Capital Resources - Ratings Triggers" for additional information on the financial impact of a downgrade in our credit ratings.

Disruption in financial markets could adversely affect our financial condition and results of operations.

Our businesses are heavily dependent on credit and access to capital, among other things, for financing capital expenditures and providing collateral to support hedging in our energy marketing business. Regulations under the Dodd-Frank Act in the U.S. and Basel III in Europe may impose costly additional 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.

We could be negatively affected by rising interest rates, downgrades to our credit ratings, adverse credit market conditions or other negative developments in our ability to access capital markets.

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 rates, credit rating considerations, insurance, security or collateral requirements, market liquidity and credit availability and refinancing opportunities necessary or advisable to respond to credit market changes. Changes in these conditions could result in increased costs and decreased availability of credit.

Our operating revenues could fluctuate on a seasonal basis, especially as a result of extreme weather conditions.

Our businesses are subject to seasonal demand cycles. For example, in some markets demand for, and market prices of, electricity peak during hot summer months, while in other markets such peaks occur in cold winter months. As a result, our overall operating results may fluctuate substantially on a seasonal basis if weather conditions 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 directly decrease revenues and increase expenses, due to reduced usage and restoration costs.

Our businesses are subject to physical, market and economic risks relating to potential effects of climate change.

Climate change may produce changes in weather or other environmental conditions, including temperature or precipitation levels, and thus may impact consumer demand for electricity. In addition, the potential physical effects of climate change, such as increased frequency and severity of storms, floods, and other climatic events, could disrupt our operations and cause us to incur significant costs in preparing for or responding to these effects. These or other meteorological changes could lead to increased operating costs, capital expenses or power purchase costs. Greenhouse gas regulation could increase the cost of electricity, particularly power generated by fossil fuels, and such increases could have a depressive effect on regional economies. Reduced economic and consumer activity in our service areas -- both generally and specific to certain industries and consumers accustomed to previously lower cost power -- could reduce demand for the power we generate, market and deliver. Also, demand for our energy-related services could be similarly lowered by consumers' preferences or market factors favoring energy efficiency, low-carbon power sources or reduced electricity usage.

We cannot predict the outcome of 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 "Federal Matters" in Note 6 and "Legal Matters," "Regulatory Issues" and "Environmental Matters - Domestic" in Note 13 to the Financial Statements. We cannot predict the ultimate outcome of these matters, nor can we reasonably estimate the costs or liabilities that could potentially result from a negative outcome in each case.

Significant increases in our operation and maintenance expenses, including health care and pension costs, could adversely affect our future earnings and liquidity.

We continually focus on limiting and reducing our operation and maintenance expenses. However, we expect to continue to face increased cost pressures in our operations. Increased costs of materials and labor may result from general inflation, increased regulatory requirements (especially in respect of environmental regulations), the need for higher-cost expertise in the workforce or other factors. In addition, pursuant to collective bargaining agreements, we are contractually committed to provide specified levels of health care and pension benefits to certain current employees and retirees. 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 and indefinite-lived intangible assets for impairment on an annual basis, or more frequently if events or circumstances indicate that these assets may be impaired. Although no impairments were recorded based on our annual review in the fourth quarter of 2014, we are unable to predict whether future impairment charges may be necessary.

We also review our long-lived tangible and finite-lived intangible 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 and 16 to the Financial Statements for additional information on impairment charges taken and analysis performed 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, and certain other transactions, we have indemnified or guaranteed parties against certain liabilities. These indemnities and guarantees relate, among other things, to liabilities which may arise with respect to the period during which we or our subsidiaries operated a divested business, and to certain ongoing contractual relationships and entitlements with respect to which we or our subsidiaries made commitments in connection with the divestiture. See "Guarantees and Other Assurances" in Note 13 to the Financial Statements.

We are subject to liability risks relating to our generation, transmission and distribution operations.

The conduct of our physical and commercial operations subjects us to many risks, including risks of potential physical injury, property damage or other financial liability, caused to or by employees, customers, contractors, vendors, contractual or financial counterparties and other third parties.

Our facilities may not operate as planned, which may increase our expenses and decrease our revenues and have an adverse effect on our financial performance.

Operation of power plants, transmission and distribution facilities, information technology systems and other assets and activities subjects us to a variety of risks, including the breakdown or failure of equipment, accidents, security breaches, viruses or outages affecting information technology systems, labor disputes, obsolescence, delivery/transportation problems and disruptions of fuel supply and performance below expected levels. These events may impact our ability to conduct our businesses efficiently and lead to increased costs, expenses or losses. Operation of our delivery systems below our expectations may result in lost revenue and increased expense, including higher maintenance costs which may not be recoverable from customers. Planned and unplanned outages at our power plants may require us to purchase power at then-current market prices to satisfy our commitments or, in the alternative, pay penalties and damages for failure to satisfy them.

Although we maintain 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.

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, gross receipts and franchise, 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 required to obtain, and to comply with, government permits and approvals.

We are required to obtain, and to comply with, numerous permits, approvals, licenses and certificates from federal, state and local governmental agencies. The process of obtaining and renewing necessary permits can be lengthy and complex and can sometimes result in the establishment of permit conditions that make the project or activity for which the permit was sought unprofitable or otherwise unattractive. In addition, such permits or approvals may be subject to denial, revocation or modification under various circumstances. Failure to obtain or comply with the conditions of permits or approvals, or failure to comply with any applicable laws or regulations, may result in the delay or temporary suspension of our operations and electricity sales or the curtailment of our power delivery and may subject us to penalties and other sanctions. Although various regulators routinely renew existing licenses, renewal could be denied or jeopardized by various factors, including failure to provide adequate financial assurance for closure; failure to comply with environmental, health and safety laws and regulations or permit conditions; local community, political or other opposition; and executive, legislative or regulatory action.

Our cost or inability to obtain and comply with the permits and approvals required for our operations could have a material adverse effect on our operations and cash flows. In addition, new environmental legislation or regulations, if enacted, or changed interpretations of existing laws may elicit claims that historical routine modification activities at our facilities violated applicable laws and regulations. In addition to the possible imposition of fines in such cases, we may be required to undertake significant capital investments in pollution control technology and obtain additional operating permits or approvals, which could have an adverse impact on our business, results of operations, cash flows and financial condition.

War, other armed conflicts or terrorist attacks could have a material adverse effect on our business.

War, terrorist attacks and unrest have caused and may continue to cause instability in the world's financial and commercial markets and have contributed to high levels of volatility in prices for oil and gas. Instability and unrest in the Middle East, Afghanistan, Ukraine and Iraq, as well as threats of war or other armed conflict elsewhere, may cause further disruption to financial and commercial markets and contribute to even higher levels of volatility in prices for oil and gas. In addition, unrest in the Middle East, Afghanistan, Ukraine and Iraq could lead to acts of terrorism in the United States or elsewhere, and acts of terrorism could be directed against companies such as ours. Armed conflicts and terrorism and their effects on us or our markets may significantly affect our business and results of operations in the future. In addition, we may incur increased costs for security, including additional physical plant security and security personnel or additional capability following a terrorist incident.

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

U.K. Regulated Segment *(PPL)*

For a description of WPD's service territory, see "Item 1. Business - General - Segment Information - U.K. Regulated Segment." WPD has electric distribution lines in public streets and highways pursuant to legislation and rights-of-way secured from property owners. At December 31, 2014, WPD's distribution system in the U.K. includes 1,624 substations with a total capacity of 68 million kVA, 56,882 circuit miles of overhead lines and 80,672 underground cable miles.

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

LG&E's and KU's properties consist primarily of regulated generation facilities, electric transmission and distribution assets and natural gas transmission and distribution assets in Kentucky. The capacity of generation units is based on a number of factors, including the operating experience and physical condition of the units, and may be revised periodically to reflect changed circumstances. The electric generating capacity at December 31, 2014 was:

		LKE	LG&E		KU	
Primary Fuel/Plant	**Total MW Capacity Summer**	**Ownership or Lease Interest in MW**	**% Ownership**	**Ownership or Lease Interest in MW**	**% Ownership**	**Ownership or Lease Interest in MW**
Coal						
Ghent - Units 1- 4	1,932	1,932			100.00	1,932
Mill Creek - Units 1- 4	1,472	1,472	100.00	1,472		
E.W. Brown - Units 1-3	682	682			100.00	682
Cane Run - Units 4 - 6	563	563	100.00	563		
Trimble County - Unit 1 (a)	511	383	75.00	383		
Trimble County - Unit 2 (a)	732	549	14.25	104	60.75	445
Green River - Units 3- 4	161	161			100.00	161
OVEC - Clifty Creek (b)	1,164	95	5.63	66	2.50	29
OVEC - Kyger Creek (b)	956	78	5.63	54	2.50	24
	8,173	5,915		2,642		3,273
Natural Gas/Oil						
E.W. Brown Unit 5 (c)	134	134	53.00	71	47.00	63
E.W. Brown Units 6 - 7 (d)	292	292	38.00	111	62.00	181
E.W. Brown Units 8 - 11 (c)	484	484			100.00	484
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 - Units 1 - 2	24	24			100.00	24
Zorn Unit	14	14	100.00	14		
Cane Run Unit 11	14	14	100.00	14		
	2,086	2,086		646		1,440
Hydro						
Ohio Falls - Units 1-8	54	54	100.00	54		
Dix Dam - Units 1-3	32	32			100.00	32
	86	86		54		32
Total	10,345	8,087		3,342		4,745

(a) Trimble County Unit 1 and Trimble County Unit 2 are jointly owned with Illinois Municipal Electric Agency and Indiana Municipal Power Agency. Each owner is entitled to its proportionate share of the units' total output and funds its proportionate share of capital, fuel and other operating costs. See Note 12 to the Financial Statements for additional information.

(b) This unit is owned by OVEC. LG&E and KU have a power purchase agreement that entitles LG&E and KU to their proportionate share of the unit's total output and LG&E and KU fund their proportionate share of fuel and other operating costs. Clifty Creek is located in Indiana and Kyger Creek is located in Ohio. See Note 13 to the Financial Statements for additional information.

(c) 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.

(d) Includes a sale-leaseback interest through December 2017 on two combustion turbines. LG&E and KU provided funds to fully defease the lease including the purchase price for the period up to the exercise date of an early purchase option contained in the lease. LG&E and KU may exercise the early purchase option in 2015. The financial statement treatment of this transaction is the same as if LG&E and KU had retained their ownership interests.

For a description of LG&E's and KU's service areas, see "Item 1. Business - General - Segment Information - Kentucky Regulated Segment." At December 31, 2014, 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 8 million kVA and 675 pole 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, 3,881 circuit miles of overhead lines and 2,452 underground cable miles. KU's transmission system included 138 substations (58 of which are shared with the distribution system) with a total capacity of 14 million kVA and 4,079 pole miles of lines. KU's distribution system included 479 substations (58 of which are shared with the transmission system) with a total capacity of 7 million kVA, 14,084 circuit miles of overhead lines and 2,375 underground cable miles.

LG&E's natural gas transmission system includes 4,338 miles of gas distribution mains and 395 miles of gas transmission mains, consisting of 255 miles of gas transmission pipeline, 126 miles of gas transmission storage lines, 14 miles of gas combustion turbine lines and one mile 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 electricity 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. LG&E and KU plan to implement the following capacity increases and decreases at the following plants located in Kentucky.

		LG&E		KU		
Primary Fuel/Plant	**Total Net Summer MW Capacity Increase / (Decrease)**	**% Ownership**	**Ownership or Lease Interest in MW**	**% Ownership**	**Ownership or Lease Interest in MW**	**Year of Incremental Capacity Increase / Decrease**
Coal						
Cane Run - Units 4-6 - (a)	(563)	100.00	(563)			2015
Green River - Units 3-4 - (b)	(161)			100.00	(161)	2016
Total Capacity Decreases	(724)		(563)		(161)	
Natural Gas						
Cane Run - Unit 7 (c)	640	22.00	141	78.00	499	2015
Bluegrass Unit 3 (d)	165	100.00	165			2015
Solar						
E.W. Brown (e)	10	39.00	4	61.00	6	2016
Total Capacity Increases	815		310		505	

(a) LG&E anticipates retiring these units by the end of 2015. See Notes 8 and 13 to the Financial Statements for additional information.
(b) KU had anticipated retiring these units by the end of 2015, however KU received a waiver from the Commonwealth of Kentucky to operate these units until April 2016. See Notes 8 and 13 to the Financial Statements for additional information.
(c) 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.
(d) On August 26, 2014, LG&E and KU entered into a Capacity Purchase and Tolling Agreement with Bluegrass Generation Company, LLC. This agreement, which is effective May 1, 2015 through April 30, 2019, is an operating lease in which LG&E and KU will purchase capacity produced up to 165 MW for 30 hours each year.
(e) In December 2014, LG&E and KU received approval from the KPSC to build this unit at the existing E.W. Brown site. See Note 8 to the Financial Statements for additional information.

Pennsylvania Regulated Segment *(PPL and PPL Electric)*

For a description of PPL Electric's service territory, see "Item 1. Business - General - Segment Information - Pennsylvania Regulated Segment." PPL Electric had electric transmission and distribution lines in public streets and highways pursuant to franchises and rights-of-way secured from property owners. At December 31, 2014, PPL Electric's transmission system includes 43 substations with a total capacity of 23 million kVA and 3,989 pole miles in service. PPL Electric's distribution system includes 352 substations with a total capacity of 13 million kVA, 37,211 circuit miles of overhead lines and 8,320 underground cable miles. All of PPL Electric's facilities are located in Pennsylvania. Substantially all of PPL Electric's distribution properties and certain transmission properties are subject to the lien of the PPL Electric 2001 Mortgage Indenture. See Note 7 to the Financial Statements for additional information.

See Note 8 to the Financial Statements for information on the Regional Transmission Line Expansion Plan.

Supply Segment *(PPL and PPL Energy Supply)*

In June 2014, PPL and PPL Energy Supply, which primarily represents PPL's Supply segment, executed definitive agreements with affiliates of Riverstone to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy. Upon completion of this transaction, PPL will no longer have a Supply segment. See Note 8 to the Financial Statements for additional information.

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. PPL Energy Supply's electric generating capacity (summer rating) at December 31, 2014 was as follows.

Primary Fuel/Plant	Total MW Capacity	% Ownership	PPL Energy Supply's Ownership in MW	Location
Natural Gas/Oil				
Martins Creek	1,700	100.00	1,700	Pennsylvania
Ironwood	660	100.00	660	Pennsylvania
Lower Mt. Bethel	538	100.00	538	Pennsylvania
Combustion turbines	354	100.00	354	Pennsylvania
	3,252		3,252	
Coal				
Montour	1,504	100.00	1,504	Pennsylvania
Brunner Island	1,411	100.00	1,411	Pennsylvania
Colstrip Units 1 & 2 (a)	614	50.00	307	Montana
Conemaugh (a)	1,711	16.25	278	Pennsylvania
Colstrip Unit 3 (a)	740	30.00	222	Montana
Keystone (a)	1,710	12.34	211	Pennsylvania
Corette (b)	148	100.00	148	Montana
	7,838		4,081	
Nuclear				
Susquehanna (a)	2,494	90.00	2,245	Pennsylvania
Hydro				
Holtwood	249	100.00	249	Pennsylvania
Wallenpaupack	44	100.00	44	Pennsylvania
	293		293	
Qualifying Facilities				
Renewables (c)	16	100.00	16	Pennsylvania
Renewables	9	100.00	9	Various
	25		25	
Total	13,902		9,896	

(a) 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 12 to the Financial Statements for additional information.
(b) Operations will be suspended at the Corette plant by April 2015 and the plant is expected to be retired in August 2015.
(c) Includes facilities owned, controlled or for which PPL Energy Supply has the rights to the output.

As a condition of obtaining FERC approval of the spinoff transaction, certain of the above plants will be divested. See "Item 1. Business - General - Anticipated Spinoff of PPL Energy Supply" for additional information.

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.

ITEM 3. LEGAL PROCEEDINGS

See Notes 5, 6 and 13 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. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash" for information regarding certain restrictions on the ability to pay dividends for all Registrants.

PPL Corporation

Additional information for this item is set forth in the sections entitled "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 30, 2015, there were 62,423 common stock shareowners of record.

There were no purchases by PPL of its common stock during the fourth quarter of 2014.

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 $1.9 billion in 2014 and $408 million in 2013.

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 $158 million in 2014 and $127 million in 2013.

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 $436 million in 2014 and $254 million in 2013.

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 $112 million in 2014 and $99 million in 2013.

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 $148 million in 2014 and $124 million in 2013.

ITEM 6. SELECTED FINANCIAL AND OPERATING DATA

PPL Corporation (a) (b)	2014	2013	2012	2011 (c)	2010 (c)
Income Items (in millions)					
Operating revenues	$ **11,499**	$ 11,721	$ 12,132	$ 12,580	$ 8,370
Operating income	**3,272**	2,278	3,026	2,950	1,826
Income from continuing operations after income taxes attributable to PPL shareowners	**1,583**	1,096	1,486	1,399	937
Net income attributable to PPL shareowners	**1,737**	1,130	1,526	1,495	938
Balance Sheet Items (in millions) (d)					
Total assets	**48,864**	46,259	43,634	42,648	32,837
Short-term debt	**1,466**	701	652	578	694
Long-term debt	**20,391**	20,907	19,476	17,993	12,663
Noncontrolling interests			18	268	268
Common equity	**13,628**	12,466	10,480	10,828	8,210
Total capitalization	**35,485**	34,074	30,626	29,667	21,835
Financial Ratios					
Return on average common equity - %	**13.0**	9.8	13.8	14.9	13.3
Ratio of earnings to fixed charges (e)	**3.1**	2.1	2.9	2.9	2.6
Common Stock Data					
Number of shares outstanding - Basic (in thousands)					
Year-end	**665,849**	630,321	581,944	578,405	483,391
Weighted-average	**653,504**	608,983	580,276	550,395	431,345
Income from continuing operations after income taxes available to PPL common shareowners - Basic EPS	$ **2.41**	$ 1.79	$ 2.55	$ 2.53	$ 2.16
Income from continuing operations after income taxes available to PPL common shareowners - Diluted EPS	$ **2.38**	$ 1.71	$ 2.54	$ 2.53	$ 2.16
Net income available to PPL common shareowners - Basic EPS	$ **2.64**	$ 1.85	$ 2.61	$ 2.71	$ 2.17
Net income available to PPL common shareowners - Diluted EPS	$ **2.61**	$ 1.76	$ 2.60	$ 2.70	$ 2.17
Dividends declared per share of common stock	$ **1.49**	$ 1.47	$ 1.44	$ 1.40	$ 1.40
Book value per share (d)	$ **20.47**	$ 19.78	$ 18.01	$ 18.72	$ 16.98
Market price per share (d)	$ **36.33**	$ 30.09	$ 28.63	$ 29.42	$ 26.32
Dividend payout ratio - % (f)	**57**	84	55	52	65
Dividend yield - % (g)	**4.1**	4.9	5.0	4.8	5.3
Price earnings ratio (f) (g)	**13.9**	17.1	11.0	10.9	12.1
Sales Data - GWh					
Domestic - Electric energy supplied - retail	**46,368**	44,564	42,379	40,147	14,595
Domestic - Electric energy supplied - wholesale (h)	**57,355**	61,124	54,958	63,701	74,105
Domestic - Electric energy delivered - retail	**68,569**	67,848	66,931	67,806	42,463
U.K. - Electric energy delivered	**75,813**	78,219	77,467	58,245	26,820

(a) The earnings each year were affected by several items that management considers special. See "Results of Operations - Segment Results" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for a description of special items in 2014, 2013 and 2012. The earnings were also affected by the sales of various businesses. See Note 8 to the Financial Statements for a discussion of discontinued operations in 2014, 2013 and 2012.

(b) See "Item 1A. Risk Factors" and Notes 1, 6 and 13 to the Financial Statements for a discussion of uncertainties that could affect PPL's future financial condition.

(c) 2011 includes eight months of WPD Midlands activity following the April 1, 2011 acquisition, as PPL consolidates WPD on a one-month lag. 2010 includes two months of LKE activity following the November 1, 2010 acquisition.

(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) GWh are included until the transaction closing for facilities that were sold.

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

(All Registrants)

This combined "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" is separately filed by PPL Corporation and each of its Subsidiary Registrants. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure for each Registrant's related activities and disclosures. Within combined disclosures, amounts are disclosed for any Registrant when significant.

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

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

- "Overview" provides a description of each Registrant's business strategy, a description of key factors expected to impact future earnings and a discussion of important financial and operational developments.

- "Results of Operations" for PPL provides a detailed analysis of earnings by segment, and for the Subsidiary Registrants, includes a summary of earnings. For all Registrants, "Margins" provides explanations of non-GAAP financial measures and "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income, comparing 2014 with 2013 and 2013 with 2012.

- "Financial Condition - Liquidity and Capital Resources" provides an analysis of the Registrants' liquidity positions and credit profiles. This section also includes a discussion of forecasted sources and uses of cash and rating agency actions.

- "Financial Condition - Risk Management" provides an explanation of the Registrants' risk management programs relating to market and credit risk.

- "Application of Critical Accounting Policies" provides an overview of the accounting policies that are particularly important to the results of operations and financial condition of the Registrants and that require their management to make significant estimates, assumptions and other judgments of inherently uncertain matters.

Overview

For a description of the Registrants and their businesses, see "Item 1. Business."

Business Strategy

(All Registrants except PPL Energy Supply)

The strategy for the regulated businesses of WPD, PPL Electric, LKE, LG&E and KU is to provide efficient, reliable and safe operations and strong customer service, maintain constructive regulatory relationships and achieve timely recovery of costs. These regulated businesses also focus on providing competitively priced energy to customers and achieving stable, long-term growth in earnings and rate base, or RAV, as applicable. Both rate base and RAV are expected to grow for the foreseeable future as a result of significant capital expenditure programs to maintain existing assets and to improve system reliability and, for LKE, LG&E and KU, to comply with federal and state environmental regulations related to coal-fired electricity generation facilities. Future RAV for WPD will also be affected by RIIO-ED1, effective April 1, 2015, as the recovery period for assets placed in service after that date will be extended from 20 to 45 years, with a transitional arrangement that will gradually change the life over the price control period that will result in an average life of 35 years for RAV additions during RIIO-ED1. The RAV balance at March 31, 2015 will continue to be recovered over 20 years. In addition, incentive targets have been adjusted in RIIO-ED1, resulting in lower overall incentive revenues available to be earned. See "Financial and Operational Developments - Other Financial and Operational Developments - RIIO-ED1 - Fast Tracking" below for additional information.

For the U. S. regulated businesses, recovery of capital project costs is attained through various rate-making mechanisms, including periodic base rate case proceedings, FERC formula rate mechanisms, and other regulatory agency-approved recovery mechanisms. In Kentucky, the KPSC has adopted a series of regulatory mechanisms (ECR, DSM, GLT, fuel adjustment clause, gas supply clause and recovery on certain construction work-in-progress) that reduce regulatory lag and provide for timely recovery of and a return on, as appropriate, prudently incurred costs. In Pennsylvania, the FERC transmission formula rate, DSIC mechanism and other recovery mechanisms are in place to reduce regulatory lag and provide for timely recovery of and a return on, as appropriate, prudently incurred costs.

For the U.K. regulated businesses, during the rate review period applicable for the eight year period beginning April 1, 2015, 80% of network related expenditures are added to the RAV and, together with adjustments for inflation and a return on the RAV, recovered through allowed revenue over 35 years (45 years for additions after April 1, 2023); RAV is intended to represent expenditures that have a long-term benefit to WPD (similar to capital projects for the U.S. regulated businesses) with other expenditures being recovered in the current year. The RAV balance at March 31, 2015 will continue to be recovered over 20 years.

(PPL)

Earnings generated by PPL's U.K. subsidiaries are 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 and PPL Energy Supply)

In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy. Under the terms of the agreements, at closing, PPL will spin off to PPL shareowners a newly formed entity, Talen Energy Holdings, Inc. (Holdco), which at such time will own all of the membership interests of PPL Energy Supply and all of the common stock of Talen Energy. Immediately following the spinoff, Holdco will merge with a special purpose subsidiary of Talen Energy, with Holdco continuing as the surviving company to the merger and as a wholly owned subsidiary of Talen Energy and the sole owner of PPL Energy Supply. Substantially contemporaneous with the spinoff and merger, RJS Power will be contributed by its owners to become a subsidiary of Talen Energy. Following completion of these transactions, PPL shareowners will own 65% of Talen Energy and affiliates of Riverstone will own 35%. PPL will have no continuing ownership interest in, control of, or affiliation with Talen Energy.

See "Item 1. Business," "Item 1A. Risk Factors" and "Financial and Operational Developments - Other Financial and Operational Developments - Anticipated Spinoff of PPL Energy Supply" below for additional information.

The strategy for PPL Energy Supply is to optimize the value from its competitive generation asset and marketing portfolios while mitigating near-term volatility in both cash flows and earnings. 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. PPL Energy Supply is focused on maintaining profitability and positive cash flow during this current period of low energy and capacity prices.

(All Registrants)

To manage financing costs and access to credit markets, and to fund capital expenditures, a key objective of the Registrants is to maintain targeted credit profiles and liquidity positions. In addition, the Registrants have financial and operational risk management programs that, among other things, are designed to monitor and manage exposure to earnings and cash flow volatility related to, as applicable, changes in energy and fuel prices, interest rates, counterparty credit quality and the operating performance of generating units. To manage these risks, PPL generally uses contracts such as forwards, options, swaps and insurance contracts.

Financial and Operational Developments

Earnings *(PPL)*

PPL's earnings by reportable segment were as follows:

	2014	2013	2012	$ Change 2014 vs. 2013	$ Change 2013 vs. 2012
U.K. Regulated	$ 982	$ 922	$ 803	$ 60	$ 119
Kentucky Regulated	312	307	177	5	130
Pennsylvania Regulated	263	209	132	54	77
Supply (a)	307	(272)	414	579	(686)
Corporate and Other (b)	(127)	(36)		(91)	(36)
Net Income Attributable to PPL Shareowners	$ 1,737	$ 1,130	$ 1,526	$ 607	$ (396)
EPS - basic	$ 2.64	$ 1.85	$ 2.61	$ 0.79	$ (0.76)
EPS - diluted (c)	$ 2.61	$ 1.76	$ 2.60	$ 0.85	$ (0.84)

(a) In November 2014, PPL Montana completed the sale of 633MW of hydroelectric generating facilities to NorthWestern. PPL recognized a pre-tax gain of $237 million ($137 million after-tax) as a result of the transaction. 2013 includes a charge of $697 million ($413 million after-tax) for the termination of the operating lease of the Colstrip coal-fired electricity generating facility and an impairment charge of $65 million ($39 million after-tax) for the Corette coal-fired plant and related emission allowances. See Notes 8 and 16 to the Financial Statements for additional information.

(b) Primarily represents financing and certain other costs incurred at the corporate level that have not been allocated or assigned to the segments, which are presented to reconcile segment information to PPL's consolidated results. 2014 includes most of the costs related to the anticipated spinoff of PPL Energy Supply. See the following table of special items for additional information. For 2012, there were no significant amounts in this category.

(c) See "2011 Equity Units" below and Note 4 to the Financial Statements for information on the Equity Units' impact on the calculation of 2014 and 2013 diluted EPS.

The following after-tax gains (losses), in total, which management considers special items, impacted PPL's results.

	2014	2013	2012
U.K. Regulated	$ 75	$ 67	$ 107
Kentucky Regulated		3	(16)
Pennsylvania Regulated	(2)		
Supply	110	(531)	18
Corporate and Other (a)	(75)		
Total PPL	$ 108	$ (461)	$ 109

(a) 2014 includes $46 million of deferred income tax expense to adjust valuation allowances on deferred tax assets for state net operating loss carryforwards, $17 million of external transition and transaction costs and $12 million of PPL Services' separation benefits related to the anticipated spinoff of PPL Energy Supply. See Note 8 to the Financial Statements for additional information.

See "Results of Operations" below for further discussion of PPL's results of operations and details of special items by reportable segments and analysis of the consolidated results of operations.

2015 Outlook

(PPL)

Higher earnings are expected in 2015 compared with 2014, after adjusting for special items, certain dissynergies reflected in the Corporate and Other category previously recorded in the Supply segment, and earnings from the Supply segment. The factors underlying these projections by segment and Subsidiary Registrant are discussed below (on an after-tax basis).

(PPL's U.K. Regulated Segment)

Higher earnings are projected in 2015 compared with 2014, primarily driven by lower income taxes and a more favorable foreign currency exchange rate, partially offset by lower utility revenue.

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

Higher earnings are projected in 2015 compared with 2014, primarily driven by anticipated electric and gas base rate increases and returns on additional environmental capital investments, partially offset by higher operation and maintenance expense, higher depreciation and higher financing costs.

(PPL's Pennsylvania Regulated Segment and PPL Electric)

Lower earnings are projected in 2015 compared with 2014, primarily driven by higher operation and maintenance expense, higher depreciation and higher financing costs, partially offset by higher transmission margins and returns on distribution improvement capital investments.

(PPL's Supply Segment and PPL Energy Supply)

In anticipation of the spinoff of PPL Energy Supply, no forward looking information, including an earnings forecast, is being provided for PPL's Supply segment and PPL Energy Supply for 2015.

(PPL's Corporate and Other Category)

Lower costs are projected in 2015 compared with 2014, primarily driven by the reduction of dissynergies related to the Supply business spinoff through corporate restructuring efforts and lower income taxes.

(All Registrants)

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7, and Notes 1, 6 and 13 to the Financial Statements (as applicable) for a discussion of the risks, uncertainties and factors that may impact future earnings.

Other Financial and Operational Developments

Economic and Market Conditions

(All Registrants except PPL Electric)

The businesses of PPL Energy Supply, LKE, LG&E and KU are subject to extensive federal, state and local environmental laws, rules and regulations, including those pertaining to coal combustion residuals, GHG, effluent limitation guidelines and MATS. See "Financial Condition - Environmental Matters" below for additional information on these requirements. These and other stringent environmental requirements, combined with low energy margins for competitive generation, have led several energy companies, including PPL, PPL Energy Supply, LKE, LG&E and KU, to announce plans to either temporarily or permanently close or place in long-term reserve status, and/or impair certain of their coal-fired generating plants.

(PPL and PPL Energy Supply)

As a result of current economic and market conditions, the announced transaction with affiliates of Riverstone to form Talen Energy, PPL Energy Supply's current sub-investment grade credit rating and Talen Energy's expected sub-investment grade credit rating, PPL Energy Supply continues to monitor its business and operational plans, including capital and operation and maintenance expenditures, its hedging strategies and potential plant modifications to burn lower cost fuels. See "Margins - Changes in Non-GAAP Financial Measures - Unregulated Gross Energy Margins" below for additional information on energy margins. 2014 energy margins were lower compared to 2013 due to a higher average hedge price in 2013, partially offset by higher pricing on unhedged generation.

(PPL, LKE, LG&E and KU)

As a result of the environmental requirements discussed above, LKE projects $2.2 billion ($1.1 billion each at LG&E and KU) in capital investment over the next five years and anticipates retiring five coal-fired units (three at LG&E in 2015 and two at KU in 2016) with a combined summer capacity rating of 724 MW (563 MW at LG&E and 161 MW at KU). KU retired a 71 MW coal-fired unit at the Tyrone plant in February 2013 and a 12 MW gas-fired unit at the Haefling plant in December 2013. The retirement of these units is not expected to have a material impact on the financial condition or results of operations of PPL, LKE, LG&E and KU. See Note 8 to the Financial Statements for additional information regarding the anticipated retirement of these units as well as the construction of a NGCC in Kentucky expected to be operational in May 2015 and a 10 MW solar facility expected to be operational in 2016.

The KPSC has adopted a series of regulatory mechanisms (ECR, DSM, GLT, fuel adjustment clause, gas supply clause and recovery on certain construction work-in-progress) that provide for timely recovery of prudently incurred costs (including costs associated with environmental requirements). The Kentucky utility businesses are impacted by changes in customer usage levels, which can be driven by a number of factors including weather conditions and economic factors that impact the load utilized by customers.

(All Registrants)

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

Labor Union Agreements

(PPL, PPL Energy Supply and PPL Electric)

PPL, PPL Energy Supply and PPL Electric finalized a new three-year labor agreement with IBEW local 1600 in May 2014 and the agreement was ratified in early June 2014. As part of efforts to reduce operations and maintenance expenses, the new agreement offered a one-time voluntary retirement window to certain bargaining unit employees. As a result, for the year ended December 31, 2014, the following total separation benefits have been recorded.

	PPL	PPL Energy Supply	PPL Electric
Pension Benefits	$ 13	$ 11	$ 2
Severance Compensation	7	6	1
Total Separation Benefits	$ 20	$ 17	$ 3
Number of Employees	123	105	17

The separation benefits are included in "Other operation and maintenance" on the Statement of Income. The liability for pension benefits is included in "Accrued pension obligations" on the Balance Sheet at December 31, 2014. All of the severance compensation was paid in 2014. The remaining terms of the new labor agreement are not expected to have a significant impact on the financial results of PPL, PPL Energy Supply or PPL Electric.

Anticipated Spinoff of PPL Energy Supply

(PPL, PPL Energy Supply and PPL Electric)

Following the announcement of the transaction to form Talen Energy as discussed in "Item 1. Business - General - Anticipated Spinoff of PPL Energy Supply", efforts were initiated to identify the appropriate staffing for Talen Energy and for PPL and its subsidiaries following completion of the spinoff. Organizational plans and staffing selections were substantially completed in 2014.

The new organizational plans identify the need to resize and restructure the organizations. As a result, during 2014, charges for employee separation benefits were recorded in "Other operation and maintenance" on the Statement of Income and in "Other current liabilities" on the Balance Sheet as follows.

	PPL	PPL Energy Supply	PPL Electric
Separation benefits	$ 36	$ 16	$ 1
Number of positions	306	112	14

The separation benefits incurred include cash severance compensation, lump sum COBRA reimbursement payments and outplacement services. Most separations and payment of separation benefits are expected to occur in 2015.

Additional employee-related costs to be incurred primarily include accelerated stock-based compensation and pro-rated performance-based cash incentive and stock-based compensation awards primarily for PPL Energy Supply employees and for PPL employees who will become PPL Energy Supply employees in connection with the transaction. These costs will primarily be recognized at the spinoff closing date. PPL and PPL Energy Supply estimate these additional costs will be in the range of $30 million to $40 million.

(PPL)

As a result of the spinoff announcement, PPL recorded $50 million of deferred income tax expense in 2014 to adjust valuation allowances on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the future earnings of PPL Energy Supply.

In addition, PPL recorded $27 million of third-party costs in 2014 related to this transaction. Of these costs, $19 million were primarily for investment bank advisory, legal and accounting fees to facilitate the transaction, and are recorded in "Other Income (Expense) - net" on the Statement of Income. An additional $8 million of consulting and other costs were incurred to ready the new Talen Energy organization and reconfigure the remaining PPL service functions. These costs are recorded in "Other operation and maintenance" on the Statement of Income. PPL currently estimates a range of total third-party costs that will ultimately be incurred of between $60 million and $70 million.

The assets and liabilities of PPL Energy Supply will continue to be classified as "held and used" on PPL's Balance Sheet until the closing of the transaction. In conducting its annual goodwill impairment assessment in the fourth quarter of 2014 for its Supply segment reporting unit, PPL determined that the estimated fair value of PPL Energy Supply exceeded its carrying value and no impairment was recognized. However, an impairment loss could be recognized by PPL at the spinoff date if the aggregate carrying amount of PPL Energy Supply's assets and liabilities exceeds its aggregate fair value at that date. PPL cannot predict whether an impairment loss will be recorded at the spinoff date.

(PPL Energy Supply)

In accordance with business combination accounting guidance, PPL Energy Supply will treat the combination with RJS Power as an acquisition and PPL Energy Supply will be considered the acquirer of RJS Power.

Montana Hydro Sale (PPL and PPL Energy Supply)

In November 2014, PPL Montana completed the sale to NorthWestern of 633 MW of hydroelectric generating facilities located in Montana for approximately $900 million in cash. As a result of the sale, PPL and PPL Energy Supply recorded gains of $237 million ($137 million after-tax) and $306 million ($206 million after-tax), included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the 2014 Statement of Income. See Note 8 to the Financial Statements for additional information including the components of Discontinued Operations.

(PPL)

Ofgem Review of Line Loss Calculation

In March 2014, Ofgem issued its final decision on the DPCR4 line loss incentives and penalties mechanism. As a result, during the first quarter of 2014, WPD increased its existing liability by $65 million for over-recovery of line losses with a reduction to "Utility" revenues on the Statement of Income. In June 2014, WPD applied for judicial review of certain of Ofgem's decisions related to closing out the DPCR4 line loss mechanism but was denied permission to apply for judicial review and WPD now considers the matter closed. The recorded liability at December 31, 2014 was $99 million. The total recorded liability will be refunded to customers from April 1, 2015 through March 31, 2019. See Note 6 to the Financial Statements for additional information.

RIIO-ED1 - Fast Tracking

In February 2014, WPD elected to accept the decision of Ofgem to set the real cost of equity to be used during the RIIO-ED1 period at 6.4% compared to 6.7% proposed by WPD, and remain in the fast-track process. The change in the cost of equity is not expected to have a significant impact on PPL's results of operations. Also, in February 2014, Ofgem published formal confirmation that WPD's Business Plans submitted by its four DNOs were accepted as submitted, or "fast-tracked," for the eight-year price control period starting April 1, 2015. Fast tracking affords several benefits to the WPD DNOs including the ability to collect additional revenue equivalent to 2.5% of total annual expenditures during the eight-year price control period, or approximately $43 million annually, greater revenue certainty and a higher level of cost savings retention. The period to challenge the fast tracking expired in June 2014 and no third parties have filed objections. See "Item 1. Business - Segment Information - U.K. Regulated Segment" for additional information on RIIO-ED1.

Distribution Revenue Reduction

In December 2013, WPD and other U.K. DNOs announced agreements with the U.K. Department of Energy and Climate Change and Ofgem to a reduction of £5 per residential customer of electricity distribution revenues that otherwise would have been collected in the regulatory year beginning April 1, 2014. Full recovery of the revenue reduction, together with the associated carrying cost, was expected to occur during the regulatory year beginning April 1, 2015 for three of the WPD DNOs, and over the eight year RIIO-ED1 regulatory period for the fourth DNO. However, in July 2014, Ofgem decided that full recovery will occur for all WPD DNOs in the regulatory year beginning April 1, 2016. Earnings for the U.K. Regulated segment were adversely affected by $31 million in 2014. PPL projects earnings in 2015 will be adversely affected by $15 million and earnings for 2016 will be positively affected by $32 million with the remainder to be recovered in later periods.

2011 Equity Units

In March 2014, PPL Capital Funding remarketed $978 million of 4.32% Junior Subordinated Notes due 2019 that were originally issued in April 2011 as a component of PPL's 2011 Equity Units. In connection with the remarketing, PPL Capital Funding retired $228 million of the 4.32% Junior Subordinated Notes due 2019 and issued $350 million of 2.189% Junior Subordinated Notes due 2017 and $400 million of 3.184% Junior Subordinated Notes due 2019. Simultaneously the newly issued Junior Subordinated Notes were exchanged for $350 million of 3.95% Senior Notes due 2024 and $400 million of 5.00% Senior Notes due 2044. In May 2014, PPL issued 31.7 million shares of common stock at $30.86 per share to settle the 2011 Purchase Contracts. PPL received net cash proceeds of $978 million, which were used to repay short-term debt and for general corporate purposes.

Kerr Dam Project Arbitration Decision and Impairment (PPL Energy Supply)

PPL Montana previously held a joint operating license issued for the Kerr Dam Project, which was sold to NorthWestern as part of the Montana hydro sale in November 2014. Between 2015 and 2025, the Confederated Salish and Kootenai Tribes of the Flathead Nation (the Tribes) have the option to purchase, hold and operate the Kerr Dam Project. In March 2014, an arbitration panel issued its final decision holding that the conveyance price payable by the Tribes for the Kerr Dam Project is $18 million. As a result of the decision and the Tribes having given notice of their intent to exercise the option, in the first quarter of 2014 PPL Energy Supply recorded an impairment charge of $18 million ($10 million after-tax) to reduce the carrying amount to its fair value. See Note 16 to the Financial Statements for additional information on the impairment. Additionally, as a result of a guarantee included in the sale agreement with NorthWestern, if the Tribes exercise their option and purchase the Kerr Dam Project for $18 million as expected, PPL Montana must pay NorthWestern $12 million, which is recorded as a liability on the Balance Sheet at December 31, 2014.

Susquehanna Turbine Blade Inspection (PPL and PPL Energy Supply)

PPL Susquehanna continues to make modifications to address the causes of turbine blade cracking at the PPL Susquehanna nuclear plant first identified in 2011. Unit 1 completed its planned refueling and turbine inspection outage in June 2014 and installed newly designed shorter last stage blades on one of the low pressure turbines. This change allowed Unit 1 to run with reduced blade vibration and no cracking during 2014. In the first, second and third quarters of 2014, Unit 2 was shut down for blade inspection and replacement, as well as additional maintenance. The financial impact of the Unit 2 outages was not material. Based on the positive experience on Unit 1, the same short blade modification will be installed on two of the three turbines on Unit 2 during the scheduled refueling outage in spring 2015. PPL Susquehanna continues to monitor blade performance and work with the turbine manufacturer to identify and resolve the issues causing blade cracking.

Regional Transmission Expansion Plan (PPL and PPL Electric)

In July 2014, PPL Electric announced that it had submitted a proposal to PJM to build a new regional transmission line. As currently proposed, PPL Electric is pursuing approval of this project from Pennsylvania, New Jersey, New York and Maryland. The proposed line would run from western Pennsylvania into New York and New Jersey and also south into Maryland, covering approximately 725 miles. The proposed line would enhance the ability to move power inter-regionally and intra-regionally improving reliability and cost effectiveness. As proposed, the project would begin in 2017 and the line would be in operation between 2023 and 2025. The project is estimated to cost $4 billion to $6 billion and requires numerous approvals from FERC, PJM and New York Independent System Operator. There can be no assurance, however, that the project will be approved as proposed. Additionally, PPL Electric is continuing to study the project and may modify it in the future.

Storm Damage Expense Rider (SDER) (PPL Electric)

In its December 28, 2012 final rate case order, the PUC directed PPL Electric to file a proposed SDER. In March 2013, PPL Electric filed its proposed SDER with the PUC and, as part of that filing, requested recovery of the 2012 qualifying storm costs related to Hurricane Sandy. In April 2014, the PUC issued a final order approving the SDER with a January 1, 2015 effective date and initially including actual storm costs compared to collections from December 2013 through November 2014. As a result of the order, PPL Electric reduced its 2013 regulatory liability by $12 million related to collections in excess of costs incurred from January 1, 2013 to November 30, 2013 that are not required to be refunded to customers. Also, as part of the order, PPL Electric was authorized to recover Hurricane Sandy storm damage costs through the SDER over a three-year period beginning January 2015. On June 20, 2014, the Office of Consumer Advocate (OCA) filed a petition for review of the April 2014 order with the Commonwealth Court of Pennsylvania. On December 3, 2014, the OCA filed a complaint against PPL Electric's initial SDER filing. In January 2015, the PUC issued a final order closing the investigation and modifying the effective date of the SDER to February 1, 2015. See "Pennsylvania Activities - Storm Damage Expense Rider" in Note 6 to the Financial Statements for additional information.

FERC Wholesale Formula Rates (LKE and KU)

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 a true-up. KU's application proposed an authorized return on equity of 10.7%. Certain elements, including the new formula rate, became effective April 23, 2014, subject to refund. In April 2014, nine municipalities submitted notices of termination, under the original notice period provisions, to cease taking power under the wholesale requirements contracts. Such terminations are to be effective in 2019, except in the case of one municipality with a 2017 effective date. In addition, a tenth municipality has a previously settled termination date of 2016. In July 2014, KU agreed on settlement terms with the two municipal customers that did not provide termination notices and filed the settlement proposal with the FERC for its approval. In August 2014, the FERC issued an order on the interim settlement agreement allowing the proposed rates to become effective pending a final order. If approved, the settlement agreement will resolve the rate case with respect to these two municipalities, including an authorized return on equity of 10% or the return on equity awarded to other parties in this case, whichever is lower. Also in July 2014, KU made a contractually required filing with the FERC that addressed certain rate recovery matters affecting the nine terminating municipalities during the remaining term of their contracts. KU and the terminating municipalities continue settlement discussions in this proceeding. KU cannot currently predict the outcome of its FERC applications regarding its wholesale power agreements with the municipalities.

Rate Case Proceedings (LKE, LG&E and KU)

On November 26, 2014, LG&E and KU filed requests with the KPSC for increases in annual base electricity rates of approximately $30 million at LG&E and approximately $153 million at KU and an increase in annual base gas rates of approximately $14 million at LG&E. The proposed base rate increases would result in electricity rate increases of 2.7% at LG&E and 9.6% at KU and a gas rate increase of 4.2% at LG&E and would become effective in July 2015. LG&E's and KU's applications each include a request for authorized returns-on-equity of 10.50%. The applications are based on a forecasted test year of July 1, 2015 through June 30, 2016. A number of parties have been granted intervention requests in the proceedings. A hearing on the applications is scheduled to commence on April 21, 2015. LG&E and KU cannot predict the outcome of these proceedings.

Results of Operations

(PPL)

The discussion for PPL provides a review of results by reportable segment. The "Margins" discussion provides explanations of non-GAAP financial measures (Kentucky Gross Margins, Pennsylvania Gross Delivery Margins and Unregulated Gross Energy Margins) and a reconciliation of non-GAAP financial measures to "Operating Income." The "Statement of Income Analysis" discussion addresses significant changes in principal line items on PPL's Statements of Income, comparing year-to-year changes. "Segment Earnings, Margins and Statement of Income Analysis" is presented separately for PPL.

Tables analyzing changes in amounts between periods within "Segment Earnings" 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.

(Subsidiary Registrants)

The discussion for each of PPL Energy Supply, PPL Electric, LKE, LG&E and KU provides a summary of earnings. The "Margins" discussion includes a reconciliation of non-GAAP financial measures to "Operating Income" and "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income comparing year-to-year changes. "Earnings, Margins and Statement of Income Analysis" are presented separately for PPL Energy Supply, PPL Electric, LKE, LG&E and KU.

PPL Segment Earnings, Margins and Statement of Income Analysis

Segment Earnings

U.K. Regulated Segment

The U.K. Regulated segment consists of PPL Global which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from British pound sterling into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs, and allocated financing costs. The U.K. Regulated segment represents 57% of Net Income Attributable to PPL Shareowners for 2014 and 33% of PPL's assets at December 31, 2014.

Net Income Attributable to PPL Shareowners includes the following results:

				$ Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Utility revenues	$ 2,573	$ 2,359	$ 2,289	214	70
Energy-related businesses	48	44	47	4	(3)
Total operating revenues	2,621	2,403	2,336	218	67
Other operation and maintenance	451	470	451	(19)	19
Depreciation	337	300	279	37	21
Taxes, other than income	157	147	147	10	
Energy-related businesses	31	29	34	2	(5)
Total operating expenses	976	946	911	30	35
Other Income (Expense) - net	127	(39)	(51)	166	12
Interest Expense	461	425	421	36	4
Income Taxes	329	71	150	258	(79)
Net Income Attributable to PPL Shareowners	$ 982	$ 922	$ 803	60	119

The changes in the results of the U.K. Regulated segment between these periods were due to the factors set forth below, which reflect certain items that management considers special and effects of movements in foreign currency exchange on separate lines within the table and not in their respective Statement of Income line items. See below for additional detail of the special items.

	2014 vs. 2013	2013 vs. 2012
U.K.		
Utility revenues	$ 92	$ 240
Other operation and maintenance	46	(40)
Depreciation	(19)	(25)
Interest expense	(15)	(10)
Other	4	1
Income taxes	(24)	
U.S.		
Interest expense and other	4	(1)
Income taxes	(41)	1
Foreign currency exchange, after-tax	5	(7)
Special items, after-tax	8	(40)
Total	$ 60	$ 119

U.K.

- Higher utility revenues in 2014 compared with 2013 primarily due to $194 million from the April 1, 2014 and 2013 price increases, partially offset by $88 million from lower volume due primarily to weather and $8 million from lower third-party engineering revenue.

  Higher utility revenues in 2013 compared with 2012 primarily due to the April 1, 2013 and 2012 price increases.

- Lower other operation and maintenance in 2014 compared with 2013 primarily due to $38 million from lower pension expense and $9 million from lower third-party engineering expense.

  Higher other operation and maintenance for 2013 compared with 2012 primarily due to higher network maintenance expense.

- Higher depreciation expense for both periods primarily due to PP&E additions, net.

- Higher interest expense in 2014 compared with 2013 primarily due to an October 2013 debt issuance.

  Higher interest expense in 2013 compared with 2012 primarily due to debt issuances in April 2012 and October 2013.

- Higher income taxes in 2014 compared with 2013 primarily due to higher pre-tax income.

  Income taxes in 2013 compared with 2012 were flat despite higher pre-tax income primarily due to lower U.K. tax rates.

U.S.

- Higher income taxes in 2014 compared with 2013 primarily due to a $19 million increase primarily in taxable dividends and a $19 million benefit in 2013 related to an IRS ruling regarding 2010 U.K. earnings and profits calculations.

  Lower income taxes in 2013 compared with 2012 primarily due to a $42 million adjustment related to an IRS ruling regarding 2010 U.K. earnings and profits calculations, partially offset by a $27 million increase in taxable dividends.

The following after-tax gains (losses), which management considers special items, also impacted the U.K. Regulated segment's results.

	Income Statement Line Item	2014	2013	2012
Foreign currency-related economic hedges, net of tax of ($68), $15, $18 (a)	Other Income (Expense) - net	$ 127	$ (29)	$ (33)
WPD Midlands acquisition-related adjustments:				
Separation benefits, net of tax of $0, $1, $4 (b)	Other operation and maintenance		(4)	(11)
Other acquisition-related adjustments, net of tax of $0, ($2), ($1)			8	2
Other:				
Change in U.K. income tax rate (c)	Income Taxes		84	75
Windfall Profits Tax litigation (d)	Income Taxes		43	
Change in WPD line loss accrual, net of tax of $13, $10, ($23) (e)	Utility	(52)	(35)	74
Total		$ 75	$ 67	$ 107

(a) Represents unrealized gains (losses) on contracts that economically hedge anticipated GBP-denominated earnings.
(b) Represents severance compensation and early retirement deficiency costs
(c) The U.K. Finance Act of 2013, enacted in July 2013, reduced the U.K.'s statutory income tax rate from 23% to 21%, effective April 1, 2014 and from 21% to 20%, effective April 1, 2015. 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. As a result, PPL reduced its net deferred tax liability and recognized a deferred tax benefit in 2013 and 2012.
(d) In May 2013, the U.S. Supreme Court reversed the December 2011 ruling by the U.S. Court of Appeals for the Third Circuit concerning the creditability of the U.K. Windfall Profits Tax for U.S. Federal income tax purposes. As a result, PPL recorded a $43 million income tax benefit in 2013. See Note 5 to the Financial Statements for additional information.
(e) In November 2012, Ofgem issued additional consultation on the final DPCR4 line loss close-out that published values for each DNO. Based on this, WPD Midlands reduced its line loss liability for DPCR4 and DPCR5 by a total of $97 million, pre-tax, in 2012. In 2013, WPD Midlands increased its line loss accrual by $45 million, pre-tax, based on additional information provided by Ofgem regarding the calculation. In March 2014, Ofgem issued its final decision on the DPCR4 line loss incentives and penalties mechanism. As a result, WPD increased its existing liability by $65 million, pre-tax, for over-recovery of line losses. See Note 6 to the Financial Statements for additional information.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations of LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain financing costs are allocated to the Kentucky Regulated segment. The Kentucky Regulated segment represents 18% of Net Income Attributable to PPL Shareowners for 2014 and 27% of PPL's assets at December 31, 2014.

Net Income Attributable to PPL Shareowners includes the following results:

	2014	2013	2012	$ Change 2014 vs. 2013	$ Change 2013 vs. 2012
Utility revenues	$ 3,168	$ 2,976	$ 2,759	$ 192	$ 217
Fuel	965	896	872	69	24
Energy purchases	253	217	195	36	22
Other operation and maintenance	815	778	778	37	
Depreciation	354	334	346	20	(12)
Taxes, other than income	52	48	46	4	2
Total operating expenses	2,439	2,273	2,237	166	36
Other Income (Expense) - net	(9)	(7)	(15)	(2)	8
Other-Than-Temporary Impairments			25		(25)
Interest Expense	219	212	219	7	(7)
Income Taxes	189	179	80	10	99
Income (Loss) from Discontinued Operations (net of income taxes)		2	(6)	(2)	8
Net Income Attributable to PPL Shareowners	$ 312	$ 307	$ 177	$ 5	$ 130

The changes in the results of the Kentucky Regulated segment between these periods were due to the factors set forth below, which reflect amounts classified as Kentucky Gross Margins and certain items that management considers special on separate lines within the table and not in their respective Statement of Income line items. See below for additional detail of the special items.

	2014 vs. 2013	2013 vs. 2012
Kentucky Gross Margins	$ 78	$ 220
Other operation and maintenance	(35)	(5)
Depreciation	(14)	(34)
Taxes, other than income	(3)	(1)
Other Income (Expense) -net	(1)	7
Interest Expense	(7)	7
Income Taxes	(10)	(83)
Special items, after-tax	(3)	19
Total	$ 5	$ 130

- See "Margins - Changes in Non-GAAP Financial Measures" for an explanation of Kentucky Gross Margins.

- Higher other operation and maintenance in 2014 compared with 2013 primarily due to $14 million of higher expenses due to the timing and scope of scheduled generation maintenance outages, $9 million of higher bad debt expense and higher storm expenses of $8 million.

- Higher depreciation in 2014 compared with 2013 due to additions to PP&E, net.

- Higher depreciation in 2013 compared with 2012 primarily due to environmental costs related to the 2005 and 2006 ECR plans now being included in base rates. As a result, $51 million of depreciation associated with those environmental projects is shown as depreciation in 2013. Depreciation for these ECR plans was included in Kentucky Gross Margins in 2012 and 2011. This increase was partially offset by lower depreciation due to revised rates that were effective January 1, 2013. Both events are the result of the 2012 rate case proceedings.

- Higher interest expense in 2014 compared with 2013 primarily due to $22 million of higher expense resulting from the issuance of $500 million of First Mortgage Bonds in November 2013 and higher short-term debt balances partially offset by a $10 million loss on extinguishment of debt in 2013 related to the remarketing of the PPL Capital Funding Junior Subordinated Notes component of the 2010 Equity Units and simultaneous exchange into Senior Notes in the second quarter of 2013, and a $5 million decrease due to lower rates on the related Senior Notes as compared with the Junior Subordinated Notes.

- Higher income taxes in 2013 compared with 2012 primarily due to higher 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	2014	2013	2012
Impairments:				
Other asset impairments, net of tax of $0, $0, $10 (a)	Other-Than-Temporary-Impairments			$ (15)
LKE acquisition-related adjustments:				
Net operating loss carryforward and other tax-related adjustments	Income Taxes and Other operation and maintenance			4
Other:				
LKE discontinued operations (b)	Discontinued Operations		$ 2	(5)
EEI adjustments, net of tax of $0, $0, $0 (c)	Other Income (Expense) - net		1	
Total			$ 3	$ (16)

(a) KU recorded an impairment of its equity method investment in EEI. See Note 16 to the Financial Statements for additional information.
(b) 2012 includes an adjustment recorded by LKE to an indemnification liability.
(c) Recorded by KU.

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric. The Pennsylvania Regulated segment represents 15% of Net Income Attributable to PPL Shareowners for 2014 and 16% of PPL's assets at December 31, 2014.

Net Income Attributable to PPL Shareowners includes the following results:

	2014	2013	2012	$ Change 2014 vs. 2013	$ Change 2013 vs. 2012
Utility revenues	$ 2,044	$ 1,870	$ 1,763	$ 174	$ 107
Energy purchases					
External	587	588	550	(1)	38
Intersegment	84	51	78	33	(27)
Other operation and maintenance	543	531	576	12	(45)
Depreciation	185	178	160	7	18
Taxes, other than income	107	103	105	4	(2)
Total operating expenses	1,506	1,451	1,469	55	(18)
Other Income (Expense) - net	7	6	9	1	(3)
Interest Expense	122	108	99	14	9
Income Taxes	160	108	68	52	40
Net Income	263	209	136	54	73
Net Income Attributable to Noncontrolling Interests			4		(4)
Net Income Attributable to PPL Shareowners	$ 263	$ 209	$ 132	$ 54	$ 77

The changes in the components of the Pennsylvania Regulated segment's results between these periods were due to the factors set forth below, which reflect amounts classified as Pennsylvania Gross Delivery Margins and a certain item that management considers special on separate lines and not on their respective Statement of Income line items. See below for additional detail of the special item.

	2014 vs. 2013	2013 vs. 2012
Pennsylvania Gross Delivery Margins	$ 118	$ 114
Other operation and maintenance	13	23
Depreciation	(7)	(18)
Taxes, other than income		5
Other Income (Expense) - net	1	(3)
Interest Expense	(14)	(9)
Income Taxes	(55)	(39)
Noncontrolling Interests		4
Special Item, after tax	(2)	
Total	$ 54	$ 77

- See "Margins - Changes in Non-GAAP Financial Measures" for an explanation of Pennsylvania Gross Delivery Margins.

- Lower other operation and maintenance for 2014 compared with 2013, primarily due to $16 million of lower payroll related expenses due to lower headcount, less maintenance projects and more focus on capital work in 2014.

  Lower other operation and maintenance for 2013 compared with 2012, primarily due to lower storm costs of $25 million and lower support group costs of $10 million, partially offset by $12 million increased vegetation management costs.

- Higher depreciation for both periods primarily due to transmission PP&E additions as well as additions related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure.

- Higher interest expense for both periods primarily due to the issuance of first mortgage bonds in July 2013 and June 2014.

- Higher income taxes in 2014 compared with 2013, primarily due to higher pre-tax income which increased income taxes by $46 million and tax benefits related to federal and state income tax reserves of $8 million in 2013.

  Higher income taxes in 2013 compared with 2012, primarily due to higher pre-tax income which increased income taxes by $47 million, partially offset by $8 million of income tax return adjustments primarily recorded in 2012, largely related to changes in flow-through regulated tax depreciation.

The following after-tax loss, which management considers a special item, also impacted the Pennsylvania Regulated segment's results.

	Income Statement Line Item	2014	2013	2012
Separation benefits - bargaining unit voluntary program, net of tax of $1, $0, $0 (a)	Other Operation and Maintenance	$ (2)	$	$

(a) In June 2014, PPL Electric's largest IBEW local ratified a new three-year labor agreement. In connection with the new agreement, bargaining unit one-time voluntary retirement benefits were recorded. See Note 13 to the Financial Statements for additional information.

Supply Segment

The Supply segment primarily consists of PPL Energy Supply's wholesale, retail, marketing and trading activities, as well as its competitive generation operations. In addition, certain financing and other costs are allocated to the Supply segment. The Supply segment represents 17% of Net Income Attributable to PPL Shareowners for 2014 and 23% of PPL's assets at December 31, 2014.

In June 2014, PPL and PPL Energy Supply, which primarily represents PPL's Supply segment, executed definitive agreements with affiliates of Riverstone to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy. Upon completion of this transaction, PPL will no longer have a Supply segment. See Note 8 to the Financial Statements for additional information.

Net Income Attributable to PPL Shareowners includes the following results.

				$ Change	
	2014	**2013**	**2012**	**2014 vs. 2013**	**2013 vs. 2012**
Energy revenues					
External (a)	$ 3,051	$ 3,936	$ 4,816	$ (885)	$ (880)
Intersegment	84	51	79	33	(28)
Energy-related businesses	601	527	461	74	66
Total operating revenues	3,736	4,514	5,356	(778)	(842)

	2014	2013	2012	$ Change 2014 vs. 2013	$ Change 2013 vs. 2012
Fuel (a)	1,196	1,049	965	147	84
Energy Purchases (a)	209	1,171	1,812	(962)	(641)
Other operation and maintenance (b)	1,007	1,026	1,014	(19)	12
Loss on lease termination (c)		697		(697)	697
Depreciation	297	299	276	(2)	23
Taxes, other than income	57	53	54	4	(1)
Energy-related businesses	573	512	450	61	62
Total operating expenses	3,339	4,807	4,571	(1,468)	236
Other Income (Expense) - net	30	32	16	(2)	16
Interest Expense	181	216	212	(35)	4
Income Taxes	93	(174)	220	267	(394)
Income (Loss) from Discontinued Operations (c)	154	32	46	122	(14)
Net Income	307	(271)	415	578	(686)
Net Income Attributable to Noncontrolling Interests		1	1	(1)	
Net Income Attributable to PPL Shareowners	$ 307	$ (272)	$ 414	$ 579	$ (686)

(a) Includes the impact from energy-related economic activity. See "Commodity Price Risk (Non-trading) - Economic Activity" in Note 17 to the Financial Statements for additional information.
(b) 2013 includes an impairment charge of $65 million ($39 million after-tax) for the Corette coal-fired plant and related emission allowances. See Note 16 to the Financial Statements for additional information.
(c) See Note 8 to the Financial Statements for additional information.

The changes in the results of the Supply segment between these periods were due to the factors set forth below, which reflect amounts classified as Unregulated Gross Energy Margins and certain items that management considers special on separate lines within the table and not in their respective Statement of Income line items. See below for additional detail of the special items.

	2014 vs. 2013	2013 vs. 2012
Unregulated Gross Energy Margins	$ (188)	$ (194)
Other operation and maintenance	(7)	42
Depreciation	2	(23)
Taxes, other than income	2	4
Other Income (Expense) - net	(2)	19
Interest Expense	35	(4)
Other	(3)	(5)
Income Taxes	82	23
Discontinued operations, after tax	17	1
Special items, after tax	641	(549)
Total	$ 579	$ (686)

- See "Margins - Changes in Non-GAAP Financial Measures" for an explanation of Unregulated Gross Energy Margins.

- Higher other operation and maintenance in 2014 compared with 2013 primarily due to higher project expenses, including refueling outage expenses, at PPL Susquehanna of $28 million, partially offset by the elimination of rent expense of $20 million associated with the Colstrip lease which was terminated in December 2013.

  Lower other operation and maintenance in 2013 compared with 2012 primarily due to lower fossil and hydroelectric expenses of $27 million, largely driven by lower outage expenses in 2013 and lower pension expense of $11 million.

- Higher depreciation in 2013 compared with 2012 primarily due to PP&E additions.

- Higher other income (expense) - net in 2013 compared with 2012, however no individual item was significant in comparison to the prior year.

- Lower interest expense in 2014 compared with 2013 primarily due to the repayment of debt in July and December 2013.

- Lower income taxes in 2014 compared with 2013 due to lower pre-tax income, which reduced income taxes by $54 million, $16 million of lower taxes due to state tax rate changes and $12 million related to lower adjustments to valuation allowances on Pennsylvania net operating losses.

Lower income taxes in 2013 compared with 2012 due to lower pre-tax income, which reduced income taxes by $52 million, and $10 million related to the impact of prior period tax return adjustments, partially offset by $38 million of higher taxes due to state tax rate changes.

The following after-tax gains (losses), which management considers special items, also impacted the Supply segment's results.

	Income Statement Line Item	2014	2013	2012
Adjusted energy-related economic activity - net, net of tax of $4, $54, ($26)	(a)	$ (6)	$ (77)	$ 38
Impairments:				
Kerr Dam Project impairment, net of tax of $8, $0, $0 (b)	Discontinued Operations	(10)		
Adjustments - nuclear decommissioning trust investments, net of tax of $0, $0, $(2)	Other Income (Expense) - net			2
Other asset impairments, net of tax of $0, $0, $0	Other operation and maintenance			(1)
Corette asset impairment, net of tax of $0, $26, $0 (c)	Other operation and maintenance		(39)	
Spinoff of PPL Energy Supply:				
Separation benefits, net of tax of $6, $0, $0 (d)	Other operation and maintenance	(10)		
Transition costs, net of tax of $0, $0, $0	Other operation and maintenance	(1)		
Other:				
Change in tax accounting method related to repairs	Income Taxes		(3)	
Counterparty bankruptcy, net of tax of $0, $(1), $5 (e)	Other operation and maintenance		1	(6)
Wholesale supply cost reimbursement, net of tax of $0, $0, $0	Unregulated wholesale energy			1
Ash basin leak remediation adjustment, net of tax of $0, $0, $(1)	Other operation and maintenance			1
Coal contract modification payments, net of tax of $0, $0, $12 (f)	Fuel			(17)
Separation benefits - bargaining unit voluntary program, net of tax of $7, $0, $0 (g)	Other operation and maintenance	(10)		
Loss on Colstrip operating lease termination, net of tax of $0, $284, $0 (h)	Loss on lease termination		(413)	
Mechanical contracting and engineering revenue adjustment, net of tax of ($7), $0, $0 (i)	Energy-related businesses	10		
Sale of Montana hydroelectric generating facilities, net of tax of ($100), $0, $0 (j)	Discontinued Operations	137		
Total (k)		$ 110	$ (531)	$ 18

(a) Represents unrealized gains (losses), after-tax, on economic activity. See "Commodity Price Risk (Non-trading) - Economic Activity" in Note 17 to the Financial Statements for additional information. Amounts have been adjusted for insignificant amounts for option premiums.
(b) In 2014, an arbitration panel issued its final decision holding that the conveyance price payable to PPL Montana was $18 million. As a result, PPL Energy Supply determined the Kerr Dam Project was impaired and recorded a pre-tax charge of $18 million. See Note 16 to the Financial Statements for additional information.
(c) In 2013, PPL Energy Supply determined its Corette plant was impaired and recorded a pre-tax charge of $65 million for the plant and related emission allowances. See Note 16 to the Financial Statements for additional information.
(d) PPL Energy Supply recorded separation benefits related to the anticipated spinoff transaction. See Note 8 to the Financial Statements for additional information.
(e) 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. In June 2013, PPL EnergyPlus received an approval for an administrative claim in the amount of $2 million.
(f) 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 coal deliveries.
(g) In 2014, PPL Energy Supply's largest IBEW local ratified a new three-year labor agreement. In connection with the new agreement, bargaining unit one-time voluntary retirement benefits were recorded. See Note 13 to the Financial Statements for additional information.
(h) In September 2013, PPL Montana executed a definitive agreement to sell to NorthWestern certain hydroelectric generating facilities located in Montana. To facilitate the sale, PPL Montana terminated its operating lease arrangement related to partial interests in Units 1, 2 and 3 of the Colstrip coal-fired electric generating facility in December 2013 and acquired those interests, collectively, for $271 million. At lease termination, the existing lease-related assets on the balance sheet were written off and the acquired Colstrip assets were recorded at fair value as of the acquisition date. PPL and PPL Energy Supply recorded a pre-tax charge of $697 million for the termination of the lease. See Note 8 to the Financial Statements for additional information.

(i) In 2014, PPL and PPL Energy Supply recorded $17 million to "Energy-related businesses" revenues on the 2014 Statement of Income related to prior periods and the timing of revenue recognition for a mechanical contracting and engineering subsidiary. See Note 1 to the Financial Statements for additional information.
(j) In November 2014, PPL Montana completed the sale of 633 MW of hydroelectric generating facilities to NorthWestern. PPL Energy Supply recognized a pre-tax gain of $306 million ($206 million after-tax) as a result of the transaction. PPL recognized a pre-tax gain of $237 million ($137 million after-tax) as a result of the transaction, which reflects the allocation of $69 million of additional goodwill. See Note 8 to the Financial Statements for additional information.
(k) PPL Energy Supply's 2014 special items were $179 million and reflect the $206 million after-tax gain from the sale of the hydroelectric generating facilities discussed in footnote (j).

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 17 to the Financial Statements to the special item identified as "Adjusted energy-related economic activity, net."

	2014	2013	2012
Operating Revenues			
Unregulated wholesale energy	$ 325	$ (721)	$ (311)
Unregulated retail energy	29	12	(17)
Operating Expenses			
Fuel	(27)	(4)	(14)
Energy Purchases	(327)	586	442
Energy-related economic activity (a)		(127)	100
Option premiums (b)	(10)	(4)	(1)
Adjusted energy-related economic activity	(10)	(131)	99
Less: Economic activity realized, associated with the monetization of certain full-requirement sales contracts in 2010			35
Adjusted energy-related economic activity, net, pre-tax	$ (10)	$ (131)	$ 64
Adjusted energy-related economic activity, net, after-tax	$ (6)	$ (77)	$ 38

(a) See Note 17 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 "Unregulated wholesale energy" and "Energy purchases" on the Statements of Income.

Margins

Non-GAAP Financial Measures

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

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

- "Pennsylvania Gross Delivery Margins" is a single financial performance measure of the electricity delivery operations of the Pennsylvania Regulated segment and PPL Electric, 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 reconciliation table below (in "Energy purchases from affiliate" in PPL Electric's reconciliation table). As a result, this measure represents the net revenues from the Pennsylvania Regulated segment's and PPL Electric's electricity delivery operations.

- "Unregulated Gross Energy Margins" is a single financial performance measure of the competitive energy activities of the Supply segment and PPL Energy Supply, which are managed on a geographic basis. In calculating this measure, energy revenues, including operating revenues associated with certain businesses 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, recorded in "Taxes, other than income," and operating expenses associated with certain businesses classified as discontinued operations. This performance measure is relevant 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 "Unregulated wholesale energy," "Unregulated retail energy" or "Energy purchases" on the Statements of Income. This performance measure includes PLR revenues from energy sales to PPL Electric by PPL EnergyPlus, which are reflected in "PLR intersegment utility revenue (expense)" in the reconciliation table below (in "Unregulated wholesale energy to affiliate" in PPL Energy Supply's reconciliation table). "Unregulated Gross Energy Margins" excludes 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 the 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. Adjusted energy-related economic activity includes the ineffective portion of qualifying cash flow hedges and premium amortization associated with options. Unrealized gains and losses related to this activity are deferred and included in "Unregulated Gross Energy Margins" over the delivery period of the item that was hedged or upon realization.

These measures are not intended to replace "Operating Income," which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and report their results of operations. Management believes these measures provide additional useful criteria to make investment decisions. These performance measures are used, in conjunction with other information, by senior management and PPL's Board of Directors to manage the operations, analyze actual results compared with budget and, in certain cases, to measure certain corporate financial goals used to determine variable compensation.

Reconciliation of Non-GAAP Financial Measures

The following tables contain the components from the Statement of Income that are included in the non-GAAP financial measures and a reconciliation to PPL's "Operating Income" for the years ended December 31.

	2014					2013				
	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	$ 3,168	$ 2,044		$ 2,570 (c)	$ 7,782	$ 2,976	$ 1,870		$ 2,355 (c)	$ 7,201
PLR intersegment utility revenue (expense) (d)		(84)	$ 84				(51)	$ 51		
Unregulated wholesale energy			1,490	318 (e)	1,808			3,623	(714) (e)	2,909
Unregulated retail energy (f)			1,216	23 (e)	1,239			1,015	8 (e)	1,023
Energy-related businesses				670	670				588	588
Total Operating Revenues	3,168	1,960	2,790	3,581	11,499	2,976	1,819	4,689	2,237	11,721
Operating Expenses										
Fuel	965		1,169	27 (g)	2,161	896		1,045	3 (g)	1,944
Energy purchases	253	587	(121)	322 (e)	1,041	217	588	1,745	(583) (e)	1,967
Other operation and maintenance	99	103	22	2,579	2,803	97	82	20	2,580	2,779
Loss on lease termination (Note 8)									697	697
Depreciation	11			1,209	1,220	5			1,137	1,142
Taxes, other than income	2	98	43	231	374	1	95	37	218	351
Energy-related businesses			8	620	628			7	556	563
Total Operating Expenses	1,330	788	1,121	4,988	8,227	1,216	765	2,854	4,608	9,443
Income (Loss) from Discontinued Operations			117	(117) (h)				139	(139) (h)	
Total	$ 1,838	$ 1,172	$ 1,786	$ (1,524)	$ 3,272	$ 1,760	$ 1,054	$ 1,974	$ (2,510)	$ 2,278

	2012				
	Kentucky Gross Margins	PA Gross Delivery Margins	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)
Operating Revenues					
Utility	$ 2,759	$ 1,763		$ 2,286 (c)	$ 6,808
PLR intersegment utility revenue (expense) (d)		(78)	$ 78		
Unregulated wholesale energy			4,266	(290) (e)	3,976
Unregulated retail energy (f)			861	(21) (e)	840
Energy-related businesses				508	508
Total Operating Revenues	2,759	1,685	5,205	2,483	12,132
Operating Expenses					
Fuel	872		931	34 (g)	1,837
Energy purchases	195	550	2,207	(397) (e)	2,555
Other operation and maintenance	101	104	19	2,567	2,791
Depreciation	51			1,036	1,087
Taxes, other than income		91	34	227	352
Energy-related businesses				484	484
Total Operating Expenses	1,219	745	3,191	3,951	9,106
Income (Loss) from Discontinued Operations			154	(154) (h)	
Total	$ 1,540	$ 940	$ 2,168	$ (1,622)	$ 3,026

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.
(c) Primarily represents WPD's utility revenue.
(d) Primarily related to PLR supply sold by PPL EnergyPlus to PPL Electric.
(e) Includes energy-related economic activity, which is subject to fluctuations in value due to market price volatility. See "Commodity Price Risk (Non-trading) - Economic Activity" within Note 17 to the Financial Statements. For 2012, "Unregulated wholesale energy" and "Energy purchases" include a net pre-tax loss of $35 million related to the monetization of certain full-requirement sales contracts.
(f) Although retail energy revenues continue to grow, the net margins related to these activities are not currently a significant component of Unregulated Gross Energy Margins.
(g) Includes economic activity related to fuel as described in "Commodity Price Risk (Non-trading) - Economic Activity" within Note 17 to the Financial Statements. 2012 includes a net pre-tax loss of $29 million related to coal contract modification payments.
(h) Represents the revenues associated with the hydroelectric generating facilities located in Montana that are classified as discontinued operations. These revenues are not reflected in "Operating Income" on the Statements of Income.

Changes in Non-GAAP Financial Measures

The following table shows the non-GAAP financial measures by PPL's reportable segment and by component, as applicable, for the year ended December 31 as well as the change between periods. The factors that gave rise to the changes are described following the table.

				$ Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Kentucky Regulated					
Kentucky Gross Margins					
LG&E	$ 833	$ 791	$ 727	$ 42	$ 64
KU	1,005	969	813	36	156
LKE	$ 1,838	$ 1,760	$ 1,540	$ 78	$ 220
Pennsylvania Regulated					
Pennsylvania Gross Delivery Margins					
Distribution	$ 837	$ 803	$ 730	$ 34	$ 73
Transmission	335	251	210	84	41
Total	$ 1,172	$ 1,054	$ 940	$ 118	$ 114
Supply					
Unregulated Gross Energy Margins					
Eastern U.S.	$ 1,591	$ 1,756	$ 1,867	$ (165)	$ (111)
Western U.S.	195	218	301	(23)	(83)
Total	$ 1,786	$ 1,974	$ 2,168	$ (188)	$ (194)

Kentucky Gross Margins

Kentucky Gross Margins increased in 2014 compared with 2013, primarily due to returns on additional environmental capital investments of $55 million ($27 million at LG&E and $28 million at KU) and higher volumes of $13 million ($5 million at LG&E and $8 million at KU). The change in volumes was driven by unusually cold weather in the first quarter of 2014.

Kentucky Gross Margins increased in 2013 compared with 2012, primarily due to higher base rates of $102 million ($44 million at LG&E and $58 million at KU), environmental cost recoveries added to base rates of $53 million ($3 million at LG&E and $50 million at KU), returns from additional environmental capital investments of $34 million ($16 million at LG&E and $18 million at KU), higher fuel recoveries of $18 million ($7 million at LG&E and $11 million at KU) and higher volumes of $6 million ($9 million higher at KU, partially offset by $3 million lower at LG&E).

The increase in base rates was the result of new KPSC rates effective January 1, 2013 at LG&E and KU. The environmental cost recoveries added to base rates were due to the transfer of the 2005 and 2006 ECR plans into base rates as a result of the 2012 Kentucky rate cases for LG&E and KU. This transfer results in depreciation and other operation and maintenance expenses associated with the 2005 and 2006 ECR plans being excluded from Kentucky Gross Margins in 2013, although the recovery of such costs remain in Kentucky Gross Margins through base rates.

Pennsylvania Gross Delivery Margins

<u>Distribution</u>

Distribution margins increased in 2014 compared with 2013, primarily due to an $18 million favorable effect of distribution improvement capital investments and a $12 million benefit from a change in estimate of a regulatory liability."

Distribution margins increased in 2013 compared with 2012, primarily due to a $53 million favorable effect of price, largely comprised of higher base rates, effective January 1, 2013, a $15 million impact of weather, primarily due to the adverse effect of mild weather in 2012 and higher volumes of $5 million.

<u>Transmission</u>

Transmission margins increased for both periods, primarily due to increased capital investments.

Unregulated Gross Energy Margins

<u>Eastern U.S.</u>

Eastern margins decreased in 2014 compared with 2013, primarily due to lower baseload energy prices of $354 million and lower capacity prices of $34 million, partially offset by net gains on commodity positions of $75 million, favorable asset performance of $70 million, $38 million related to weather as discussed below and gas optimization of $26 million.

During the first quarter of 2014, the PJM region experienced unusually cold weather conditions, higher demand and congestion patterns causing rising natural gas and electricity prices in spot and near-term forward markets. Due to these market dynamics, PPL Energy Supply captured opportunities on unhedged generation, which were primarily offset by under hedged full-requirement sales contracts and retail electric.

Eastern margins decreased in 2013 compared with 2012, primarily due to $435 million of lower baseload energy prices, partially offset by $198 million of higher capacity prices and $100 million of increased nuclear generation volume.

<u>Western U.S.</u>

Western margins decreased in 2014 compared with 2013, primarily due to lower wholesale energy prices.

Western margins decreased in 2013 compared with 2012, primarily due to $69 million of lower wholesale energy prices and $15 million of lower net economic availability of coal and hydroelectric units.

Statement of Income Analysis --

Utility Revenues

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

	2014 vs. 2013	2013 vs. 2012
Domestic:		
PPL Electric (a)	$ 175	$ 106
LKE (b)	192	217
Total Domestic	367	323
U.K.:		
Price (c)	194	221
Volume (d)	(88)	5
Line loss accrual adjustments (e)	(20)	(142)
Foreign currency exchange rates	142	(27)
Third-party engineering revenue	(8)	13
Other	(6)	
Total U.K.	214	70
Total	$ 581	$ 393

(a) See "Pennsylvania Gross Delivery Margins" for further information.
(b) See "Kentucky Gross Margins" for further information.
(c) The increase in 2014 compared with 2013 was due to price increases effective April 1, 2014 and April 1, 2013. The increase in 2013 compared with 2012 was due to price increases effective April 1, 2013 and April 1, 2012.
(d) The decrease in 2014 compared with 2013 was primarily due to the adverse effect of weather. The increase in 2013 compared with 2012 was primarily due to the favorable effect of weather.
(e) The decrease in both periods was primarily due to unfavorable loss accrual adjustments in 2014 and 2013 based on Ofgem's consultation documents on the DPCR4 line loss incentives and penalties and Ofgem's final decision on this matter in March 2014. See Note 6 to the Financial Statements for additional information.

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items are included above within "Margins" and are not discussed separately.

	2014 vs. 2013	2013 vs. 2012
Unregulated wholesale energy	$ (1,101)	$ (1,067)
Unregulated retail energy	216	183
Fuel	217	107
Energy purchases	(926)	(588)

Energy-Related Businesses

Net contributions from energy-related businesses increased by $17 million in 2014 compared with 2013. During 2014, PPL and PPL Energy Supply recorded a $17 million increase to "Energy-related businesses" revenues on the Statement of Income related to prior periods and the timing of revenue recognition for a mechanical contracting and engineering subsidiary. See Note 1 to the Financial Statements for additional information.

Other Operation and Maintenance

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

	2014 vs. 2013	2013 vs. 2012
Domestic:		
LKE timing and scope of scheduled generation maintenance outages	$ 14	$ (21)
PPL Electric Act 129 costs incurred (a)	6	(24)
PPL Electric vegetation management (b)	(4)	12
PPL Electric payroll-related costs (c)	(16)	4
PPL Electric storm costs (d)	18	(26)
PPL Susquehanna (e)	28	(3)
PPL Energy Supply fossil and hydroelectric plants (f)	(78)	41
Bargaining unit one-time voluntary retirement benefits (Note 13)	20	
Separation benefits related to spinoff of PPL Energy Supply (Note 8)	36	
Stock compensation expense	13	2
Other	6	(15)

	2014 vs. 2013	2013 vs. 2012
U.K.:		
Network maintenance (g)	3	32
Third-party engineering	(9)	12
Pension (h)	(38)	8
Separation benefits	(4)	(11)
Employee-related expenses	(3)	(7)
Foreign currency exchange rates	23	(4)
Acquisition-related adjustments	12	(8)
Other	(3)	(4)
	$ 24	$ (12)

(a) Relates to expenses associated with PPL Electric's PUC-approved energy efficiency and conservation plan with programs starting in 2010. These expenses are recovered in customer rates. The decrease in 2013 compared with 2012 results from the number of programs and the timing of such programs. Phase 1 of Act 129 closed in May 2013. Phase 2 programs began in June 2013.
(b) The increase in 2013 compared with 2012 was due to increased activities related to maintaining and increasing system reliability for both the transmission and distribution systems.
(c) The decrease in 2014 compared with 2013 was due to lower headcount, less maintenance work and more focus on capital projects in 2014.
(d) The increase in 2014 compared with 2013 was due to more storm events. The 2012 expenses were unusually high due to Hurricane Sandy expenses.
(e) The increase in 2014 compared with 2013 was primarily due to project expenses, including refueling outage expenses.
(f) The decrease in 2014 compared with 2013 was primarily due to a $65 million impairment charge in 2013 related to the Corette plant and the elimination of $20 million of rent expense associated with the Colstrip lease which was terminated in December 2013. The increase in 2013 compared with 2012 was primarily due to the $65 million impairment charge in 2013 related to the Corette plant, partially offset by lower fossil and hydroelectric expenses of $24 million, largely driven by lower outage expenses in 2013. See Note 16 to the Financial Statements for additional information on the Corette plant impairment.
(g) The increase in 2013 compared with 2012 was primarily due to vegetation management.
(h) The decrease in 2014 compared with 2013 was primarily due to lower amortization of prior period losses and an increase in expected asset returns.

Loss on Lease Termination

A $697 million charge was recorded in 2013 for the termination of the Colstrip operating lease to facilitate the sale of the Montana hydroelectric generating facilities. See Note 8 to the Financial Statements for additional information.

Depreciation

The increase (decrease) in depreciation was due to:

	2014 vs. 2013	2013 vs. 2012
Additions to PP&E, net	$ 75	$ 80
LKE lower depreciation rates effective January 1, 2013 (a)		(22)
Adjustments to PPL Montana assets (b)	(15)	
Foreign currency exchange rates	18	(3)
Total	$ 78	$ 55

(a) A result of the 2012 rate case.
(b) Lower depreciation expense in 2014 due to the impairment recorded at PPL Montana for the Corette plant and the write-down of assets in conjunction with the termination of the operating lease at the Colstrip facility, both of which occurred in 2013.

Taxes, Other Than Income

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

	2014 vs. 2013	2013 vs. 2012
State gross receipts tax (a)	$ 12	
State capital stock tax		$ (5)
Foreign currency exchange rates	10	
Other	1	4
Total	$ 23	$ (1)

(a) The increase in 2014 compared with 2013 was primarily due to higher retail electric revenues. This tax is included in "Unregulated Gross Energy Margins" and "Pennsylvania Gross Delivery Margins".

Other Income (Expense) - net

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

	2014 vs. 2013	2013 vs. 2012
Economic foreign currency exchange contracts (Note 17)	$ 159	$ 14
Earnings on securities in NDT funds	5	1
Charitable contributions	(5)	(15)
Transaction costs related to spinoff of PPL Energy Supply (Note 8)	(19)	
Other	1	16
Total	$ 141	$ 16

See Note 15 to the Financial Statements for additional information.

Other-Than-Temporary Impairments

Other-than-temporary impairments decreased by $26 million in 2013 compared with 2012 primarily due to a $25 million pre-tax impairment of the EEI investment in 2012. See Notes 1 and 16 to the Financial Statements for additional information.

Interest Expense

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

	2014 vs. 2013	2013 vs. 2012
Long-term debt interest expense (a)	$ 15	$ 37
Short-term debt interest expense	6	3
Hedging activities and ineffectiveness	(11)	4
Capitalized interest (b)	12	(2)
Net amortization of debt discounts, premiums and issuance costs	(8)	(4)
Loss on extinguishment of debt (c)	(1)	10
Foreign currency exchange rates	19	(4)
Other	(2)	(1)
Total	$ 30	$ 43

(a) The increase in 2014 compared with 2013 was primarily due to debt issuances at WPD (West Midlands) in October 2013, LG&E and KU in November 2013 and PPL Electric in June 2014 and July 2013. Partially offsetting the increase was repayment of debt at PPL Energy Supply in July and December 2013.

The increase in 2013 compared with 2012 was primarily due to debt issuances at PPL Capital Funding in March 2013, June 2012 and October 2012, PPL Electric in July 2013 and August 2012, and WPD (East Midlands) in April 2012. Partially offsetting the increase was the repayment of PPL Energy Supply debt in July 2013.

(b) Includes AFUDC. The increase in 2014 compared with 2013 was primarily due to the Holtwood hydroelectric expansion project placed in service in November 2013.

(c) In March 2014, a $9 million loss was recorded related to PPL Capital Funding's remarketing and debt exchange of the junior subordinated notes originally issued in April 2011 as a component of the 2011 Equity Units. In May 2013, a $10 million loss was recorded related to PPL Capital Funding's remarketing and exchange of the junior subordinate notes that were originally issued in June 2010 as a component of PPL's 2010 Equity Units.

Income Taxes

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

	2014 vs. 2013	2013 vs. 2012
Change in pre-tax income at current period tax rates	$ 420	$ (310)
State valuation allowance adjustments (a)	31	11
State deferred tax rate change (b)	(16)	34
Federal and state tax reserve adjustments (c)	42	(42)
Federal and state tax return adjustments (d)	7	(21)
U.S. income tax on foreign earnings net of foreign tax credit (e)	44	(17)
U.K. Finance Act adjustments (f)	96	(22)
Impact of Lower U.K. income tax rates (f)	(17)	(16)
Other	11	28
Total	$ 618	$ (355)

(a) The valuation allowances recorded on PPL's state deferred tax assets primarily relate to Pennsylvania net operating loss carryforwards. Pennsylvania requires that each corporation file a separate income tax return and has significant annual limitations on the deduction for net operating loss carryforwards. Currently, Pennsylvania allows an annual maximum deduction equal to the greater of $4 million or 25% of taxable income. Legislation enacted in 2013 increased the annual maximum deduction to the greater of $5 million or 30% of taxable income for tax years beginning in 2015.

As a result of the PPL Energy Supply spinoff announcement, PPL recorded $50 million of deferred income tax expense during 2014 to adjust the valuation allowance on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the earnings of PPL Energy Supply.

During 2013 and 2012, PPL recorded $24 million and $9 million of state deferred income tax expense related to a deferred tax valuation allowance primarily due to a decrease in projected future taxable income over the remaining carryforward period of Pennsylvania net operating losses.

(b) Changes in state apportionment resulted in reductions to the future estimated state tax rate at December 31, 2014 and 2012, and an increase to the future estimated state tax rate at December 31, 2013. PPL recorded an insignificant deferred tax benefit in 2014, a $15 million deferred tax expense in 2013 and a $19 million deferred tax benefit in 2012 related to its state deferred tax liabilities.

(c) In May 2013, the U.S. Supreme Court reversed the December 2011 ruling, by the U.S. Court of Appeals for the Third Circuit, concerning the creditability of U.K. Windfall Profits Tax for U.S. federal income tax purposes. As a result of this decision, PPL recorded a tax benefit of $44 million during 2013. See Note 5 to the Financial Statements for additional information.

PPL recorded a tax benefit of $7 million during 2013 and $6 million during 2012 to federal and state income tax reserves related to stranded cost securitization. The reserve balance at December 31, 2013 related to stranded costs securitization was zero.

(d) 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.

(e) During 2014, PPL recorded $47 million of income tax expense primarily attributable to taxable dividends.

During 2013, PPL recorded $28 million income tax expense resulting from increased taxable dividends offset by a $19 million income tax benefit associated with a ruling obtained from the IRS impacting the recalculation of 2010 U.K. earnings and profits that was reflected on an amended 2010 U.S. tax return.

During 2012, PPL recorded a $23 million adjustment to federal income tax expense related to the recalculation of 2010 U.K. earnings and profits.

(f) The U.K.'s Finance Act 2013, enacted in July 2013, reduced the U.K. statutory income tax rate from 23% to 21% effective April 1, 2014 and from 21% to 20% effective April 1, 2015. As a result, PPL reduced its net deferred tax liabilities and recognized a $97 million deferred tax benefit in 2013 related to both rate decreases.

The U.K.'s Finance Act 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.

See Note 5 to the Financial Statements for additional information on income taxes.

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

Income (Loss) from Discontinued Operations (net of income taxes) primarily includes the results of operations of the Montana hydroelectric generating facilities for all periods presented. See "Discontinued Operations - Montana Hydro Sale" in Note 8 to the Financial Statements for additional information. Income (Loss) from Discontinued Operations (net of income taxes) increased by $120 million in 2014 compared with 2013 primarily due to the gain on the sale of the Montana hydroelectric generating facilities, and decreased by $6 million in 2013 compared with 2012 primarily due to lower energy margins due to lower energy prices.

PPL Energy Supply: Earnings, Margins and Statement of Income Analysis

Earnings

	2014	2013	2012
Net Income (Loss) Attributable to PPL Energy Supply Member	$ 410	$ (230)	$ 474
Special items, gains (losses), after-tax	179	(531)	18

Excluding special items, earnings in 2014 compared with 2013 decreased, primarily due to lower margins resulting from lower energy and capacity prices, partially offset by favorable baseload asset performance, gains on certain commodity positions, net benefits of unusually cold weather in the first quarter of 2014 and lower financing costs.

Excluding special items, earnings in 2013 compared with 2012 decreased, primarily due to lower baseload energy prices and higher depreciation, partially offset by higher capacity prices, higher nuclear generation volume and lower operation and maintenance expense.

The table below quantifies the changes in the components of Net Income (Loss) Attributable to PPL Energy Supply Member between these periods, which reflect amounts classified as Unregulated Gross Energy Margins and certain items that management considers special on separate lines within the table and not in their respective Statement of Income line items. See PPL's Results of Operations - Segment Earnings - Supply Segment for the details of special items.

	2014 vs. 2013	2013 vs. 2012
Unregulated Gross Energy Margins	$ (188)	$ (194)
Other operation and maintenance	(7)	25
Depreciation	2	(27)
Taxes, other than income	2	5
Other Income (Expense) - net	(2)	15
Interest Expense	35	(1)
Other	(6)	(3)
Income Taxes	77	24
Discontinued Operations, after-tax	17	1
Special items, after-tax	710	(549)
Total	$ 640	$ (704)

Margins

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

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the years ended December 31.

	2014			2013		
	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)
Operating Revenues						
Unregulated wholesale energy	$ 1,490	$ 318 (c)	$ 1,808	$ 3,623	$ (714) (c)	$ 2,909
Unregulated wholesale energy to affiliate	84		84	51		51
Unregulated retail energy (d)	1,216	27 (c)	1,243	1,015	12 (c)	1,027
Energy-related businesses		601	601		527	527
Total Operating Revenues	2,790	946	3,736	4,689	(175)	4,514
Operating Expenses						
Fuel	1,169	27 (e)	1,196	1,045	4 (e)	1,049
Energy purchases	(121)	330 (c)	209	1,745	(574) (c)	1,171
Other operation and maintenance	22	985	1,007	20	1,006	1,026
Loss on lease termination (Note 8)					697	697
Depreciation		297	297		299	299
Taxes, other than income	43	14	57	37	16	53
Energy-related businesses	8	565	573	7	505	512
Total Operating Expenses	1,121	2,218	3,339	2,854	1,953	4,807
Discontinued Operations	117	(117) (f)		139	(139) (f)	
Total	$ 1,786	$ (1,389)	$ 397	$ 1,974	$ (2,267)	$ (293)

	2012		
	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)
Operating Revenues			
Unregulated wholesale energy	$ 4,266	$ (290) (c)	$ 3,976
Unregulated wholesale energy to affiliate	78		78
Unregulated retail energy (d)	861	(17) (c)	844
Energy-related businesses		448	448
Total Operating Revenues	5,205	141	5,346

	2012		
	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)
Operating Expenses			
Fuel	931	34 (e)	965
Energy purchases	2,207	(386) (c)	1,821
Other operation and maintenance	19	978	997
Depreciation		272	272
Taxes, other than income	34	21	55
Energy-related businesses		432	432
Total Operating Expenses	3,191	1,351	4,542
Discontinued Operations	154	(154) (f)	
Total	$ 2,168	$ (1,364)	$ 804

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.
(c) Includes energy-related economic activity, which is subject to fluctuations in value due to market price volatility. See "Commodity Price Risk (Non-trading) - Economic Activity" within Note 17 to the Financial Statements. For 2012, "Unregulated wholesale energy" and "Energy purchases" include a net pre-tax loss of $35 million related to the monetization of certain full-requirement sales contracts.
(d) Although retail energy revenues continue to grow, the net margins related to these activities are not currently a significant component of Unregulated Gross Energy Margins.
(e) Includes economic activity related to fuel as described in "Commodity Price Risk (Non-trading) - Economic Activity" within Note 17 to the Financial Statements. 2012 includes a net pre-tax loss of $29 million related to coal contract modification payments.
(f) Represents the revenues associated with the hydroelectric generating facilities located in Montana that are classified as discontinued operations. These revenues are not reflected in "Operating Income" on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items are included above within "Margins" and are not discussed separately.

	2014 vs. 2013	2013 vs. 2012
Unregulated wholesale energy	$ (1,101)	$ (1,067)
Unregulated wholesale energy to affiliate	33	(27)
Unregulated retail energy	216	183
Fuel	147	84
Energy purchases	(962)	(650)

Energy-Related Businesses

Net contributions from energy-related businesses increased by $13 million in 2014 compared with 2013. During 2014, PPL Energy Supply recorded a $17 million increase to "Energy-related businesses" revenues on the Statement of Income related to prior periods and the timing of revenue recognition for a mechanical contracting and engineering subsidiary. See Note 1 to the Financial Statements for additional information.

Other Operation and Maintenance

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

	2014 vs. 2013	2013 vs. 2012
Fossil and hydroelectric plants (a)	$ (78)	$ 41
PPL Susquehanna (b)	28	(3)
PPL EnergyPlus (c)	1	(18)
Bargaining unit one-time voluntary retirement benefits (Note 13)	17	
Separation benefits related to spinoff of PPL Energy Supply (Note 8)	16	
Other	(3)	9
Total	$ (19)	$ 29

(a) The decrease in 2014 compared with 2013 was primarily due to a $65 million impairment charge in 2013 related to the Corette plant and the elimination of $20 million of rent expense associated with the Colstrip lease which was terminated in December 2013. The increase in 2013 compared with 2012 was primarily due to the $65 million impairment charge in 2013 related to the Corette plant, partially offset by lower fossil and hydroelectric expenses of $24 million, largely driven by lower outage expenses in 2013. See Note 16 to the Financial Statements for additional information on the Corette plant impairment.
(b) The increase in 2014 compared with 2013 was primarily due to project expenses, including refueling outage expenses.

(c) The decrease in 2013 compared with 2012 was primarily due to SMGT filing under Chapter 11 of the U.S. Bankruptcy Code. $11 million of receivables billed to SMGT were fully reserved in 2012.

Loss on Lease Termination

A $697 million charge was recorded in 2013 for the termination of the Colstrip operating lease to facilitate the sale of the Montana hydroelectric generating facilities. See Note 8 to the Financial Statements for additional information.

Depreciation

Depreciation decreased by $2 million in 2014 compared with 2013, primarily due to decreases of $15 million from the impairment recorded at PPL Montana for the Corette plant and the write-down of assets in conjunction with the termination of the operating lease at the Colstrip facility, both of which occurred in 2013. These decreases were partially offset by increases of $13 million from PP&E additions in part due to the completed PPL Holtwood project in 2013. See Note 16 to the Financial Statements for additional information on the Corette impairment and Note 8 to the Financial Statements for information on the Colstrip operating lease termination.

Depreciation increased by $27 million in 2013 compared with 2012 primarily due to net PP&E additions.

Taxes, Other Than Income

Taxes, other than income increased by $4 million in 2014 compared with 2013 due to an $8 million increase in state gross receipts tax offset by a $4 million decrease in state capital stock tax.

Other Income (Expense) - net

Other income (expense) - net decreased by $2 million in 2014 compared with 2013 and increased by $13 million in 2013 compared with 2012. The decrease in 2014 compared with 2013 resulted from 2013 including a gain of $8 million related to adjustments to liabilities for a PPL Energy Supply former mining subsidiary partially offset by a $5 million increase in 2014 in net earnings on NDT funds. The increase in 2013 compared with 2012 primarily related to the former mining subsidiary's gains discussed above.

Interest Expense

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

	2014 vs. 2013	2013 vs. 2012
Long-term debt interest expense (a)	$ (50)	$ 1
Short-term debt interest expense	7	(2)
Capitalized interest (b)	14	2
Net amortization of debt discounts, premiums and issuance costs	(4)	(1)
Other	(2)	1
Total	$ (35)	$ 1

(a) The decrease in 2014 compared with 2013 was primarily due to the repayment of debt in July and December 2013.
(b) The increase in 2014 compared with 2013 was primarily due to the Holtwood hydroelectric expansion project placed in service in November 2013.

Income Taxes

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

	2014 vs. 2013	2013 vs. 2012
Change in pre-tax income at current period tax rates	$ 298	$ (439)
State deferred tax rate change (a)	(16)	34
Federal income tax credits (b)	8	3
Federal and state tax reserve adjustments (c)	(6)	8
Other	(9)	(1)
Total	$ 275	$ (395)

(a) Changes in state apportionment resulted in reductions to the future estimated state tax rate at December 31, 2014 and 2012, and an increase to the future estimated state tax rate at December 2013. PPL Energy Supply recorded an insignificant deferred tax benefit in 2014, a $15 million deferred tax expense in 2013, and a $19 million deferred tax benefit in 2012 related to its state deferred tax liabilities.

(b) During 2013 and 2012, PPL Energy Supply recorded deferred tax benefits related to investment tax credits on progress expenditures for the Holtwood hydroelectric plant expansion. See Note 8 to the Financial Statements for additional information.
(c) During 2013, PPL Energy Supply reversed $3 million in tax benefits related to a 2008 change in method of accounting for certain expenditures for tax purposes and recorded $4 million in federal tax expense related to differences in over (under) payment interest rates applied to audit claims as a result of the U.S. Supreme Court decision related to Windfall Profits Tax.

See Note 5 to the Financial Statements for additional information on income taxes.

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

Income (Loss) from Discontinued Operations (net of income taxes) primarily includes the results of operations of the Montana hydroelectric generating facilities for all periods presented. See "Discontinued Operations - Montana Hydro Sale" in Note 8 to the Financial Statements for additional information. Income (Loss) from Discontinued Operations (net of income taxes) increased by $191 million in 2014 compared with 2013 primarily due to the gain on the sale of the Montana hydroelectric generating facilities, and decreased by $14 million in 2013 compared with 2012 primarily due to lower energy margins due to lower energy prices.

PPL Electric: Earnings, Margins and Statement of Income Analysis

Earnings

	2014	2013	2012
Net Income Available to PPL	$ 263	$ 209	$ 132
Special item, gain (loss), after-tax	(2)		

Excluding a special item, pre-tax earnings in 2014 compared with 2013 increased, primarily due to returns on additional transmission and distribution improvement capital investments, lower other operation and maintenance expense and a benefit from a change in estimate of a regulatory liability, partially offset by higher interest expense and depreciation.

Pre-tax earnings in 2013 compared with 2012 increased, primarily due to higher distribution base rates that became effective January 1, 2013, returns on additional transmission capital investments, and lower operation and maintenance expense due to lower storm costs, partially offset by higher depreciation.

The table below quantifies the changes in the components of Net Income Available to PPL between these periods, which reflect amounts classified as Pennsylvania Gross Delivery Margins and a certain item that management considers special on separate lines within the table and not in their respective Statement of Income line items. See PPL's Results of Operations - Segment Earnings - Pennsylvania Regulated Segment for details of the special item.

	2014 vs. 2013	2013 vs. 2012
Pennsylvania Gross Delivery Margins	$ 118	$ 114
Other operation and maintenance	13	23
Depreciation	(7)	(18)
Taxes, other than income		5
Other Income (Expense) - net	1	(3)
Interest Expense	(14)	(9)
Income Taxes	(55)	(39)
Distributions on Preference Stock		4
Special item, after tax	(2)	
Total	$ 54	$ 77

Margins

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

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

	2014			2013		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 2,044		$ 2,044	$ 1,870		$ 1,870
Operating Expenses						
Energy purchases	587		587	588		588
Energy purchases from affiliate	84		84	51		51
Other operation and maintenance	103	$ 440	543	82	$ 449	531
Depreciation		185	185		178	178
Taxes, other than income	98	9	107	95	8	103
Total Operating Expenses	872	634	1,506	816	635	1,451
Total	$ 1,172	$ (634)	$ 538	$ 1,054	$ (635)	$ 419

	2012		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,763		$ 1,763
Operating Expenses			
Energy purchases	550		550
Energy purchases from affiliate	78		78
Other operation and maintenance	104	$ 472	576
Depreciation		160	160
Taxes, other than income	91	14	105
Total Operating Expenses	823	646	1,469
Total	$ 940	$ (646)	$ 294

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

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Pennsylvania Gross Delivery Margins"

The following Statement of Income line items are included above within "Pennsylvania Gross Delivery Margins" and are not discussed separately.

	2014 vs. 2013	2013 vs. 2012
Operating revenues	$ 174	$ 107
Energy purchases	(1)	38
Energy purchases from affiliate	33	(27)

Other Operation and Maintenance

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

	2014 vs. 2013	2013 vs. 2012
Act 129 costs incurred (a)	$ 6	$ (24)
Vegetation management (b)	(4)	12
Payroll-related costs (c)	(16)	4
Allocation of certain corporate support group costs	7	(10)
Storm costs (d)	18	(26)
Bargaining unit one-time voluntary retirement benefits (Note 13)	3	
Other	(2)	(1)
Total	$ 12	$ (45)

(a) Relates to expenses associated with PPL Electric's PUC-approved energy efficiency and conservation plan with programs starting in 2010. These expenses are recovered in customer rates. The decrease in 2013 compared with 2012 results from the number of programs and the timing of such programs. Phase 1 of Act 129 closed in May 2013. Phase 2 programs began in June 2013.

(b) The increase in 2013 compared with 2012 was due to increased activities related to maintaining and increasing system reliability for both the transmission and distribution systems.
(c) The decrease in 2014 compared with 2013 was due to lower headcount, less maintenance work and more focus on capital projects in 2014.
(d) The increase in 2014 compared with 2013 was due to more storm events. The 2012 expenses were unusually high due to Hurricane Sandy expenses.

Depreciation

Depreciation increased by $7 million in 2014 compared with 2013, and by $18 million in 2013 compared with 2012, primarily due to transmission PP&E additions as well as additions related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure.

Financing Costs

The increase (decrease) in financing costs was due to:

	2014 vs. 2013	2013 vs. 2012
Long-term debt interest expense (a)	$ 15	$ 12
Distributions on Preference Stock (b)		(4)
Other	(1)	(3)
Total	$ 14	$ 5

(a) The increase in 2014 compared with 2013 was due to debt issuances in June 2014 and July 2013. The increase in 2013 compared with 2012 was due to debt issuances in July 2013 and August 2012.
(b) The decrease in 2013 compared with 2012 was due to the June 2012 redemption of all 2.5 million shares of preference stock.

Income Taxes

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

	2014 vs. 2013	2013 vs. 2012
Change in pre-tax income at current period tax rates	$ 44	$ 47
Federal and state tax reserve adjustments (a)	8	(1)
Federal and state tax return adjustments	2	(8)
Other	(2)	2
Total	$ 52	$ 40

(a) PPL Electric recorded a tax benefit of $7 million during 2013 and $6 million during 2012 to federal and state income tax reserves related to stranded costs securitization. The reserve balance at December 31, 2013 related to stranded costs securitization was zero.

See Note 5 to the Financial Statements for additional information on income taxes.

LKE: Earnings, Margins and Statement of Income Analysis

Earnings

	2014	2013	2012
Net Income	$ 344	$ 347	$ 219
Special items, gains (losses), after-tax		3	(16)

Earnings in 2014 compared with 2013 decreased primarily due to higher operation and maintenance expense driven by the timing and scope of scheduled generation maintenance outages, higher bad debt expense, storm-related expenses, higher financing costs and higher depreciation expense partially offset by returns on additional environmental capital investments and higher sales volumes. The changes in sales volumes were driven by unusually cold weather in the first quarter of 2014.

Excluding special items, earnings in 2013 compared with 2012 increased primarily due to higher electricity and gas base rates that went into effect January 1, 2013 and returns on additional environmental capital investments.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins and certain items that management considers special on separate lines within the table and not in their respective Statement of Income line items. See PPL's "Results of Operations - Segment Earnings - Kentucky Regulated segment" for details of the special items.

	2014 vs. 2013	2013 vs. 2012
Margins	$ 78	$ 220
Other operation and maintenance	(35)	(5)
Depreciation	(14)	(34)
Taxes, other than income	(3)	(1)
Other Income (Expense)-net	(1)	7
Interest Expense	(22)	6
Income Taxes	(3)	(84)
Special items, after-tax	(3)	19
Total	$ (3)	$ 128

Margins

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

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

	2014			2013		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 3,168		$ 3,168	$ 2,976		$ 2,976
Operating Expenses						
Fuel	965		965	896		896
Energy purchases	253		253	217		217
Other operation and maintenance	99	$ 716	815	97	$ 681	778
Depreciation	11	343	354	5	329	334
Taxes, other than income	2	50	52	1	47	48
Total Operating Expenses	1,330	1,109	2,439	1,216	1,057	2,273
Total	$ 1,838	$ (1,109)	$ 729	$ 1,760	$ (1,057)	$ 703

	2012		
	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 2,759		$ 2,759
Operating Expenses			
Fuel	872		872
Energy purchases	195		195
Other operation and maintenance	101	$ 677	778
Depreciation	51	295	346
Taxes, other than income		46	46
Total Operating Expenses	1,219	1,018	2,237
Total	$ 1,540	$ (1,018)	$ 522

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

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related increase (decrease) are included above within "Margins" and are not discussed separately.

	2014 vs. 2013	2013 vs. 2012
Operating Revenues	$ 192	$ 217
Fuel	69	24
Energy purchases	36	22

Other Operation and Maintenance

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

	2014 vs. 2013	2013 vs. 2012
Timing and scope of scheduled generation maintenance outages	$ 14	$ (21)
Bad debt expense	9	(5)
Storm expenses	8	3
Gas maintenance	3	
Other (a)	3	23
Total	$ 37	$

(a) The increase in 2013 compared with 2012 was primarily due to $9 million of higher expenses related to software maintenance and property and liability insurance expenses, $6 million of increased generation expenses and $4 million of adjustments to regulatory assets and liabilities.

Depreciation

The increase (decrease) in depreciation was due to:

	2014 vs. 2013	2013 vs. 2012
Additions to PP&E, net	$ 20	$ 10
Lower depreciation rates effective January 1, 2013 (a)		(22)
Total	$ 20	$ (12)

(a) A result of the 2012 rate case.

Other Income (Expense) - net

Other income (expense) - net increased by $8 million in 2013 compared with 2012 primarily due to losses from the EEI investment recorded in 2012. The EEI investment was fully impaired in the fourth quarter of 2012.

Other-Than-Temporary Impairments

Other-than-temporary impairments decreased by $25 million in 2013 compared with 2012 due to a $25 million pre-tax impairment of the EEI investment in 2012. See Notes 1 and 16 to the Financial Statements for additional information.

Interest Expense

Interest expense increased by $22 million in 2014 compared with 2013 primarily due to the issuance of $500 million of First Mortgage Bonds in November 2013 and higher short-term debt balances in 2014.

Interest expense decreased by $6 million in 2013 compared with 2012 primarily due to amortization of a fair market value adjustment of $7 million in 2013.

Income Taxes

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

	2014 vs. 2013	2013 vs. 2012
Change in pre-tax income	$ 1	$ 86
Net operating loss carryforward adjustments (a)		9
Other	2	5
Total	$ 3	$ 100

(a) Adjustments recorded in 2012 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) increased by $8 million in 2013 compared with 2012 primarily due to an adjustment in 2012 to the estimated liability for indemnifications related to the termination of the WKE lease.

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

Earnings

	2014	2013	2012
Net Income	$ 169	$ 163	$ 123

Earnings in 2014 compared with 2013 increased primarily due to returns on additional environmental capital investments and higher sales volume partially offset by higher operation and maintenance driven by storm-related expenses, financing costs, depreciation and income tax expense. The changes in sales volume were driven by unusually cold weather in the first quarter of 2014.

Earnings in 2013 compared with 2012 increased primarily due to higher electricity and gas base rates that went into effect January 1, 2013 and returns on additional environmental capital investments.

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

	2014 vs. 2013	2013 vs. 2012
Margins	$ 42	$ 64
Other operation and maintenance	(4)	(10)
Depreciation	(7)	3
Taxes, other than income		(1)
Other Income (Expense) - net	(1)	1
Interest Expense	(15)	8
Income Taxes	(9)	(25)
Total	$ 6	$ 40

Margins

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

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

	2014			2013		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,533		$ 1,533	$ 1,410		$ 1,410
Operating Expenses						
Fuel	404		404	367		367
Energy purchases	244		244	205		205
Other operation and maintenance	47	$ 332	379	45	$ 328	373
Depreciation	4	153	157	2	146	148
Taxes, other than income	1	24	25		24	24
Total Operating Expenses	700	509	1,209	619	498	1,117
Total	$ 833	$ (509)	$ 324	$ 791	$ (498)	$ 293

	2012		
	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,324		$ 1,324
Operating Expenses			
Fuel	374		374
Energy purchases	175		175
Other operation and maintenance	45	$ 318	363
Depreciation	3	149	152
Taxes, other than income		23	23
Total Operating Expenses	597	490	1,087
Total	$ 727	$ (490)	$ 237

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

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related increase (decrease) are included above within "Margins" and are not discussed separately.

	2014 vs. 2013	2013 vs. 2012
Retail and wholesale	$ 94	$ 104
Electric revenue from affiliate	29	(18)
Fuel	37	(7)
Energy purchases	35	32
Energy purchases from affiliate	4	(2)

Other Operation and Maintenance

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

	2014 vs. 2013	2013 vs. 2012
Storm expenses	$ 4	$ 3
Bad debt expense	3	
Gas maintenance	3	
Other (a)	(4)	7
Total	$ 6	$ 10

(a) The increase in 2013 compared with 2012 was primarily due to $6 million of higher expenses related to software maintenance and property and liability insurance expenses.

Depreciation

The increase (decrease) in depreciation was due to:

	2014 vs. 2013	2013 vs. 2012
Additions to PP&E, net	$ 9	$ 4
Lower depreciation rates effective January 1, 2013 (a)		(8)
Total	$ 9	$ (4)

(a) A result of the 2012 rate case.

Interest Expense

Interest expense increased by $15 million in 2014 compared with 2013 primarily due to the issuance of $250 million of First Mortgage Bonds in November 2013 and amortization of a fair market value adjustment of $7 million in 2013.

Interest expense decreased by $8 million in 2013 compared with 2012 primarily due to amortization of a fair market value adjustment of $7 million in 2013.

Income Taxes

Income taxes increased by $9 million in 2014 compared with 2013 and increased by $25 million in 2013 compared with 2012 primarily due to the change in pre-tax income.

See Note 5 to the Financial Statements for additional information on income taxes.

KU: Earnings, Margins and Statement of Income Analysis

Earnings

	2014	2013	2012
Net Income	$ 220	$ 228	$ 137
Special items, gains (losses), after tax		1	(15)

Excluding special items, earnings in 2014 compared with 2013 decreased primarily due to higher other operation and maintenance expense driven by the timing and scope of scheduled generation maintenance outages, higher financing costs and higher depreciation expense partially offset by returns on additional environmental capital investments and higher sales volumes. The changes in sales volumes were driven by unusually cold weather in the first quarter of 2014.

Excluding special items, earnings in 2013 compared with 2012 increased primarily due to higher electricity base rates that went into effect January 1, 2013 and returns on additional environmental capital investments.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins and certain items that management considers special on separate lines within the table and not in their respective Statement of Income line items. See PPL's "Results of Operations - Segment Earnings - Kentucky Regulated segment" for details of these special items.

	2014 vs. 2013	2013 vs. 2012
Margins	$ 36	$ 156
Other operation and maintenance	(26)	(1)
Depreciation	(7)	(39)
Taxes, other than income	(3)	
Other Income (Expense) - net	3	4
Interest Expense	(7)	(1)
Income Taxes	(3)	(44)
Special items, after-tax	(1)	16
Total	$ (8)	$ 91

Margins

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

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

	2014			2013		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,737		$ 1,737	$ 1,635		$ 1,635
Operating Expenses						
Fuel	561		561	529		529
Energy purchases	111		111	81		81
Other operation and maintenance	52	$ 356	408	52	$ 330	382
Depreciation	7	190	197	3	183	186
Taxes, other than income	1	26	27	1	23	24
Total Operating Expenses	732	572	1,304	666	536	1,202
Total	$ 1,005	$ (572)	$ 433	$ 969	$ (536)	$ 433

	2012		
	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,524		$ 1,524
Operating Expenses			
Fuel	498		498
Energy purchases	109		109
Other operation and maintenance	55	$ 329	384
Depreciation	49	144	193
Taxes, other than income		23	23
Total Operating Expenses	711	496	1,207
Total	$ 813	$ (496)	$ 317

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

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related increase (decrease) are included above within "Margins" and are not discussed separately.

	2014 vs. 2013	2013 vs. 2012
Retail and wholesale	$ 98	$ 113
Electric revenue from affiliate	4	(2)
Fuel	32	31
Energy purchases	1	(10)
Energy purchases from affiliate	29	(18)

Other Operation and Maintenance

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

	2014 vs. 2013	2013 vs. 2012
Timing and scope of scheduled generation maintenance outages	$ 14	$ (21)
Bad debt expense	5	(2)
Storm expenses	4	
Other (a)	3	21
Total	$ 26	$ (2)

(a) The increase in 2013 compared with 2012 was primarily due to $7 million of higher expenses related to software maintenance and property and liability insurance expenses, $7 million of increased generation expenses and $4 million of adjustments to regulatory assets and liabilities.

Depreciation

The increase (decrease) in depreciation was due to:

	2014 vs. 2013	2013 vs. 2012
Additions to PP&E, net	$ 11	$ 6
Lower depreciation rates effective January 1, 2013 (a)		(13)
Total	$ 11	$ (7)

(a) A result of the 2012 rate case.

Other Income (Expense) - net

Other income (expense) - net increased by $5 million in 2013 compared with 2012 primarily due to losses from the EEI investment recorded in 2012. The EEI investment was fully impaired in the fourth quarter of 2012.

Other-Than-Temporary Impairments

Other-than-temporary impairments decreased by $25 million in 2013 compared with 2012 due to a $25 million pre-tax impairment of the EEI investment in 2012. See Notes 1 and 16 to the Financial Statements for additional information.

Interest Expense

Interest expense increased by $7 million in 2014 compared with 2013 primarily due to the issuance of $250 million of First Mortgage Bonds in November 2013.

Income Taxes

Income taxes increased by $54 million in 2013 compared with 2012 primarily due to the change in pre-tax income.

See Note 5 to the Financial Statements for additional information on income taxes.

Financial Condition

The remainder of this Item 7 in this Form 10-K is presented on a combined basis, providing information, as applicable, for all Registrants.

Liquidity and Capital Resources

(All Registrants)

The Registrants' cash flows from operations and access to cost effective bank and capital markets are subject to risks and uncertainties. See "Item 1A. Risk Factors" for a discussion of risks and uncertainties that could affect the Registrants' cash flows.

The Registrants had the following at:

	PPL (a)	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
December 31, 2014						
Cash and cash equivalents	$ 1,751	$ 352	$ 214	$ 21	$ 10	$ 11
Short-term investments	120					
Short-term debt	1,466	630		575	264	236
Notes payable with affiliates				41		
December 31, 2013						
Cash and cash equivalents	1,102	239	25	35	8	21
Notes receivable from affiliates			150	70		
Short-term debt	701		20	245	20	150
December 31, 2012						
Cash and cash equivalents	901	413	140	43	22	21
Short-term debt	652	356		125	55	70
Notes payable with affiliates				25		

(a) At December 31, 2014, $285 million of cash and cash equivalents were denominated in GBP. If these amounts would be remitted as dividends, PPL would not anticipate a material incremental U.S. tax cost. Historically, dividends paid by foreign subsidiaries have been limited to distributions of the current year's earnings. See Note 5 to the Financial Statements for additional information on undistributed earnings of WPD.

Net cash provided by (used in) operating, investing and financing activities for the years ended December 31 and the changes between periods were as follows.

	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
2014						
Operating activities	$ 3,403	$ 462	$ 613	$ 999	$ 371	$ 566
Investing activities	(3,329)	497	(791)	(1,191)	(656)	(603)
Financing activities	583	(846)	367	178	287	27
2013						
Operating activities	$ 2,857	$ 410	$ 523	$ 920	$ 366	$ 495
Investing activities	(4,295)	(631)	(1,080)	(1,502)	(577)	(853)
Financing activities	1,631	47	442	574	197	358
2012						
Operating activities	$ 2,764	$ 784	$ 389	$ 744	$ 305	$ 500
Investing activities	(3,123)	(469)	(613)	(753)	(286)	(480)
Financing activities	48	(281)	44	(7)	(22)	(30)
2014 vs. 2013 Change						
Operating activities	$ 546	$ 52	$ 90	$ 79	$ 5	$ 71
Investing activities	966	1,128	289	311	(79)	250
Financing activities	(1,048)	(893)	(75)	(396)	90	(331)
2013 vs. 2012 Change						
Operating activities	$ 93	$ (374)	$ 134	$ 176	$ 61	$ (5)
Investing activities	(1,172)	(162)	(467)	(749)	(291)	(373)
Financing activities	1,583	328	398	581	219	388

Operating Activities

The components of the change in cash provided by (used in) operating activities were as follows.

	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
2014 vs. 2013						
Change - Cash Provided (Used):						
Net income	$ 606	$ 639	$ 54	$ (3)	$ 6	$ (8)
Non-cash components	(478)	(656)	(53)	206	91	166
Working capital	440	(46)	7	(129)	(65)	(96)
Defined benefit plan funding	144	78	70	123	35	60
Other operating activities	(166)	37	12	(118)	(62)	(51)
Total	$ 546	$ 52	$ 90	$ 79	$ 5	$ 71
2013 vs. 2012						
Change - Cash Provided (Used):						
Net income	$ (400)	$ (704)	$ 73	$ 128	$ 40	$ 91
Non-cash components	545	313	31	90	(30)	(68)
Working capital	(332)	65	12	(31)	12	(15)
Defined benefit plan funding	44	(38)	(34)	(98)	(21)	(44)
Other operating activities	236	(10)	52	87	60	31
Total	$ 93	$ (374)	$ 134	$ 176	$ 61	$ (5)

(PPL and PPL Energy Supply)

A significant portion of PPL's Supply segment and PPL Energy Supply's operating cash flows is derived from its competitive baseload generation activities. See Note 8 to the Financial Statements for information on the anticipated spinoff of PPL Energy Supply, expected to occur during the second quarter of 2015. PPL Energy Supply employs a formal hedging program for its baseload generation fleet, the objective of which is to provide a reasonable level of near-term cash flow and earnings certainty while preserving upside potential over the medium term to benefit from power price increases. See Note 17 to the Financial Statements for further discussion. Despite PPL Energy Supply's hedging practices, future cash flows from operating activities are influenced by energy and capacity prices and, therefore, will fluctuate from period to period.

PPL's and PPL Energy Supply's contracts for the sale and purchase of electricity and fuel often require cash collateral or cash equivalents (e.g. letters of credit), 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' or PPL Energy Supply'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" or a further downgrade of PPL Energy Supply's or its subsidiaries' credit ratings and there was a 10% adverse movement in energy prices, PPL and PPL Energy Supply estimate that, based on their December 31, 2014 positions, they would have been required to post additional collateral of approximately $427 million for PPL and approximately $321 million for PPL Energy Supply with respect to electricity and fuel contracts. PPL and PPL Energy Supply had adequate liquidity sources at December 31, 2014 if they would have been required to post this additional collateral. PPL and PPL Energy Supply have in place risk management programs that are designed to monitor and manage 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 generating units.

(PPL)

PPL had a $546 million increase in cash provided by operating activities in 2014 compared with 2013.

- Net income improved by $606 million between the periods. However, this included an additional $478 million of net non-cash benefits, including a $426 million charge in 2013 to terminate the operating lease arrangement for interests in the Colstrip facility in Montana and acquire the previously leased interests, a $411 million decrease in unrealized losses on hedging activities, and a $246 million pre-tax gain in 2014 on the sale of the Montana hydroelectric generation facilities. These non-cash benefits were partially offset by a $568 million increase in deferred income tax expense. The net $128 million increase from net income and non-cash adjustments in 2014 compared with 2013 reflects the $271 million payment in December 2013, to terminate the operating lease arrangement for interests in the Colstrip facility in Montana and acquire the previously leased interests, partially offset by a decline in unregulated gross energy margins in 2014.

- The $440 million increase in cash from changes in working capital was partially due to an increase in taxes payable (primarily due to increased taxable income in 2014), a change in uncertain tax positions between the periods, lower returns of counterparty collateral and changes in accounts receivable and unbilled revenue.

- The $166 million decrease in cash from other operating activities was partially due to net proceeds of $104 million for settlement in 2013 of forward starting interest rate swaps.

PPL had a $93 million increase in cash from operating activities in 2013 compared with 2012.

- Net income declined by $400 million between the periods, but included net non-cash charges of $545 million. These net non-cash charges included a charge of $426 million in 2013 to terminate the operating lease arrangement for interests in the Colstrip facility in Montana and acquire the previously leased interests, $209 million of higher unrealized losses on hedging activities and $135 million of changes to the WPD line loss accrual. These non-cash charges were partially offset by a $352 million decrease in deferred income taxes. The net $145 million increase from net income and non-cash adjustments between the periods was primarily due to higher revenues and margins from regulated utility operations, partially offset by the $271 million payment in December 2013 to terminate the operating lease arrangement for interests in the Colstrip facility and acquire the previously leased interests and lower unregulated gross energy margins.

- The $332 million decrease in cash from changes in working capital was primarily due to increases in accounts receivable (primarily due to extended payment terms at LG&E and KU, higher rates and colder weather in 2013 at LG&E, KU and PPL Electric and increases at PPL Energy Supply's mechanical contracting business) and changes to certain tax-related accounts.

- The $236 million increase in cash provided by other operating activities was partially due to net proceeds of $104 million for settlement in 2013 of forward starting interest rate swaps.

(PPL Energy Supply)

PPL Energy Supply had a $52 million increase in cash provided by operating activities in 2014 compared with 2013.

- Net income improved by $639 million between the periods, however, this included an additional $656 million of net non-cash benefits, including a $315 million pre-tax gain in 2014 on the sale of the Montana hydroelectric generation facilities, a $426 million charge in 2013 to terminate the operating lease arrangement for interests in the Montana Colstrip facility and acquire the previously leased interests, and $167 million of lower unrealized losses on hedging activities. These non-cash benefits were partially offset by a $270 million decrease in deferred income tax benefits. The net $17 million decline from net income and non-cash adjustments in 2014 compared with 2013 reflects lower unregulated gross energy margins, higher operation and maintenance expenses and other factors. Cash provided by operating activities in 2014 included a $176 million payment to PPL in November 2014 to satisfy the tax liability related to the gain on the sale of the PPL Montana hydroelectric facilities. Cash provided by operating activities in 2013 included a $271 million payment in December in connection with terminating the operating lease arrangement for interests in the Montana Colstrip facility and acquiring the previously leased interests.

- Pension funding was $78 million lower in 2014.

PPL Energy Supply had a $374 million decrease in cash from operating activities in 2013 compared with 2012. Net income declined by $704 million between the periods, but included net non-cash charges of $313 million. These net non-cash charges included a charge of $426 million in 2013 to terminate the operating lease arrangement for interests in the Montana Colstrip facility and acquire the previously leased interests associated with the lease termination, $212 million of higher unrealized losses on hedging activities, and a $65 million charge in 2013 for the impairment of the Corette facility. These non-cash charges were partially offset by a $448 million decline in deferred income taxes. The net $391 million decline from net income and non-cash adjustments in 2013 compared with 2012 was primarily due to a $271 million payment in December 2013, also in connection with terminating the operating lease arrangement for interests in the Montana Colstrip facility and acquiring the previously leased interests. The decrease in cash between the periods also reflects lower unregulated gross energy margins in 2013 compared with 2012.

(PPL Electric)

PPL Electric had a $90 million increase in cash provided by operating activities in 2014 compared with 2013.

- Net income improved by $54 million between the periods. However, this included an additional $53 million of net non-cash benefits, primarily due to a decrease in deferred income tax expense.

- Pension funding was $70 million lower in 2014.

PPL Electric had a $134 million increase in cash from operating activities in 2013 compared with 2012.

- Net income improved by $73 million between the periods and included net non-cash charges of $31 million. The $104 million increase in cash in 2013 versus 2012 was primarily due to higher distribution base rates that became effective January 1, 2013 and higher transmission margins from additional capital investments.

- The $52 million increase in cash from other operating activities was partially due to changes in certain tax-related accounts.

(LKE)

LKE had a $79 million increase in cash provided by operating activities in 2014 compared with 2013.

- LKE's non-cash components of net income included a $195 million increase in deferred income taxes primarily due to an increase in accelerated tax depreciation over book depreciation as a result of additional assets in service in 2014.
- The decrease in cash from working capital was driven primarily by an increase in income tax receivable and a decrease of income tax payable from PPL as a result of the use of excess tax depreciation deductions, and an increase in inventory due to increased coal purchases in anticipation of a cold December similar to that of 2013, partially offset by decreases in accounts receivable and unbilled revenues due to extended payment terms, higher rates and colder December weather in 2013.
- The decrease in cash from LKE's other operating activities was driven primarily by $86 million in proceeds from the settlement of interest rate swaps received in 2013.

LKE had a $176 million increase in cash provided by operating activities in 2013 compared with 2012.

- LKE's non-cash components of net income included a $121 million increase in deferred income taxes primarily due to utilization of net operating losses.
- The decrease in cash from working capital was driven primarily by increases in accounts receivable and unbilled revenues due to extended payment terms, higher rates and colder December weather in 2013, offset by an increase in accounts payable due to timing of fuel purchase commitments and payments.
- The increase in cash from LKE's other operating activities was driven primarily by $86 million in proceeds from the settlement of interest rate swaps.

(LG&E)

LG&E had a $5 million increase in cash provided by operating activities in 2014 compared with 2013.

- LG&E's non-cash components of net income included a $92 million increase in deferred income taxes primarily due to an increase in accelerated tax depreciation over book depreciation as a result of additional assets in service in 2014.
- The decrease in cash from working capital was driven primarily by an increase in income tax receivable from LKE as a result of the use of excess tax depreciation deductions, and an increase in accounts receivable from affiliates, partially offset by decreases in accounts receivable and unbilled revenues due to extended payment terms, higher rates and colder December weather in 2013.
- The decrease in cash from LG&E's other operating activities was driven primarily by $43 million in proceeds from the settlement of interest rate swaps received in 2013.

LG&E had a $61 million increase in cash provided by operating activities in 2013 compared with 2012.

- The increase in cash from working capital was driven primarily by an increase in accounts payable due to timing of fuel purchase commitments and payments and an increase in accrued taxes due to decreased payments for property taxes in 2013, partially offset by increases in accounts receivable and unbilled revenues due to extended payment terms, higher rates and colder December weather in 2013, and higher fuel and underground gas storage inventory in 2013 attributable to an increase in fuel and natural gas prices.
- The increase in cash from LG&E's other operating activities was driven primarily by $43 million in proceeds from the settlement of interest rate swaps received in 2013.

(KU)

KU had a $71 million increase in cash provided by operating activities in 2014 compared with 2013.

- KU's non-cash components of net income included a $155 million increase in deferred income taxes primarily due to the utilization of net operating losses and an increase in accelerated tax depreciation over book depreciation as a result of additional assets in service in 2014.
- The decrease in cash from working capital was driven primarily by an increase in income tax receivable and a decrease of income tax payable from LKE as a result of the use of excess tax depreciation deductions, and an increase in inventory due to increased coal purchases in anticipation of a cold December similar to that of 2013, partially offset by decreases in accounts receivable and unbilled revenues due to extended payment terms, higher rates and colder December weather in 2013 and an increase in accounts payable to affiliates.
- The decrease in cash from KU's other operating activities was driven primarily by $43 million in proceeds from the settlement of interest rate swaps received in 2013.

KU had a $5 million decrease in cash provided by operating activities in 2013 compared with 2012.

- The decrease in cash from working capital was driven primarily by increases in accounts receivable and unbilled revenues due to extended payment terms, higher rates and colder December weather in 2013, offset by an increase in accounts payable due to timing of fuel purchase commitments and payments.
- The increase in cash from KU's other operating activities was driven primarily by $43 million in proceeds from the settlement of interest rate swaps.

Investing Activities

(All Registrants)

The components of the change in cash provided by (used in) investing activities were as follows.

	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
2014 vs. 2013						
Change - Cash Provided (Used):						
Expenditures for PP&E	$ 122	$ 167	$ (28)	$ 172	$ (79)	$ 251
Acquisitions & divestitures, net	900	900				
Notes receivable with affiliates activity, net			300	140		
Restricted cash and cash equivalent activity	(69)	(86)				
Purchase and sale of investments, net	(121)	(1)				
Other investing activities	134	148	17	(1)		(1)
Total	$ 966	$ 1,128	$ 289	$ 311	$ (79)	$ 250
2013 vs. 2012						
Change - Cash Provided (Used):						
Expenditures for PP&E	$ (1,107)	$ 65	$ (279)	$ (666)	$ (291)	$ (375)
Acquisitions & divestitures, net	84	84				
Notes receivable with affiliates activity, net		(198)	(150)	(85)		
Restricted cash and cash equivalent activity	(116)	(126)				
Other investing activities	(33)	13	(38)	2		2
Total	$ (1,172)	$ (162)	$ (467)	$ (749)	$ (291)	$ (373)

(PPL)

For PPL, in 2014 compared with 2013, the decrease in "Expenditures for PP&E" was partially due to expenditures made in 2013 for the Holtwood hydroelectric expansion project at PPL Energy Supply and construction of Cane Run Unit 7 for both LG&E and KU, partially offset by expenditures made in 2014 at WPD (primarily due to projects to enhance system reliability and the effect of foreign currency exchange rates). "Acquisitions & divestitures, net" reflects the 2014 sale of PPL Montana's hydroelectric generation facilities. See Note 8 to the Financial Statements for additional information. The change in "Other investing activities" was the result of investing inflow of $164 million, in 2014, from U.S. Department of Treasury grants for the Rainbow and Holtwood hydroelectric expansion projects.

For PPL, in 2013 compared with 2012, the change in "Expenditures for PP&E" was due to increased spending on projects to enhance system reliability at WPD and PPL Electric, the Susquehanna-Roseland transmission project at PPL Electric, environmental air projects at LG&E's Mill Creek and KU's Ghent plants, construction of Cane Run Unit 7 for both LG&E and KU and coal combustion residuals projects at KU's Ghent and E.W. Brown plants. The change in "Restricted cash and cash equivalent activity" was primarily related to margin deposit returns in 2012 at PPL Energy Supply.

(PPL Energy Supply)

For PPL Energy Supply, in 2014 compared with 2013, the decrease in "Expenditures for PP&E" was partially due to expenditures made in 2013 for the Holtwood hydroelectric expansion project. "Acquisitions & divestitures, net" reflects the 2014 sale of PPL Montana's hydroelectric generation facilities. See Note 8 to the Financial Statements for additional information. The change in "Other investing activities" was the result of investing inflow of $164 million, in 2014, from U.S. Department of Treasury grants for the Rainbow and Holtwood hydroelectric expansion projects.

For PPL Energy Supply, in 2013 compared with 2012, the change in "Acquisitions & divestitures, net" related to the disbursement in 2012 for the Ironwood Acquisition. The change in "Notes receivable with affiliates, net" resulted from repayments received in 2012. The change in "Restricted cash and cash equivalent activity" was primarily related to margin deposit returns in 2012.

(PPL Electric)

For PPL Electric, in 2014 compared with 2013, the change in "Notes receivable with affiliates, net" resulted from proceeds received in 2014 from repayments.

For PPL Electric, in 2013 compared with 2012, the change in "Expenditures for PP&E" was due to increases for projects to enhance system reliability and the Susquehanna-Roseland transmission project.

(LKE)

In comparing 2014 with 2013, cash used by investing activities decreased as a result of the decrease in expenditures for KU, partially offset by the increase in expenditures for LG&E. The decrease in expenditures for KU was primarily due to lower expenditures for the construction of Cane Run Unit 7 and coal combustion residuals projects at the Ghent and the E.W. Brown plants, partially offset by higher expenditures for environmental air projects at the Ghent and the E.W. Brown plants. The increase in expenditures for LG&E was primarily due to environmental air projects at the Mill Creek plant and the gas service riser program, partially offset by lower expenditures for the construction of Cane Run Unit 7.

In comparing 2013 with 2012, cash used by investing activities increased as a result of the increase in expenditures primarily due to environmental air projects at LG&E's Mill Creek and KU's Ghent plants, construction of Cane Run Unit 7 for both LG&E and KU and coal combustion residuals projects at KU's Ghent and E.W. Brown plants.

(LG&E)

In comparing 2014 with 2013, cash used by investing activities increased as a result of the increase in expenditures primarily due to environmental air projects at the Mill Creek plant and the gas service riser program, partially offset by lower expenditures for the construction of Cane Run Unit 7.

In comparing 2013 with 2012, cash used by investing activities increased as a result of the increase in expenditures primarily due to environmental air projects at the Mill Creek plant and the construction of Cane Run Unit 7.

(KU)

In comparing 2014 with 2013, cash used by investing activities decreased as a result of the decrease in expenditures primarily due to lower expenditures for the construction of Cane Run Unit 7 and coal combustion residuals projects at the Ghent and the E.W. Brown plants, partially offset by higher expenditures for environmental air projects at the Ghent and the E.W. Brown plants.

In comparing 2013 with 2012, cash used by investing activities increased as a result of the increase in expenditures primarily due to environmental air projects at the Ghent plant, construction of Cane Run Unit 7 and coal combustion residuals projects at the Ghent and E.W. Brown plants.

(All Registrants)

See "Forecasted Uses of Cash" for detail regarding projected capital expenditures for the years 2015 through 2019.

Financing Activities

(All Registrants)

The components of the change in cash provided by (used in) financing activities were as follows.

	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
2014 vs. 2013						
Change - Cash Provided (Used):						
Debt issuance/retirement, net	$ (1,541)	$ 438	$ (62)	$ (496)	$ (248)	$ (248)
Stock issuances/redemptions, net	(263)					
Dividends	(89)		(31)		(13)	(24)
Capital contributions/distributions, net		(2,336)	58	(177)	71	(66)
Changes in net short-term debt (a)	728	986	(40)	276	279	6
Other financing activities	117	19		1	1	1
Total	$ (1,048)	$ (893)	$ (75)	$ (396)	$ 90	$ (331)

	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
2013 vs. 2012						
Change - Cash Provided (Used):						
Debt issuance/retirement, net	$ 176	$ (738)	$ 99	$ 496	$ 248	$ 248
Stock issuances/redemptions, net	1,515		250			
Dividends	(45)		(32)		(24)	(24)
Capital contributions/distributions, net		1,393	55	144	86	157
Changes in net short-term debt (a)	(25)	(312)	20	(55)	(90)	10
Other financing activities	(38)	(15)	6	(4)	(1)	(3)
Total	$ 1,583	$ 328	$ 398	$ 581	$ 219	$ 388

(a) Includes net increase (decrease) in notes payable with affiliates.

(PPL)

In 2014, PPL required $1.05 billion less cash from financing activities primarily due to improvements in cash from operations of $546 million and the proceeds of $164 million from the U.S. Department of Treasury grants (as described in "Investing Activities" above) and the use of cash on hand which helped support the significant capital expenditure programs of its subsidiaries.

In 2013, PPL required $1.6 billion additional cash from financing activities primarily to support the significant capital expenditure programs of its subsidiaries. Financing needs were partially mitigated by $93 million of additional cash provided by operating activities.

(PPL Energy Supply)

In 2014, financing activities included distributions of $836 million to PPL of the proceeds from the PPL Montana hydroelectric generation facilities sale, net of a tax liability payment discussed in "Operating Activities" above, and proceeds from the U.S. Department of Treasury PPL Holtwood tax grant (See Note 8 to the Financial Statements for information on these transactions. Both receipts are included within "Investing Activities" above.).

In 2013, financing activities included net capital contributions of $1.1 billion from PPL to PPL Energy Supply to fund the debt maturities discussed below, to repay short-term debt and to terminate the operating lease arrangement for interests in the Montana Colstrip facility and acquire the previously leased interests. Debt repayments included the $300 million debt maturity and the $437 million repayment of outstanding debt related to the acquisition of the previously leased Lower Mt. Bethel facility.

(PPL Electric)

In 2014, PPL Electric required $75 million less cash from financing activities to support its significant capital expenditure program, primarily due to the receipt of $150 million on notes receivable from affiliates (as described in "Investing Activities" above) and improvements in cash from operations of $90 million.

In 2013, PPL Electric required $398 million additional cash from financing activities to support its significant capital expenditure program. Financing needs were partially mitigated by $134 million of additional cash provided by operating activities.

(LKE)

In comparing 2014 with 2013, cash provided by financing activities decreased as a result of the $500 million long-term debt issued by LG&E and KU in November 2013 and higher distributions to PPL, partially offset by an increase in short-term debt and an increase in notes payable with affiliates to fund capital expenditures.

In comparing 2013 with 2012, cash provided by financing activities increased as a result of the long-term debt issuance at LG&E and KU and higher capital contributions from PPL. The proceeds from the issuance of long-term debt were mainly used for capital expenditures related to environmental air projects and the construction of Cane Run Unit 7.

(LG&E)

In comparing 2014 with 2013, cash provided by financing activities increased due to an increase in short-term debt to fund capital expenditures and an increase in contributions from LKE, offset by the $250 million of long-term debt issued in November 2013.

In comparing 2013 with 2012, cash provided by financing activities increased as a result of the $250 million long-term debt issuance. The proceeds from the issuance of long-term debt were mainly used for capital expenditures related to environmental air projects and the construction of Cane Run Unit 7.

(KU)

In comparing 2014 with 2013, cash provided by financing activities decreased as a result of the $250 million long-term debt issued in November 2013, a decrease of contributions from LKE and higher dividends to LKE.

In comparing 2013 with 2012, cash provided by financing activities increased as a result of the $250 million long-term debt issuance and higher capital contributions from LKE. The proceeds from the issuance of long-term debt were mainly used for capital expenditures related to environmental air projects and the construction of Cane Run Unit 7.

(All Registrants)

See "Long-term Debt and Equity Securities" below for additional information on current year activity. See "Forecasted Sources of Cash" for a discussion of the Registrants' plans to issue debt and equity securities, as well as a discussion of credit facility capacity available to the Registrants. Also see "Forecasted Uses of Cash" for a discussion of PPL's plans to pay dividends on common securities in the future, as well as the Registrants' maturities of long-term debt.

Long-term Debt and Equity Securities (PPL, PPL Energy Supply and PPL Electric)

Long-term debt and equity securities activity for 2014 included:

	Debt		Net Stock
	Issuances (a)	**Retirements**	**Issuances**
PPL	$ 296	$ 546	$ 1,074
PPL Energy Supply		309	
PPL Electric	296	10	
Non-cash Transactions:			
PPL (b)	$ 750	$ 750	

(a) Issuances are net of pricing discounts, where applicable and exclude the impact of debt issuance costs.
(b) Represents the remarketing of Junior Subordinated Notes that were issued as a component of PPL's 2011 Equity Units and simultaneously exchanged for Senior Notes.

See Note 7 to the Financial Statements for additional information about long-term debt and equity securities.

Auction Rate Securities *(LKE, LG&E and KU)*

At December 31, 2014, LG&E's and KU's tax-exempt revenue bonds in the form of auction rate securities total $231 million ($135 million at LG&E and $96 million at KU). These bonds continue to experience failed auctions and the interest rate continues to be set by a formula pursuant to the relevant indentures. For the period ended December 31, 2014, the weighted-average rate on LG&E's and KU's auction rate bonds in total was 0.15% (0.14% at LG&E and 0.16% at KU).

Forecasted Sources of Cash

(All Registrants)

The Registrants expect to continue to have adequate liquidity available from operating cash flows, cash and cash equivalents, credit facilities and commercial paper issuances. Additionally, subject to market conditions, the Registrants and their subsidiaries may access the capital markets, and PPL Electric, LKE, LG&E and KU anticipate receiving equity contributions from their parent or member in 2015. As a result of the proposed spinoff of PPL Energy Supply to form Talen Energy, PPL Energy Supply does not expect to receive cash equity contributions from its member in 2015. Additionally, under the terms of the spinoff agreements with affiliates of Riverstone, PPL Energy Supply is generally prohibited from making distributions or other payments to PPL or any PPL affiliate that is not a subsidiary of PPL Energy Supply, with the exception of specific distributions and other payments set forth in the spinoff agreements. These exceptions are generally limited to a planned distribution from PPL Energy Supply to PPL during the first quarter of 2015 in an amount not to exceed $191 million.

Credit Facilities

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. Amounts borrowed under these credit facilities are reflected in "Short-term debt" on the Balance Sheets. At December 31, 2014, the total committed borrowing capacity under credit facilities and the use of this borrowing capacity were:

External

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	$ 750		$ 21	$ 729
PPL Energy Supply Credit Facilities	3,150	$ 630	259	2,261
PPL Electric Credit Facility	300		1	299
LKE Credit Facility	75	75		
LG&E Credit Facility	500		264	236
KU Credit Facilities	598		434	164
Total LKE Consolidated	1,173	75	698	400
Total U.S. Credit Facilities (a) (b) (c)	$ 5,373	$ 705	$ 979	$ 3,689
Total U.K. Credit Facilities (c) (d) (e)	£ 1,055	£ 167		£ 888

(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 Capital Funding, PPL Electric, LKE, 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) The commitments under the domestic credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than the following percentages of the total committed capacity: PPL - 10%, PPL Energy Supply - 9%, PPL Electric - 6%, LKE - 21%, LG&E - 7% and KU - 37%.

(c) 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.

(d) The facilities contain financial covenants to maintain an interest coverage ratio of not less than 3.0 times consolidated earnings before income taxes, depreciation and amortization and total net debt not in excess of 85% of its RAV, calculated in accordance with the credit facility.

(e) At December 31, 2014, the unused capacity under the U.K. committed credit facilities was approximately $1.4 billion. The commitments under the U.K.'s credit facilities are provided by a diverse bank group with no one bank providing more than 13% of the total committed capacity.

In addition to the financial covenants noted in the table above, the credit agreements governing the above credit facilities contain various other covenants. Failure to comply with the covenants after applicable grace periods could result in acceleration of repayment of borrowings and/or termination of the agreements. The Registrants monitor compliance with the covenants on a regular basis. At December 31, 2014, the Registrants were in compliance with these covenants. At this time, the Registrants believe that these covenants and other borrowing conditions will not limit access to these funding sources.

As a result of the proposed spinoff transaction, PPL Energy Supply has syndicated a $1.85 billion credit facility which is currently fully committed. This syndicated credit facility will replace the existing $3 billion PPL Energy Supply syndicated credit facility and will be effective upon closing of the spinoff transaction. See "Item 1. Business" and "Financial and Operational Developments - Other Financial and Operational Developments - Anticipated Spinoff of PPL Energy Supply" above for additional information.

During the second quarter of 2014, PPL Energy Supply's corporate credit rating was lowered to below investment grade. At December 31, 2014, the additional collateral posted as a result of the downgrade was $190 million. PPL Energy Supply primarily issued letters of credit under its credit facilities noted above to post the required collateral. PPL Energy Supply continues to have adequate access to the capital markets and adequate capacity under its credit facilities and does not expect a material change in its financing costs as a result of the downgrade.

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

Intercompany *(LKE, LG&E and KU)*

	Committed Capacity	Borrowed	Other Used Capacity	Unused Capacity
LKE Credit Facility	$ 225	$ 41		$ 184
LG&E Money Pool (a)	500		$ 264	236
KU Money Pool (a)	500		236	264

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

Commercial Paper (All Registrants)

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

	December 31, 2014			December 31, 2013
	Capacity	Commercial Paper Issuances	Unused Capacity	Commercial Paper Issuances
PPL Electric	$ 300		$ 300	$ 20
LG&E	350	$ 264	86	20
KU	350	236	114	150
Total LKE	700	500	200	170
Total PPL	$ 1,000	$ 500	$ 500	$ 190

In August 2014, PPL Energy Supply terminated its commercial paper program.

Long-term Debt and Equity Securities

(PPL)

PPL and its subsidiaries currently plan to incur, subject to market conditions, approximately $2.2 billion of long-term indebtedness in 2015, of which $600 million is to refinance existing long-term debt.

PPL also plans to issue approximately $200 million of common stock in 2015.

The remaining proceeds will be used to fund capital expenditures and for general corporate purposes.

(PPL Energy Supply)

Subject to market conditions, PPL Energy Supply may issue long-term debt securities in 2015 to fund its current debt maturity obligations or for general corporate purposes, if necessary.

(PPL Electric)

PPL Electric currently plans to issue, subject to market conditions, approximately $450 million of long-term indebtedness in 2015, the proceeds of which will be used to fund capital expenditures and for general corporate purposes.

(LKE, LG&E and KU)

LG&E and KU currently plan to issue, subject to market conditions, approximately $550 million for LG&E and $500 million for KU, of first mortgage bond indebtedness in 2015, the proceeds of which will be used to refinance $500 million of maturing first mortgage bonds for LG&E and KU ($250 million each), to fund capital expenditures and for general corporate purposes. LKE plans to refinance its $400 million bond maturing in 2015 with proceeds from an intercompany loan from a PPL affiliate.

Contributions from Parent/Member (All Registrants except PPL)

From time to time, PPL Energy Supply's and LKE's members or the parents of PPL Electric, LG&E and KU make capital contributions to subsidiaries. The proceeds from these contributions are used to fund capital expenditures and for other general corporate purposes and, in the case of LKE, to make contributions to its subsidiaries. PPL Energy Supply does not expect to receive cash equity contributions from its member in 2015.

Forecasted Uses of Cash

(All Registrants)

In addition to expenditures required for normal operating activities, such as purchased power, payroll, fuel and taxes, the Registrants currently expect to incur future cash outflows for capital expenditures, various contractual obligations, payment of dividends on its common stock, distributions by PPL Energy Supply and LKE to their members, and possibly the purchase or redemption of a portion of debt securities.

Capital Expenditures

The table below shows the Registrants' current capital expenditure projections for the years 2015 through 2019. Expenditures for the domestic regulated utilities are expected to be recovered through rates, pending regulatory approval.

			Projected			
	Total	2015	2016	2017	2018	2019
PPL						
Construction expenditures (a) (b)						
Generating facilities	$ 2,751	$ 523	$ 457	$ 392	$ 546	$ 833
Distribution facilities	9,969	2,035	1,975	1,980	1,973	2,006
Transmission facilities	3,685	746	748	775	731	685
Environmental	2,317	609	407	398	521	382
Other	380	73	91	78	68	70
Total Construction Expenditures	19,102	3,986	3,678	3,623	3,839	3,976
Nuclear fuel	566	106	85	120	126	129
Total Capital Expenditures	$ 19,668	$ 4,092	$ 3,763	$ 3,743	$ 3,965	$ 4,105
PPL Energy Supply						
Construction expenditures (a) (b)						
Generating facilities	$ 1,317	$ 325	$ 301	$ 241	$ 281	$ 169
Environmental	122	41	22	34	13	12
Other	42	9	8	9	8	8
Total Construction Expenditures	1,481	375	331	284	302	189
Nuclear fuel	566	106	85	120	126	129
Total Capital Expenditures	$ 2,047	$ 481	$ 416	$ 404	$ 428	$ 318
PPL Electric (a) (b)						
Distribution facilities	$ 2,383	$ 440	$ 462	$ 500	$ 500	$ 481
Transmission facilities	3,328	687	694	692	658	597
Total Capital Expenditures	$ 5,711	$ 1,127	$ 1,156	$ 1,192	$ 1,158	$ 1,078
LKE (b)						
Generating facilities	$ 1,433	$ 197	$ 156	$ 151	$ 265	$ 664
Distribution facilities	1,209	245	252	248	223	241
Transmission facilities	357	59	53	84	73	88
Environmental	2,196	569	386	364	508	369
Other	294	55	73	62	51	53
Total Capital Expenditures	$ 5,489	$ 1,125	$ 920	$ 909	$ 1,120	$ 1,415
LG&E (b)						
Generating facilities	$ 595	$ 92	$ 85	$ 69	$ 92	$ 257
Distribution facilities	742	158	162	154	129	139
Transmission facilities	90	16	12	25	17	20
Environmental	1,126	341	199	177	261	148
Other	134	25	34	28	22	25
Total Capital Expenditures	$ 2,687	$ 632	$ 492	$ 453	$ 521	$ 589

	Total	Projected 2015	2016	2017	2018	2019
KU (b)						
Generating facilities	$ 838	$ 105	$ 71	$ 82	$ 173	$ 407
Distribution facilities	467	87	90	94	94	102
Transmission facilities	267	43	41	59	56	68
Environmental	1,070	228	187	187	247	221
Other	157	29	38	34	29	27
Total Capital Expenditures	$ 2,799	$ 492	$ 427	$ 456	$ 599	$ 825

(a) Construction expenditures include capitalized interest and AFUDC, which are expected to total approximately $171 million for PPL; $64 million for PPL Energy Supply and $67 million for PPL Electric.
(b) The 2015 total excludes amounts included in accounts payable as of December 31, 2014.

Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. For the years presented, this table includes estimated costs to meet a projected capacity need at LKE in 2021 and PPL Electric's asset optimization program to replace aging transmission and distribution assets as well as the Susquehanna-Roseland and Northeast/Pocono projects. 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 and market conditions; most environmental compliance costs incurred by LG&E and KU in serving KPSC jurisdictional customers are generally eligible for recovery through the ECR mechanism). See Note 6 to the Financial Statements for information on LG&E's and KU's ECR mechanism and CPCN filing, and Note 8 to the Financial Statements for information on significant development plans. See "Item 2. Properties" for information on planned projects to expand capacity.

In addition to cash on hand and cash from operations, the Registrants plan to fund capital expenditures in 2015 with proceeds from the sources noted below.

Source	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
Issuance of common stock	X					
Issuance of long-term debt securities	X		X	X	X	X
Equity contributions from parent/member			X	X	X	X
Short-term debt	X		X	X	X	X

X = Expected funding source.

Contractual Obligations

The Registrants have assumed various financial obligations and commitments in the ordinary course of conducting business. At December 31, 2014, estimated contractual cash obligations were as follows.

	Total	2015	2016 - 2017	2018 - 2019	After 2019
PPL					
Long-term Debt (a)	$ 20,426	$ 1,535	$ 1,137	$ 794	$ 16,960
Interest on Long-term Debt (b)	16,521	942	1,747	1,655	12,177
Operating Leases (c)	135	36	45	20	34
Purchase Obligations (d)	6,359	2,543	1,800	788	1,228
Other Long-term Liabilities Reflected on the Balance Sheet under GAAP (e) (f)	889	481	408		
Total Contractual Cash Obligations	$ 44,330	$ 5,537	$ 5,137	$ 3,257	$ 30,399
PPL Energy Supply					
Long-term Debt (a)	$ 2,238	$ 535	$ 358	$ 407	$ 938
Interest on Long-term Debt (b)	799	120	164	117	398
Operating Leases (c)	39	11	21	5	2
Purchase Obligations (d)	2,400	790	813	419	378
Other Long-term Liabilities Reflected on the Balance Sheet under GAAP (e) (f)	73	73			
Total Contractual Cash Obligations	$ 5,549	$ 1,529	$ 1,356	$ 948	$ 1,716

	Total		2015		2016 - 2017		2018 - 2019		After 2019
PPL Electric									
Long-term Debt (a)	$	2,614	$	100				$	2,514
Interest on Long-term Debt (b)		2,376		119	$	229	$	229	1,799
Purchase Obligations (d)		189		68		45		45	31
Other Long-term Liabilities Reflected on the Balance Sheet under GAAP (e) (f)		32		32					
Total Contractual Cash Obligations	$	5,211	$	319	$	274	$	274	$ 4,344
LKE									
Long-term Debt (a)	$	4,585	$	900	$	219	$	138	$ 3,328
Interest on Long-term Debt (b)		2,767		159		293		293	2,022
Operating Leases (c)		73		16		19		12	26
Coal and Natural Gas Purchase Obligations (g)		1,871		732		800		256	83
Unconditional Power Purchase Obligations (h)		876		26		53		61	736
Construction Obligations (i)		875		801		74			
Pension Benefit Plan Obligations (e)		52		52					
Other Obligations		96		74		15		7	
Total Contractual Cash Obligations	$	11,195	$	2,760	$	1,473	$	767	$ 6,195
LG&E									
Long-term Debt (a)	$	1,359	$	250	$	219	$	138	$ 752
Interest on Long-term Debt (b)		927		47		87		81	712
Operating Leases (c)		28		6		7		4	11
Coal and Natural Gas Purchase Obligations (g)		972		340		437		112	83
Unconditional Power Purchase Obligations (h)		607		18		37		42	510
Construction Obligations (i)		542		472		70			
Pension Benefit Plan Obligations (e)		21		21					
Other Obligations		31		25		4		2	
Total Contractual Cash Obligations	$	4,487	$	1,179	$	861	$	379	$ 2,068
KU									
Long-term Debt (a)	$	2,101	$	250				$	1,851
Interest on Long-term Debt (b)		1,648		75	$	149	$	155	1,269
Operating Leases (c)		41		9		12		7	13
Coal and Natural Gas Purchase Obligations (g)		899		392		363		144	
Unconditional Power Purchase Obligations (h)		269		8		16		19	226
Construction Obligations (i)		317		313		4			
Pension Benefit Plan Obligations (e)		15		15					
Other Obligations		50		34		11		5	
Total Contractual Cash Obligations	$	5,340	$	1,096	$	555	$	330	$ 3,359

(a) Reflects principal maturities based on stated maturity or earlier put dates. 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. The Registrants do not have any significant capital lease obligations.

(b) Assumes interest payments through stated maturity or earlier put dates. For PPL, PPL Energy Supply, LKE, LG&E and KU the payments herein are subject to change, as payments for debt that is or becomes variable-rate debt have been estimated and for PPL, payments denominated in British pounds sterling have been translated to U.S. dollars at a current foreign currency exchange rate.

(c) See Note 9 to the Financial Statements for additional information.

(d) The amounts include agreements to purchase goods or services that are enforceable and legally binding and specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Primarily includes as applicable, the purchase obligations of electricity, coal, nuclear fuel and limestone as well as certain construction expenditures, which are also included in the Capital Expenditures table presented above. Financial swaps (for PPL and PPL Energy Supply) and open purchase orders that are provided on demand with no firm commitment are excluded from the amounts presented.

(e) The amounts for PPL include WPD's contractual deficit pension funding requirements arising from actuarial valuations performed in March 2013. The U.K. electricity regulator currently allows a recovery of a substantial portion of the contributions relating to the plan deficit. The amounts also include contributions made or committed to be made in 2015 for PPL's and LKE's U.S. pension plans (for PPL Energy Supply, PPL Electric, LG&E and KU includes their share of these amounts). Based on the current funded status of these plans, except for WPD's plans, no cash contributions are required. See Note 11 to the Financial Statements for a discussion of expected contributions.

(f) At December 31, 2014, total unrecognized tax benefits of $20 million for PPL and $15 million for PPL Energy Supply were excluded from this table as management cannot reasonably estimate the amount and period of future payments. See Note 5 to the Financial Statements for additional information.

(g) Represents contracts to purchase coal, natural gas and natural gas transportation. See Note 13 to the Financial Statements for additional information.

(h) Represents future minimum payments under OVEC power purchase agreements through June 2040. See Note 13 to the Financial Statements for additional information.

(i) Represents construction commitments, including commitments for the LG&E's Mill Creek and KU's Ghent and E.W. Brown environmental air projects, LG&E's and KU's Cane Run Unit 7, KU's E.W. Brown landfill and LG&E's Ohio Falls refurbishment which are also reflected in the Capital Expenditures table presented above.

Dividends/Distributions

(PPL)

PPL views dividends as an integral component of shareowner return and expects to continue to pay dividends in amounts that are within the context of maintaining a capitalization structure that supports investment grade credit ratings. 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. Subject to certain exceptions, PPL may not declare or pay any cash dividend or distribution on its capital stock during any period in which PPL Capital Funding defers interest payments on its 2007 Series A Junior Subordinated Notes due 2067 or 2013 Series B Junior Subordinated Notes due 2073. At December 31, 2014, no interest payments were deferred.

(All Registrants except PPL)

From time to time, as determined by their respective Board of Directors or Board of Managers, the Registrants pay dividends or distributions, as applicable, to their respective shareholders or members. PPL Energy Supply expects to distribute to its member an amount not to exceed $191 million in the first quarter of 2015. Certain of the credit facilities of PPL Energy Supply, PPL Electric, LKE, LG&E and KU include minimum debt covenant ratios that could effectively restrict the payment of dividends or distributions. See "Forecasted Sources of Cash" above for information on additional restrictions on PPL Energy Supply's ability to make distributions to its member, PPL.

(All Registrants)

See Note 7 to the Financial Statements for these and other restrictions related to distributions on capital interests for the Registrants and their subsidiaries.

Purchase or Redemption of Debt Securities

The Registrants will continue to evaluate outstanding debt securities and may decide to purchase or redeem these securities depending upon prevailing market conditions and available cash.

Rating Agency Actions

Moody's, S&P and Fitch have periodically reviewed the credit ratings of the debt of the Registrants and their subsidiaries. Based on their respective independent reviews, the rating agencies may make certain ratings revisions or ratings affirmations. In January 2015, Fitch withdrew its ratings for PPL, PPL Capital Funding, PPL Energy Supply, PPL Electric, LKE, LG&E, and KU.

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

The following table sets forth the Registrants' and their subsidiaries' credit ratings for outstanding debt securities or commercial paper programs as of December 31, 2014.

Issuer	Senior Unsecured			Senior Secured			Commercial Paper		
	Moody's	S&P	Fitch	Moody's	S&P	Fitch	Moody's	S&P	Fitch
PPL									
WPD Ltd.	Baa3	BBB-							
WPD (East Midlands)	Baa1	BBB							
WPD (West Midlands)	Baa1	BBB							
WPD (South Wales)	Baa1	BBB	A-						
WPD (South West)	Baa1	BBB	A-				P-2		
PPL Capital Funding	Baa3	BBB-	BBB						
PPL and PPL Energy Supply									
PPL Energy Supply	Ba1	BB	BB						
PPL and PPL Electric									
PPL Electric				A2	A-	A-	P-2	A-2	F2
PPL and LKE									
LKE	Baa2	BBB-	BBB+						
LG&E				A1	A-	A+	P-2	A-2	F2
KU				A1	A-	A+	P-2	A-2	F2

A downgrade in the Registrants' or their subsidiaries' credit ratings could result in higher borrowing costs and reduced access to capital markets. The Registrants and their subsidiaries have no credit rating triggers that would result in the reduction of access to capital markets or the acceleration of maturity dates of outstanding debt.

In addition to the credit ratings noted above, the rating agencies have taken the following actions related to the Registrants and their subsidiaries.

(PPL)

In January 2014, Moody's affirmed its ratings and revised its outlook to stable for PPL.

In March 2014, Moody's, S&P and Fitch assigned ratings of Baa3, BBB- and BBB, respectively, to PPL Capital Funding's $350 million 3.95% Senior Notes due 2024 and $400 million 5.00% Senior Notes due 2044. Fitch also assigned a stable outlook to these notes.

In April 2014, Moody's affirmed its ratings with a stable outlook for PPL WEM, WPD (East Midlands), WPD (West Midlands), PPL WW, WPD (South Wales) and WPD (South West).

In April 2014, Fitch affirmed its ratings with a stable outlook for PPL and PPL Capital Funding.

In June 2014, Moody's affirmed its ratings and revised its outlook to positive for PPL and PPL Capital Funding.

In June 2014, S&P affirmed its ratings for PPL, PPL Capital Funding, PPL WEM, WPD (East Midlands), WPD (West Midlands), PPL WW, WPD (South Wales) and WPD (South West) and placed the issuers on CreditWatch with positive implications.

In June 2014, Fitch affirmed its ratings with a stable outlook for PPL and PPL Capital Funding.

In August 2014, Fitch affirmed its ratings and revised its outlook to negative for WPD (South Wales). Fitch also affirmed its ratings with a stable outlook for PPL WW and WPD (South West).

In October 2014, Fitch affirmed and withdrew its long-term and short-term issuer default ratings for PPL Capital Funding.

In October 2014, Moody's and S&P affirmed their ratings and outlooks for WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West). In addition, Moody's and S&P have assigned Baa3, P-3, Stable and BBB, A-2, CreditWatch Positive long and short-term issuer ratings to Western Power Distribution Ltd, the new holding company for the four DNOs, following a legal entity restructuring implemented in October 2014. The issuer ratings of PPL WW and PPL WEM have also been withdrawn.

(PPL and PPL Energy Supply)

In April 2014, Fitch affirmed its ratings with a negative outlook for PPL Energy Supply.

In May 2014, S&P lowered its long-term issuer rating and senior unsecured rating from BBB to BB+ and its commercial paper rating and short-term issuer rating from A-2 to A-3 with a stable outlook for PPL Energy Supply.

In June 2014, Moody's lowered its senior unsecured rating from Baa2 to Ba1 and its commercial paper rating and short-term issuer rating from P-2 to Not Prime with a negative outlook for PPL Energy Supply. Moody's also assigned a Corporate Family Rating of Ba1, a Probability of Default Rating of Ba1-PD and a Speculative Grade Liquidity rating of SGL-1 to PPL Energy Supply.

In June 2014, S&P lowered its long-term issuer rating and senior unsecured rating from BB+ to BB and its commercial paper rating and short-term issuer rating from A-3 to B for PPL Energy Supply and placed the issuer on CreditWatch with negative implications.

In June 2014, Fitch lowered its long-term issuer default rating and senior unsecured debt rating from BBB- to BB and its commercial paper rating and short-term issuer default rating from F3 to B for PPL Energy Supply and placed the issuer on Rating Watch Negative.

(PPL and PPL Electric)

In January 2014, Moody's upgraded its long-term issuer rating and senior unsecured rating from Baa2 to Baa1 and senior secured rating from A3 to A2, affirmed its commercial paper rating and revised its outlook to stable for PPL Electric.

In April 2014, Fitch affirmed its ratings with a stable outlook for PPL Electric.

In June 2014, S&P affirmed its ratings for PPL Electric and placed the issuer on CreditWatch with positive implications.

In June 2014, Moody's, S&P and Fitch assigned ratings of A2, A- and A-, respectively, to PPL Electric's $300 million 4.125% First Mortgage Bonds due 2044. Fitch also assigned a stable outlook to these notes.

In December 2014, Fitch upgraded its long-term issuer ratings from BBB to BBB+ for PPL Electric.

(PPL, LKE, LG&E and KU)

In January 2014, Moody's affirmed its ratings and revised its outlook to stable for LKE.

In January 2014, Moody's upgraded its long-term issuer ratings and senior unsecured ratings from Baa1 to A3 and senior secured ratings from A2 to A1, affirmed its commercial paper ratings and revised its outlook to stable for LG&E and KU.

In February 2014, Moody's affirmed its ratings for KU's 2000 Series A Solid Waste Disposal Facility Revenue Bonds, KU's 2004 Series A and 2008 Series A Environmental Facilities Revenue Bonds and KU's 2006 Series B Environmental Facilities Revenue Refunding Bonds.

In April 2014, Fitch affirmed its ratings with a stable outlook for LKE, LG&E and KU.

In June 2014, S&P affirmed its ratings for LKE, LG&E and KU and placed the issuers on CreditWatch with positive implications.

In June 2014, Moody's affirmed its ratings and revised its outlook to positive for LKE.

In June 2014, S&P affirmed its ratings for KU's 2000 Series A Solid Waste Disposal Facility Revenue Bonds, KU's 2004 Series A and 2008 Series A Environmental Facilities Revenue Bonds and KU's 2006 Series B Environmental Facilities Revenue Refunding Bonds and placed them on CreditWatch with positive implications.

In September 2014, Moody's affirmed its ratings for KU's 2000 Series A Solid Waste Disposal Facility Revenue Bonds, KU's 2004 Series A and 2008 Series A Environmental Facilities Revenue Bonds and KU's 2006 Series B Environmental Facilities Revenue Refunding Bonds.

In October 2014, S&P affirmed its ratings for KU's 2000 Series A Solid Waste Disposal Facility Revenue Bonds, KU's 2004 Series A and 2008 Series A Environmental Facilities Revenue Bonds and KU's 2006 Series B Environmental Facilities Revenue Refunding Bonds.

In December 2014, S&P confirmed its ratings for LG&E's 2001 Series A Pollution Control Revenue Bonds, LG&E's 2001 Series B (Louisville/Jefferson County Metro Government, Kentucky) Pollution Control Revenue Bonds and LG&E's 2001 Series B (County of Trimble, Kentucky) Pollution Control Revenue Bonds.

In December 2014, Moody's assigned an A1 rating for LG&E's 2001 Series A Pollution Control Revenue Bonds, LG&E's 2001 Series B (Louisville/Jefferson County Metro Government, Kentucky) Pollution Control Revenue Bonds and LG&E's 2001 Series B (County of Trimble, Kentucky) Pollution Control Revenue Bonds.

In December 2014, Moody's downgraded its long-term ratings from Aa1 to Aa2 for KU's 2000 Series A Solid Waste Disposal Facility Revenue Bonds, KU's 2004 Series A and 2008 Series A Environmental Facilities Revenue Bonds and KU's 2006 Series B Environmental Facilities Revenue Refunding Bonds.

Ratings Triggers

(PPL)

As discussed in Note 7 to the Financial Statements, certain of WPD's senior unsecured notes may be put by the holders to the issuer for redemption if the long-term credit ratings assigned to the notes are withdrawn by any of the rating agencies (Moody's, 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 for each company. These notes totaled £3.8 billion (approximately $5.9 billion) nominal value at December 31, 2014.

(All Registrants except PPL Electric)

Various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, interest rate and foreign currency instruments (for PPL), contain provisions that require the posting of additional collateral, or permit the counterparty to terminate the contract, if PPL's, PPL Energy Supply's, LKE's, LG&E's or KU's or their subsidiaries' credit rating, as applicable, were to fall below investment grade. See Note 17 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral requirements for PPL, PPL Energy Supply, LKE and LG&E for derivative contracts in a net liability position at December 31, 2014.

Guarantees for Subsidiaries *(PPL and PPL Energy Supply)*

PPL and PPL Energy Supply guarantee certain consolidated affiliate financing arrangements. Some of the guarantees contain financial and other covenants that, if not met, would limit or restrict the consolidated affiliates' access to funds under these financing arrangements, accelerate maturity of such arrangements or limit the consolidated affiliates' ability to enter into certain transactions. At this time, PPL and PPL Energy Supply believe that these covenants will not limit access to relevant funding sources. See Note 13 to the Financial Statements for additional information about guarantees.

Off-Balance Sheet Arrangements *(All Registrants)*

The Registrants have entered into certain agreements that may contingently require payment to a guaranteed or indemnified party. See Note 13 to the Financial Statements for a discussion of these agreements.

Risk Management

Market Risk

(All Registrants)

See Notes 1, 16, and 17 to the Financial Statements for information about the Registrants' risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These 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, LKE, LG&E, and KU)

LG&E's and KU's retail electric and natural gas rates and municipal wholesale electric 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. LG&E and KU sell 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 17 to the Financial Statements for additional information.

(PPL and PPL Electric)

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.

(PPL and PPL Energy Supply)

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. See Note 17 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 tables sets forth the changes in the net fair value of non-trading commodity derivative contracts at December 31. See Notes 16 and 17 to the Financial Statements for additional information.

	Gains (Losses)	
	2014	2013
Fair value of contracts outstanding at the beginning of the period	$ 107	$ 473
Contracts realized or otherwise settled during the period	328	(452)
Fair value of new contracts entered into during the period (a)	(12)	58
Other changes in fair value	(370)	28
Fair value of contracts outstanding at the end of the period	$ 53	$ 107

(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, 2014 based on the observability of the information used to determine the fair value.

Source of 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
Prices based on significant observable inputs (Level 2)	$ 12	$ (32)	$ 10		$ (10)
Prices based on significant unobservable inputs (Level 3)	46	16	1		63
Fair value of contracts outstanding at the end of the period	$ 58	$ (16)	$ 11		$ 53

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.

Commodity Price Risk (Trading)

PPL Energy Supply's trading commodity derivative contracts range in maturity through 2020. The following table sets forth changes in the net fair value of trading commodity derivative contracts at December 31. See Notes 16 and 17 to the Financial Statements for additional information.

	Gains (Losses) 2014	2013
Fair value of contracts outstanding at the beginning of the period	$ 11	$ 29
Contracts realized or otherwise settled during the period	(60)	(13)
Fair value of new contracts entered into during the period (a)	5	3
Other changes in fair value	92	(8)
Fair value of contracts outstanding at the end of the period	$ 48	$ 11

(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, 2014 based on the observability of the information used to determine the fair value.

Source of 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
Prices quoted in active markets for identical instruments (Level 1)	$ 1				$ 1
Prices based on significant observable inputs (Level 2)	(10)	$ 11	$ (2)		(1)
Prices based on significant unobservable inputs (Level 3)	6	14	17	$ 11	48
Fair value of contracts outstanding at the end of the period	$ (3)	$ 25	$ 15	$ 11	$ 48

VaR Models

A VaR model is utilized to measure commodity price risk in unregulated gross energy margins for the 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 2014 was as follows.

	Trading		Non-Trading	
95% Confidence Level, Five-Day Holding Period				
Period End	$	4	$	7
Average for the Period		7		10
High		10		15
Low		4		5

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, 2014.

Interest Rate Risk (All Registrants)

The Registrants and their subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. The Registrants and their subsidiaries utilize various financial derivative instruments to adjust the mix of fixed and floating interest rates in their debt portfolios, adjust the duration of their debt portfolios and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under the risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolios due to changes in the absolute level of interest rates.

The following interest rate hedges were outstanding at December 31.

	2014				2013		
	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)
PPL							
Cash flow hedges							
Interest rate swaps (c)	$ 1,600	$ (108)	$ (59)	2045	$ 1,325	$ 91	$ (44)
Cross-currency swaps (d)	1,262	27	(165)	2028	1,262	(31)	(177)
Economic hedges							
Interest rate swaps (e)	179	(49)	(3)	2033	179	(37)	(4)
LKE							
Cash flow hedges							
Interest rate swaps (c)	1,000	(66)	(44)	2045			
Economic hedges							
Interest rate swaps (e)	179	(49)	(3)	2033	179	(37)	(4)
LG&E							
Cash flow hedges							
Interest rate swaps (c)	500	(33)	(22)	2045			
Economic hedges							
Interest rate swaps (e)	179	(49)	(3)	2033	179	(37)	(4)
KU							
Cash flow hedges							
Interest rate swaps (c)	500	(33)	(22)	2045			

(a) Includes accrued interest, if applicable.
(b) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability. Sensitivities represent a 10% adverse movement in interest rates, except for cross-currency swaps which also includes foreign currency exchange rates.
(c) Changes in the fair value of such cash flow hedges are recorded in equity or as regulatory assets or regulatory liabilities, if recoverable through regulated rates, and reclassified into earnings in the same period during which the item being hedged affects earnings.
(d) Cross-currency swaps are utilized to hedge the principal and interest payments of WPD's U.S. dollar-denominated senior notes. Changes in the fair value of these instruments are recorded in equity and reclassified into earnings in the same period during which the item being hedged affects earnings.
(e) Realized changes in the fair value of such economic hedges are recoverable through regulated rates and any subsequent changes in the fair value of these derivatives are included in regulatory assets or regulatory liabilities.

The Registrants are exposed to a potential increase in interest expense and to changes in the fair value of their debt portfolios. The estimated impact of a 10% adverse movement in interest rates at December 31 is shown below.

	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
2014						
Increase in interest expense	Not Significant	Not Significant	Not Significant	Not Significant	Not Significant	Not Significant
Increase in fair value of debt	$ 707	$ 46	$ 132	$ 138	$ 44	$ 82
2013						
Increase in interest expense	Not Significant	Not Significant	Not Significant	Not Significant	Not Significant	Not Significant
Increase in fair value of debt	$ 732	$ 48	$ 120	$ 146	$ 45	$ 85

Foreign Currency Risk (PPL)

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.

The following foreign currency hedges were outstanding at December 31.

	2014				2013		
	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Maturities Ranging Through	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)
Net investment hedges (b)	£ 217	$ 17	$ (34)	2016	£ 301	$ (20)	$ (49)
Economic hedges (c)	1,368	111	(193)	2016	1,425	(86)	(222)

(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 exclude the amount of intercompany loans classified as net investment hedges. See Note 17 to the Financial Statements for additional information.
(c) To economically hedge the translation of expected earnings denominated in GBP to U.S. dollars.

NDT Funds - Securities Price Risk (PPL and PPL Energy Supply)

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, 2014, these funds were invested primarily in domestic equity securities and fixed-rate, fixed-income securities and are reflected at fair value on the Balance Sheets. 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, 2014, a hypothetical 10% increase in interest rates and a 10% decrease in equity prices would have resulted in an estimated $73 million reduction in the fair value of the trust assets, compared with $66 million at December 31, 2013. See Notes 16 and 20 to the Financial Statements for additional information regarding the NDT funds.

(All Registrants)

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 the Registrants would incur a loss as a result of nonperformance by counterparties of their contractual obligations. The Registrants maintain credit policies and procedures with respect to counterparty credit (including requirements that counterparties maintain specified credit ratings) and require other assurances in the form of credit support or collateral in certain circumstances in order to limit counterparty credit risk. However, the Registrants, as applicable, have concentrations of suppliers and customers among electric utilities, financial institutions and other energy marketing and trading companies. These concentrations may impact the Registrants' overall exposure to credit risk, positively or negatively, as counterparties may be similarly affected by changes in economic, regulatory or other conditions.

(PPL and PPL Energy Supply)

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 in 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 and PPL Electric)

In 2013, the PUC approved PPL Electric's PLR procurement plan for the period of June 2013 through May 2015. To date, PPL Electric has conducted all of its planned competitive solicitations. In 2014, PPL Electric filed a request with the PUC for approval of PPL Electric's PLR procurement plan for the period of June 2015 through May 2017, which was approved in January 2015.

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, 2014, most of the successful bidders under all of the solicitations had an investment grade credit rating from S&P, and were not required to post collateral under the Agreement. A small portion of bidders were required to post an insignificant amount of collateral under the Agreement. There is no instance under the Agreement in which PPL Electric is required to post collateral to its suppliers.

See Notes 13, 14, 16 and 17 to the Financial Statements for additional information on the competitive solicitation process, the Agreement, credit concentration and credit risk.

Foreign Currency Translation *(PPL)*

The value of the British pound sterling fluctuates in relation to the U.S. dollar. In 2014, changes in this exchange rate resulted in a foreign currency translation loss of $290 million, which primarily reflected a $680 million decrease to PP&E and goodwill offset by a decrease of $390 million to net liabilities. In 2013, changes in this exchange rate resulted in a foreign currency translation gain of $150 million, which primarily reflected a $330 million increase to PP&E and goodwill offset by an increase of $180 million to net liabilities. 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. The impact of foreign currency translation is recorded in AOCI.

(All Registrants)

Related Party Transactions

The Registrants are not aware of any material ownership interests or operating responsibility by senior management in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with the Registrants. See Note 14 to the Financial Statements for additional information on related party transactions for PPL Energy Supply, PPL Electric, LKE, LG&E and KU.

Acquisitions, Development and Divestitures

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with the projects, sell, cancel or expand them, execute tolling agreements or pursue other options. See Note 8 to the Financial Statements for information on significant activities.

(PPL and PPL Energy Supply)

See Note 8 to the Financial Statements for information on the anticipated spinoff of PPL Energy Supply and the completed Montana hydro sale.

Environmental Matters

(All Registrants except PPL Electric)

Extensive federal, state and local environmental laws and regulations are applicable to PPL's, PPL Energy Supply's, LKE's, LG&E's and KU's air emissions, water discharges and the management of hazardous and solid waste, as well as other aspects of the Registrants' businesses. The cost of compliance or alleged non-compliance cannot be predicted with certainty but could be material. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed. Costs may take the form of increased capital expenditures or operating and maintenance expenses, monetary fines, penalties or other restrictions. Many of these environmental law considerations are also applicable to the operations of key suppliers, or customers, such as coal producers and industrial power users, and may impact the cost for their products or their demand for the Registrants' services.

The following is a discussion of the more significant environmental matters. See Note 13 to the Financial Statements and "Item 1. Business - Environmental Matters" for additional information on environmental matters.

Climate Change

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, as applicable, to the Registrants' generation assets, electricity transmission and delivery systems, as well as impacts on the Registrants' customers. In addition, changed weather patterns could potentially reduce annual rainfall in areas where PPL, PPL Energy Supply, LKE, LG&E and KU have hydroelectric generating facilities or where river water is used to cool their fossil and nuclear (as applicable) powered generators. The Registrants cannot currently predict whether their businesses will experience these potential risks or estimate the cost of their related consequences.

In June 2013, President Obama released his Climate Action Plan which reiterates the goal of reducing GHG emissions in the U.S. through such actions as regulating power plant emissions, promoting increased use of renewables and clean energy technology, and establishing more restrictive energy efficiency standards. Additionally, the Climate Action Plan calls for the U.S. to prepare for the impacts of climate change. Requirements related to this could affect the Registrants and others in the industry as modifications may be needed to electricity delivery systems to improve the ability to withstand major storms in order to meet those requirements. As further described below, the EPA has proposed rules pursuant to this directive, which it expects to finalize in the second or third quarter of 2015. The EPA has also announced that it will be developing a federal implementation plan which would apply to any states that fail to submit an acceptable state implementation plan. The Administration's 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 for 2015 may also lead to more costly regulatory requirements.

In January 2014, the EPA issued a revised proposal to regulate carbon dioxide emissions from new power plants. The proposed limits for coal-fired plants can only be achieved through carbon capture and sequestration, a technology that is not presently commercially viable and, therefore, effectively preclude the construction of new coal-fired plants. The proposed standards for new gas-fired plants may also not be continuously achievable. The preclusion of new coal-fired plants and the compliance difficulties posed for new gas-fired plants could have a significant industry-wide impact.

The EPA has also issued a proposed regulation addressing carbon dioxide emissions from existing power plants. The existing plant proposal contains stringent, state-specific rate-based reduction goals to be achieved in two phases (2020-2029 and 2030 and beyond). The regulation of carbon dioxide emissions from existing plants could have a significant industry-wide impact depending on the structure and stringency of the final rule and state implementation plans.

Waters of the United States
On April 21, 2014, the EPA and the U.S. Army Corps of Engineers published a proposed rule that could greatly expand the Clean Water Act definition of Waters of the United States. If the definition is expanded as proposed, permits and other regulatory requirements may be imposed for many matters presently not covered (including vegetation management for transmission lines and activities affecting storm water conveyances and wetlands), the implications of which could be significant. The EPA plans to make certain changes to the proposed regulation based on comments received. The U.S. House and Senate are considering legislation to block this regulation. Until a final rule is issued, the Registrants cannot predict the outcome of the pending rulemaking.

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 RCRA. On December 19, 2014, the EPA issued its pre-publication version of the rule regulating coal combustion residuals (CCRs), imposing extensive new requirements, including location restrictions, design and operating standards, groundwater monitoring and corrective action requirements and closure and post-closure care requirements on CCR impoundments and landfills that are located on active power plants and are not closed. Under the rule, the EPA will regulate CCRs as non-hazardous under Subtitle D of RCRA and allow beneficial use of CCRs with some restrictions. The CCR rule will become effective six months after publication in the Federal Register with publication expected in early 2015. PPL expects that its plants using surface impoundments for management and disposal of CCRs or the past management of CCRs and continued use to manage waste waters will be most impacted by this rule. The rule's specific closure requirements for CCR impoundments and landfills may require increases to AROs for these facilities at the Registrants' coal-fired plants.

PPL, PPL Energy Supply, LKE, LG&E and KU cannot predict how this rule will impact their facilities, but the financial and operational impact could be significant.

Effluent Limitation Guidelines (ELGs)
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 also contain some requirements that would affect the inspection and operation of CCR facilities, if finalized as proposed. The proposal contains several alternative approaches, some of which could significantly impact PPL's, PPL Energy Supply's, LKE's, LG&E's and KU's coal-fired plants. The final regulation is expected to be issued by the third or fourth quarter of 2015. At the present time, 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. Pending finalization of the ELGs, certain states (including Pennsylvania and Kentucky) and environmental groups are proposing more stringent technology-based limits in permit renewals. Depending on the final limits imposed, the costs of compliance could vary significantly from the current capital expenditures projections as discussed in "Capital Expenditures" above and costs could be imposed ahead of federal timelines.

Clean Water Act 316(b)
The EPA's final 316(b) rule for existing facilities became effective on October 14, 2014, and regulates cooling water intake structures and their impact on aquatic organisms. States are allowed considerable authority to interpret the rule. The rule requires existing facilities to choose between several options to reduce the impact to aquatic organisms that become trapped against water intake screens (impingement) and to determine the intake structure's impact on aquatic organisms pulled through a plant's cooling water system (entrainment). Plants already equipped with closed-cycle cooling, an acceptable option, would likely not incur substantial costs. Once-through systems would likely require additional technology to comply with the rule. Mill Creek Unit 1 and Brunner Island (all units) are the only units expected to be impacted. PPL, PPL Energy Supply, LKE, LG&E and KU are evaluating compliance strategies but do not presently expect the compliance costs to be material.

MATS

In February 2012, the EPA finalized the MATS rule requiring fossil-fuel fired plants to reduce emissions of mercury and other hazardous air pollutants by April 16, 2015. The rule was challenged by industry groups and states, and was upheld by the D.C. Circuit Court in April 2014. On November 25, 2014, the U.S. Supreme Court granted a petition for review of the rule. The rule provides for a three-year compliance deadline with the potential for a one-year extension as provided under the statute. LG&E, KU and PPL Energy Supply have received compliance extensions for certain plants. PPL, PPL Energy Supply, LKE, LG&E and KU are generally well-positioned to comply with MATS, primarily due to recent investments in environmental controls at PPL Energy Supply and approved ECR plans to install additional controls at some of LG&E's and KU's Kentucky plants.

With respect to PPL Energy Supply's Pennsylvania plants, PPL Energy Supply believes that installation of chemical additive systems and other controls may be necessary at certain coal-fired plants, the capital cost of which is not expected to be significant. PPL Energy Supply continues to analyze the potential impact of MATS on operating costs. PPL Energy Supply is retrofitting the scrubbers at its Colstrip, Montana plant, the cost of which is not expected to be significant. PPL Energy Supply will suspend operations at the Corette plant by April 2015 and the plant is expected to be retired in August 2015 due to expected market conditions and costs to comply with the MATS requirements. The Corette plant asset group was determined to be impaired in December 2013. See "Application of Critical Accounting Policies - Asset Impairment (Excluding Investments)" for additional information.

LG&E's and KU's anticipated retirements of generating units at the Cane Run and Green River plants in 2015 and 2016 are in response to MATS and other environmental regulations. The retirement of these units is not expected to have a material impact on the financial condition or results of operations of PPL, LKE, LG&E or KU.

CSAPR

The EPA's CSAPR addresses the interstate transport of fine particulates and ozone. In accordance with an October 2014 U.S. Court of Appeals decision, CSAPR establishes interstate allowance trading programs for sulfur dioxide and nitrogen oxide emissions from fossil-fueled plants in two phases: Phase 1 in 2015 and Phase 2 in 2017. Sulfur dioxide emissions are subject to an annual trading program and nitrogen oxide emissions are subject to annual and ozone season programs. Oral arguments pertaining to outstanding challenges to the EPA's CSAPR will be heard before the D.C. Circuit Court on February 25, 2015.

Although PPL, PPL Energy Supply, LKE, LG&E and KU do not anticipate incurring significant costs to comply with these programs, changes in market or operating conditions could result in impacts that are higher than anticipated.

Regional Haze

Under the EPA's regional haze programs (developed to eliminate man-made visibility degradation by 2064), states are required to make reasonable progress every decade through the application, among other things, of Best Available Retrofit Technology (BART) on power plants commissioned between 1962 and 1977. To date, the focus of regional haze regulation has been on the western U.S. As for the eastern U.S., the EPA determined that region-wide reductions under the CSAPR trading program could, in most instances, be utilized under state programs to satisfy BART requirements for sulfur dioxide and nitrogen oxides. However, the EPA's determination is being challenged by environmental groups and others.

LG&E's Mill Creek Units 3 and 4 are required to reduce sulfuric acid mist emissions because they were determined to have a regional haze impact. These reductions are required in the regional haze state implementation plan that the Kentucky Division for Air Quality submitted to the EPA. LG&E is currently installing sorbent injection technology to comply with these reductions, the costs of which are not expected to be significant.

In Montana, the EPA finalized a Federal Implementation Plan (FIP) of the Regional Haze Rules in September 2012, with stricter emissions limits for PPL Energy Supply's Colstrip Units 1 & 2 based on the installation of new controls (no limits or additional controls were specified for Colstrip Units 3 & 4), and stricter emission limits for the Corette plant (which are not based on additional controls). The cost of the additional controls for Colstrip Units 1 & 2 could be significant. PPL Energy Supply is meeting the stricter 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). Both PPL and environmental groups have appealed the final FIP to the U.S. Court of Appeals for the Ninth Circuit and litigation is ongoing.

National Ambient Air Quality Standards
In 2008, the EPA revised the National Ambient Air Quality Standard for ozone. As a result, states in the ozone transport region (OTR), including Pennsylvania, are required by the Clean Air Act to impose additional reductions in nitrogen oxide emissions based upon reasonably available control technologies. The PADEP is finalizing a rule requiring nitrogen oxide reductions for fossil-fueled plants. The PADEP is expected to finalize this rule in early 2015. The EPA proposed to further strengthen the ozone standard in November 2014, which could lead to further nitrogen oxide reductions, particularly for PPL, PPL Energy Supply, LKE, LG&E, and KU fossil-fueled plants within the OTR. The EPA is under court order to finalize the standard by October 1, 2015. States are also obligated to address interstate transport issues associated with new ozone standards through the establishment of "good neighbor" state implementation plans for those states that are found to contribute significantly to another states' non-attainment. The EPA recently sent a policy memo to state agencies to facilitate the development of these plans, including modeling data showing which states are contributing. The implementation of such plans could have an impact on the structure and stringency of CSAPR Phase 2 reductions (discussed above).

In 2010, the EPA finalized a new, more stringent ambient air standard for sulfur dioxide and required states to identify areas that meet the standard and areas that are in "non-attainment". In July 2013, the EPA finalized non-attainment designations for parts of the country, including part of Jefferson County in Kentucky and part of Yellowstone County in Montana. Attainment is due for both areas by 2018. States are working to finalize designations for other areas and in April 2014, the EPA proposed timeframes for completing these designations. PPL, PPL Energy Supply, LKE, LG&E and KU anticipate that some of the measures required for compliance with the CSAPR, the MATS, or the Regional Haze Rules (as discussed above), such as upgraded or new sulfur dioxide scrubbers at certain 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 sulfur dioxide standard. If additional reductions were to be required, the financial impact could be significant. The short-term impact on the Corette plant from the EPA's final designation of part of Yellowstone County in Montana as non-attainment is not expected to be significant, as the plant's operations will be suspended by April 2015 and the plant is expected to be retired in August 2015. In addition, MDEQ recently submitted a request to the EPA for a determination that this area is in attainment. If the EPA agrees with this request, then the deadlines associated with non-attainment would be suspended.

In December 2012, the EPA finalized a new, more stringent, annual National Ambient Air Quality Standard for fine particulates. The rules were challenged by the D.C. Circuit Court and upheld in May 2014. Final designations for the 2012 particulate standard were published in January 2015 identifying non-attainment areas in Pennsylvania and Kentucky. PPL Energy Supply plants in Pennsylvania are not expected to be required to make further reductions towards achieving attainment. In Kentucky, mitigation in Jefferson County is expected to be supported by projects already underway at Cane Run and Mill Creek and in Northern Kentucky by projects at Ghent and Trimble County. States have until 2021 to achieve attainment in non-attainment areas.

(All Registrants)

Competition

See "Competition" under each of PPL's reportable segments in "Item 1. Business - General - Segment Information" and "Item 1A. Risk Factors" for a discussion of competitive factors affecting the Registrants.

New Accounting Guidance

See Notes 1 and 22 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 an understanding of the reported financial condition or results of operations, and require management to make estimates or other judgments of matters that are inherently uncertain. Changes in the estimates or other judgments included within these accounting policies could result in a significant change to the information presented in the Financial Statements (these accounting policies are also discussed in Note 1 to the Financial Statements). Senior management has reviewed with PPL's Audit Committee these critical accounting policies, the following disclosures regarding their application and the estimates and assumptions regarding them.

Price Risk Management *(All Registrants except PPL Electric)*

See "Price Risk Management" in Note 1 to the Financial Statements, as well as "Risk Management" above.

Defined Benefits

(All Registrants)

Certain of the Registrants' subsidiaries sponsor or participate in, as applicable, various qualified funded and non-qualified unfunded defined benefit pension plans and both funded and unfunded other postretirement benefit plans. These plans are applicable to the majority of the Registrants' employees (based on eligibility for their applicable plans). The Registrants and certain of their subsidiaries record an asset or liability to recognize the funded status of all defined benefit plans with an offsetting entry to AOCI or in the case of PPL Electric, LG&E and KU, regulatory assets and liabilities for amounts that are expected to be recovered through regulated customer rates. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets. See Note 11 to the Financial Statements for additional information about the plans and the accounting for defined benefits.

A summary of plan sponsors by Registrant and whether a Registrant or its subsidiaries sponsor (S) or participate in and receives allocations (P) from those plans is shown in the table below.

Plan Sponsor	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
PPL Services	S	P	P			
WPD (a)	S					
PPL Montana		S				
LKE				S	P	P
LG&E					S	

(a) Does not sponsor or participate in other postretirement benefits plans.

Management makes certain assumptions regarding the valuation of benefit obligations and the performance of plan assets. 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 AOCI, or in the case of PPL Electric, LG&E and KU, regulatory assets and liabilities, for amounts that are expected to be recovered through regulated customer rates. These amounts in AOCI or regulatory assets and liabilities are amortized to income over future periods. The 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 that will be earned over the life of the plan. These projected returns reduce the net benefit costs the Registrants record 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 addition to the economic assumptions above that are evaluated annually, Management must also make assumptions regarding the life expectancy of employees covered under their defined benefit pension and other postretirement benefit plans. At December 31, 2014, the plan sponsors adopted the new mortality tables issued by the Society of Actuaries in October 2014 (RP-2014 base tables) for all U.S. defined benefit pension and other postretirement benefit plans. In addition, plan sponsors updated the basis for estimating projected mortality improvements and selected the IRS BB-2D two-dimensional improvement scale on a generational basis for all U.S. defined benefit pension and other postretirement benefit plans. These new mortality assumptions reflect the recognition of both improved life expectancies and the expectation of continuing improvements in life expectancies. The use of the new base tables and improvement scale resulted in an increase to U.S. defined benefit pension and other postretirement benefit obligations, an increase to future expense and a decrease to funded status.

For the year ended December 31, 2014, PPL's U.S. defined benefit pension and other postretirement benefit plans incurred actuarial losses of $621 million primarily due to the decrease in discount rates and updated mortality assumptions partially offset by asset gains in excess of assumed rates of return.

(PPL)

In selecting the discount rate for its U.K. pension plans, WPD starts with a cash flow analysis of the expected benefit payment stream for its plans. These plan-specific cash flows are matched against a spot-rate yield curve to determine the assumed discount rate, which uses an iBoxx British pounds sterling denominated corporate bond index as its base. From this base, those bonds with the lowest and highest yields are eliminated to develop an appropriate subset of bonds. An individual bond matching approach, which is used for the U.S. pension plans as discussed below, is not used for the U.K. pension plans because the universe of bonds in the U.K. is not deep enough to adequately support such an approach.

(All Registrants)

In selecting the discount rates for U.S. defined benefit plans, the plan sponsors start with a cash flow analysis of the expected benefit payment stream for their plans. The plan-specific cash flows are matched against the coupons and expected maturity values of 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.

To determine the expected return on plan assets, plan sponsors project the long-term rates of return on plan assets using a best-estimate of expected returns, volatilities and correlations for each asset class. Each plan's specific current and expected asset allocations are also considered in developing a reasonable return assumption.

In selecting a rate of compensation increase, plan sponsors consider past experience in light of movements in inflation rates.

The following table provides the weighted-average assumptions used for discount rate, expected return on plan assets and rate of compensation increase at December 31.

Assumption / Registrant	2014	2013
Discount rate		
Pension - PPL (U.S.)	4.25%	5.12%
Pension - PPL (U.K.)	3.85%	4.41%
Pension - PPL Energy Supply	4.28%	5.18%
Pension - LKE	4.25%	5.18%
Pension - LG&E	4.20%	5.13%
Other Postretirement - PPL	4.08%	4.91%
Other Postretirement - PPL Energy Supply	3.81%	4.51%
Other Postretirement - LKE	4.06%	4.91%
Expected return on plan assets		
Pension - PPL (U.S.)	7.00%	7.00%
Pension - PPL (U.K.)	7.19%	7.19%
Pension - PPL Energy Supply	7.00%	7.00%
Pension - LKE	7.00%	7.00%
Pension - LG&E	7.00%	7.00%
Other Postretirement - PPL	6.06%	5.96%
Other Postretirement - LKE	6.85%	6.75%
Rate of compensation increase		
Pension - PPL (U.S.)	3.92%	3.97%
Pension - PPL (U.K.)	4.00%	4.00%
Pension - PPL Energy Supply	4.03%	3.94%
Pension - LKE	3.50%	4.00%
Other Postretirement - PPL	3.86%	3.96%
Other Postretirement - PPL Energy Supply	4.03%	3.94%
Other Postretirement - LKE	3.50%	4.00%

In selecting health care cost trend rates, plan sponsors consider past performance and forecasts of health care costs. At December 31, 2014, the health care cost trend rates for all plans were 7.2% for 2015, gradually declining to an ultimate trend rate of 5.0% in 2020.

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 AOCI or regulatory assets and liabilities. At December 31, 2014, the defined benefit plans were recorded in the Registrants' financial statements as follows.

	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
Balance Sheet:						
Regulatory assets/liabilities	$ 704		$ 372	$ 332	$ 215	$ 117
Pension liabilities	1,766	$ 299	212	307	57	59
Other postretirement benefit liabilities	242	44	40	152	85	52
AOCI (pre-tax)	(3,133)	(496)		73		
Statement of Income:						
Defined benefits costs	$ 88	$ 42	$ 14	$ 24	$ 9	$ 5
Increase (decrease) from prior year	(81)	(9)	(7)	(16)	(9)	(6)

The following tables reflect changes in certain assumptions based on the Registrants' primary defined benefit plans. The tables 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 AOCI or regulatory assets and liabilities 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.

Actuarial assumption	
Discount Rate	(0.25%)
Expected Return on Plan Assets	(0.25%)
Rate of Compensation Increase	0.25%
Health Care Cost Trend Rate (a)	1%

(a) Only impacts other postretirement benefits.

	Increase (Decrease)			
Actuarial assumption	**Defined Benefit Liabilities**	**AOCI (pre-tax)**	**Regulatory Assets/Liabilities**	**Defined Benefit Costs**
PPL				
Discount rate	$ 548	$ (459)	$ 89	$ 36
Expected return on plan assets	n/a	n/a	n/a	29
Rate of compensation increase	76	(64)	12	13
Health care cost trend rate (a)	5	(1)	4	1
PPL Energy Supply				
Discount rate	64	(64)		4
Expected return on plan assets	n/a	n/a	n/a	4
Rate of compensation increase	9	(9)		2
PPL Electric				
Discount rate	50		50	3
Expected return on plan assets	n/a		n/a	3
Rate of compensation increase	7		7	1
LKE				
Discount rates	63	(24)	39	3
Expected return on plan assets	n/a	n/a	n/a	3
Rate of compensation increase	11	(6)	5	1
Health care cost trend rate (a)	4	(1)	4	

	Increase (Decrease)			
	Defined Benefit Liabilities	AOCI (pre-tax)	Regulatory Assets/Liabilities	Defined Benefit Costs
LG&E				
Discount rates	21	n/a	21	2
Expected return on plan assets	n/a	n/a	n/a	1
Rate of compensation increase	2	n/a	2	
Health care cost trend rate (a)	1	n/a	1	
KU				
Discount rates	18	n/a	18	1
Expected return on plan assets	n/a	n/a	n/a	1
Rate of compensation increase	3	n/a	3	
Health care cost trend rate (a)	3	n/a	3	

(a) Only impacts other postretirement benefits.

Asset Impairment (Excluding Investments)

(All Registrants except PPL Electric)

Impairment analyses are performed for long-lived assets that are subject to depreciation or amortization whenever events or changes in circumstances indicate that a long-lived asset's carrying amount may not be recoverable. For these long-lived assets classified as held and used, such events or changes in circumstances are:

- a significant decrease in the market price of an asset;
- a significant adverse change in the extent or manner in which an asset is being used or in its physical condition;
- a significant adverse change in legal factors or in the business climate;
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of an asset;
- a current period operating or cash flow loss combined with a history of losses or a forecast that demonstrates continuing losses; or
- a current expectation that, more likely than not, an asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

For a long-lived asset classified as held and used, an impairment is recognized when the carrying amount of the asset is not recoverable and exceeds its fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the asset is impaired, an impairment loss is recorded to adjust the asset's carrying amount to its estimated fair value. Management must make significant judgments to estimate future cash flows, including the useful lives of the assets, the forward prices for revenue and fuel components in the markets where the assets are utilized, the amount of capital and operations and maintenance spending and management's intended use of the assets. Alternate courses of action are considered to recover the carrying amount of a long-lived asset, and estimated cash flows from the "most likely" alternative are used to assess impairment whenever one alternative is clearly the most likely outcome. If no alternative is clearly the most likely, then a probability-weighted approach is used taking into consideration estimated cash flows from the alternatives. For assets tested for impairment as of the balance sheet date, the estimates of future cash flows used in that test consider the likelihood of possible outcomes that existed at the balance sheet date, including an assessment of the likelihood of a future sale of the assets. That assessment is not revised based on events that occur after the balance sheet date. Changes in assumptions and estimates could result in materially different results than those identified and recorded in the financial statements.

(PPL and PPL Energy Supply)

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. PPL Energy Supply had been monitoring the plant for potential impairment since this announcement and until the fourth quarter of 2013, no impairment was indicated as various price scenarios allowed for recovery of the asset. During the fourth quarter of 2013, in connection with the completion of its annual business planning process, management updated its fundamental view for long-term power and gas prices. Based upon this fundamental view, management altered its expectations regarding the probability that the Corette plant would operate subsequent to its initially being placed in long-term reserve status. As a result, based on an undiscounted cash flow analysis, the carrying amount for Corette was determined to no longer be recoverable. PPL Energy Supply performed an internal analysis using an income approach based on discounted cash flows to assess the fair value of the Corette asset group. Assumptions used in the fair value assessment were forward energy prices, expectations for demand for energy in Corette's market and expected operation and maintenance and capital expenditures that were consistent with assumptions used in the business planning process. Through this analysis, PPL Energy Supply determined the fair value of the asset group to be negligible. This resulted in PPL and PPL Energy Supply recording an impairment charge of $65 million, or $39 million after-tax for the Corette plant and related excess emission allowances. PPL Energy Supply now expects to retire the Corette plant in August 2015.

PPL Montana held a joint operating license issued for the Kerr Dam Project. The license extends until 2035 and, between 2015 and 2025, the Confederated Salish and Kootenai Tribes of the Flathead Nation (the Tribes) have the option to purchase, hold and operate the Kerr Dam Project. The parties submitted the issue of the appropriate amount of the conveyance price to arbitration in February 2013. In March 2014, the arbitration panel issued its final decision holding that the conveyance price payable by the Tribes to PPL Montana was $18 million. As a result of the decision, PPL Energy Supply performed a recoverability test on the Kerr Dam Project. PPL Energy Supply performed an internal analysis using an income approach based on discounted cash flows (a PPL proprietary model) to assess the fair value of the Kerr Dam Project. Assumptions used in the PPL proprietary model were the conveyance price, forward energy price curves, forecasted generation, and forecasted operation and maintenance expenditures that were consistent with assumptions used in the business planning process and a market participant discount rate. Through this analysis, PPL Energy Supply determined the fair value of the Kerr Dam Project to be $29 million at March 31, 2014, resulting in PPL and PPL Energy Supply recording an impairment charge of $18 million, or $10 million after-tax. The Kerr Dam Project was included in the sale of the Montana Hydroelectric facilities and the assets were removed from the Balance Sheet.

The depressed levels of energy and capacity prices in PJM, as well as management's forward view of these prices using its fundamental pricing models, has put pressure on the recoverability assessment of PPL Energy Supply's investment in its Pennsylvania coal-fired generation assets. In the fourth quarter of 2013, after updating its fundamental pricing models in conjunction with the annual business planning process, management tested the Brunner Island and Montour plants for impairment and concluded neither plant was impaired as of December 31, 2013. The recoverability assessment is very sensitive to forward energy and capacity price assumptions, as well as forecasted operation and maintenance and capital spending. Therefore, a further decline in forecasted long-term energy or capacity prices or changes in environmental laws requiring additional capital or operation and maintenance expenditures, could negatively impact PPL Energy Supply's operations of these facilities and potentially result in future impairment charges for some or all of the carrying value of these plants. There were no events or changes in circumstances that indicated a recoverability assessment was required to be performed in 2014. The carrying value of the Pennsylvania coal-fired generation assets tested was $2.6 billion as of December 31, 2014 ($1.4 billion for Brunner Island and $1.2 billion for Montour).

See Note 13 to the Financial Statements for additional information on MATS and other environmental requirements for coal-fired generation plants.

(All Registrants, except PPL Electric)

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 in future periods 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, PPL, PPL Energy Supply, LKE, LG&E and KU consider 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 determining the present value of the cash flow streams using risk adjusted discount rates.

Goodwill is tested for impairment at the reporting unit level. PPL has determined its reporting units to be at the same level as its reportable segments. PPL Energy Supply, LKE, LG&E and KU each operate within a single reportable segment and single reporting unit. A goodwill impairment test is performed annually or more frequently if events or changes in circumstances indicate that the carrying amount of the reporting unit may be greater than the reporting unit's fair value. Additionally, goodwill is tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

PPL, PPL Energy Supply, LKE, LG&E and KU may elect either to initially make a qualitative evaluation about the likelihood of an impairment of goodwill or to bypass the qualitative evaluation and test goodwill for impairment using a 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.

When the two-step quantitative impairment test is elected or required as a result of the step zero assessment, in step one, PPL, PPL Energy Supply, LKE, LG&E and KU determine whether a potential impairment exists 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 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 (for its U.K. Regulated and Kentucky Regulated segments), and individually, LKE, LG&E and KU elected to perform the qualitative step zero evaluation of goodwill in the fourth quarter of 2014. These evaluations considered the excess of fair value over the carrying value of each reporting unit that was calculated during step one of the quantitative impairment tests performed in the fourth quarter of 2012, and the relevant events and circumstances that occurred since those tests were performed including:

- current year financial performance versus the prior year,
- changes in planned capital expenditures,
- the consistency of forecasted free cash flows,
- earnings quality and sustainability,
- changes in market participant discount rates,
- changes in long-term growth rates,
- changes in PPL's market capitalization, and
- the overall economic and regulatory environments in which these regulated entities operate.

Based on the overall favorable results of these evaluations, management did not conclude it was more likely than not that the fair value of these reporting units were less than their carrying values. As such, the two-step quantitative impairment test was not performed.

PPL (for its Supply segment) and PPL Energy Supply elected to bypass step zero. Therefore, the goodwill for these reporting units was tested for impairment using the quantitative test in the fourth quarter of 2014, 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. A decrease in the forecasted cash flows of 10%, an increase in the discount rate by 0.25%, or a 10% decrease in the market multiples would not have resulted in an impairment of goodwill for these reporting units.

Loss Accruals *(All Registrants)*

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 consulted, as necessary, to help estimate the probability that a loss has been incurred and the amount (or range) of the loss.

For PPL, see Note 6 to the Financial Statements for a discussion of the Ofgem Review of Line Loss Calculation, including the $65 million increase to this liability recorded in 2014.

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 new information becomes known, the contingency has been resolved and the actual loss is settled 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 and actual payments are made, a better estimate of the loss is determined or the loss is no longer considered probable.

- Actions or decisions by certain regulators could result in a better estimate of a previously recorded loss accrual.

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, business unit management and other parties.

See Notes 6 and 13 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

(All Registrants except PPL Electric)

ARO liabilities are required to be recognized for legal obligations associated with the retirement of long-lived assets. The initial obligation is measured at its estimated fair value. An ARO must be recognized when incurred if the fair value of the ARO can be reasonably estimated. An equivalent amount is recorded as an increase in the value of the capitalized asset and amortized to expense over the 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.

(PPL, LKE, LG&E and KU)

In the case of LG&E and KU, because costs of removal are collected in rates, the depreciation and accretion expenses related to an ARO are recorded as a regulatory asset, such that there is no earnings impact.

(All Registrants except PPL Electric)

See Note 19 to the Financial Statements for additional information on 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 generally amortized over the remaining life of the associated long-lived asset.

At December 31, 2014, the total recorded balances and information on the most significant recorded AROs were as follows.

	Total ARO Recorded	Most Significant AROs		
		Amount Recorded	% of Total	Description
PPL	$ 761	$ 587	77	Nuclear decommissioning, ash ponds, landfills and natural gas mains
PPL Energy Supply	425	369	87	Nuclear decommissioning
LKE	285	218	76	Ash ponds, landfills and natural gas mains
LG&E	74	46	62	Ash ponds, landfills and natural gas mains
KU	211	172	82	Ash ponds and landfills

The most significant assumptions surrounding AROs are the forecasted retirement costs (including the settlement dates and the timing of cash flows), the discount rates and the inflation rates. At December 31, 2014, a 10% change to retirement cost, a 0.25% decrease in the discount rate or a 0.25% increase in the inflation rate would not have a significant impact on the ARO liabilities of the Registrants. For PPL and PPL Energy Supply, there would be no significant change to the annual depreciation expense of the ARO asset or the annual accretion expense of the ARO liability as a result of these changes in assumptions. As noted above, these factors do not impact the Statements of Income of LKE, LG&E and KU.

Income Taxes *(All Registrants)*

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, valuation allowances on deferred tax assets and whether the undistributed earnings of WPD are considered indefinitely reinvested.

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 as of the reporting date. Based on management's assessment of new information, a tax benefit may subsequently be recognized for a previously unrecognized tax position, a previously recognized tax position may be derecognized, or the benefit of a previously recognized tax position may be remeasured. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements in the future.

At December 31, 2014, it was reasonably possible that during the next 12 months the total amount of unrecognized tax benefits could increase or decrease by as much as the following.

	Increase	Decrease
PPL		$ 20
PPL Energy Supply		15

These potential changes 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 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. In addition, for PPL, this change could also relate to the creditability of foreign taxes and the timing and utilization of foreign tax credits. For PPL Electric, LKE, LG&E and KU, no significant changes in unrecognized tax benefits are projected over the next 12 months.

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, including management's conclusion that the undistributed earnings of WPD are considered indefinitely reinvested. Based on this conclusion, PPL Global does not record U.S. income taxes on WPD's undistributed earnings.

Regulatory Assets and Liabilities

(PPL)

WPD operates in an incentive-based regulatory structure under distribution licenses granted by Ofgem. WPD's electricity distribution revenues are set every five years (changing to every eight years beginning on April 1, 2015) 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.

(All Registrants except PPL Energy Supply)

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, the regulatory asset would be written-off. Additionally, the regulatory agencies can provide flexibility in the manner and timing of recovery of regulatory assets.

At December 31, 2014, regulatory assets and regulatory liabilities were recorded as reflected in the table below. 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.

	PPL	PPL Electric	LKE	LG&E	KU
Regulatory assets	$ 1,599	$ 909	$ 690	$ 418	$ 272
Regulatory liabilities	1,083	94	989	468	521

See Note 6 to the Financial Statements for additional information on regulatory assets and liabilities.

Revenue Recognition - Unbilled Revenue *(PPL Electric, LKE, LG&E and KU)*

Revenues related to the sale of energy are recorded when service is rendered or when energy is delivered to customers. Because customers are billed on cycles which vary based on the timing of the actual meter reads taken throughout the month, estimates are recorded for unbilled revenues at the end of each reporting period. Such unbilled revenue amounts reflect estimates of the deliveries to customers since the date of the last reading of their meters. The unbilled revenue estimates reflect consideration of factors including daily load models, estimated usage for each customer class, the effect of current and different rate schedules, the meter read schedule, the billing schedule, actual weather data and where applicable, the impact of weather normalization or other regulatory provisions of rate structures. At December 31, unbilled revenues recorded on the Balance Sheets were as follows.

	2014	2013
PPL Electric	$ 113	$ 116
LKE	167	180
LG&E	76	85
KU	91	95

Other Information *(All Registrants)*

PPL's Audit Committee has approved the independent auditor to provide audit and audit-related services, tax services and other services permitted by Sarbanes-Oxley and SEC rules. The audit and audit-related services include services in connection with statutory and regulatory filings, reviews of offering documents and registration statements, and internal control reviews.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

PPL Corporation, PPL 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" for the Registrants in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations."

Report of Independent Registered Public Accounting Firm

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, 2014 and 2013, 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, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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. 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 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 Corporation and subsidiaries at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, 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.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), PPL Corporation and subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 23, 2015, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 23, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareowners of PPL Corporation

We have audited PPL Corporation and subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). PPL Corporation and subsidiaries' 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 and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, 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, 2014 and 2013, 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, 2014, and our report dated February 23, 2015, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 23, 2015

Report of Independent Registered Public Accounting Firm

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, 2014 and 2013, 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, 2014. 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, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 23, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholder of PPL Electric Utilities Corporation

We have audited the accompanying consolidated balance sheets of PPL Electric Utilities Corporation and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of income, shareowners' equity, and cash flows for each of the three years in the period ended December 31, 2014. 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, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 23, 2015

Report of Independent Registered Public Accounting Firm

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, 2014 and 2013, 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, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, 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 23, 2015

Report of Independent Registered Public Accounting Firm

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, 2014 and 2013, and the related statements of income, equity and cash flows for each of the three years in the period ended December 31, 2014. 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, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles**.**

/s/ Ernst & Young LLP

Louisville, Kentucky
February 23, 2015

Report of Independent Registered Public Accounting Firm

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, 2014 and 2013, and the related statements of income, equity and cash flows for each of the three years in the period ended December 31, 2014. 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, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Louisville, Kentucky
February 23, 2015

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
PPL Corporation and Subsidiaries
(Millions of Dollars, except share data)

	2014	2013	2012
Operating Revenues			
Utility	$ 7,782	$ 7,201	$ 6,808
Unregulated wholesale energy	1,808	2,909	3,976
Unregulated retail energy	1,239	1,023	840
Energy-related businesses	670	588	508
Total Operating Revenues	11,499	11,721	12,132
Operating Expenses			
Operation			
Fuel	2,161	1,944	1,837
Energy purchases	1,041	1,967	2,555
Other operation and maintenance	2,803	2,779	2,791
Loss on lease termination (Note 8)		697	
Depreciation	1,220	1,142	1,087
Taxes, other than income	374	351	352
Energy-related businesses	628	563	484
Total Operating Expenses	8,227	9,443	9,106
Operating Income	3,272	2,278	3,026
Other Income (Expense) - net	118	(23)	(39)
Other-Than-Temporary Impairments	2	1	27
Interest Expense	1,024	994	951
Income from Continuing Operations Before Income Taxes	2,364	1,260	2,009
Income Taxes	781	163	518
Income from Continuing Operations After Income Taxes	1,583	1,097	1,491
Income (Loss) from Discontinued Operations (net of income taxes)	154	34	40
Net Income	1,737	1,131	1,531
Net Income Attributable to Noncontrolling Interests		1	5
Net Income Attributable to PPL Shareowners	$ 1,737	$ 1,130	$ 1,526
Amounts Attributable to PPL Shareowners:			
Income from Continuing Operations After Income Taxes	$ 1,583	$ 1,096	$ 1,486
Income (Loss) from Discontinued Operations (net of income taxes)	154	34	40
Net Income	$ 1,737	$ 1,130	$ 1,526
Earnings Per Share of Common Stock:			
Income from Continuing Operations After Income Taxes Available to PPL Common Shareowners:			
Basic	$ 2.41	$ 1.79	$ 2.55
Diluted	$ 2.38	$ 1.71	$ 2.54
Net Income Available to PPL Common Shareowners:			
Basic	$ 2.64	$ 1.85	$ 2.61
Diluted	$ 2.61	$ 1.76	$ 2.60
Dividends Declared Per Share of Common Stock	$ 1.49	$ 1.47	$ 1.44
Weighted-Average Shares of Common Stock Outstanding (in thousands)			
Basic	653,504	608,983	580,276
Diluted	665,973	663,073	581,626

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)

	2014	2013	2012
Net income	**$ 1,737**	$ 1,131	$ 1,531
Other comprehensive income (loss):			
Amounts arising during the period - gains (losses), net of tax (expense) benefit:			
Foreign currency translation adjustments, net of tax of ($8), $4, $2	**(275)**	138	94
Available-for-sale securities, net of tax of ($39), ($72), ($31)	**35**	67	29
Qualifying derivatives, net of tax of $23, ($41), ($32)	**(10)**	45	39
Equity investees' other comprehensive income (loss), net of tax of $0, $0, ($1)			2
Defined benefit plans:			
Prior service costs, net of tax of ($4), ($1), $0	**5**	2	1
Net actuarial gain (loss), net of tax of $225, ($73), $343	**(509)**	71	(965)
Reclassifications to net income - (gains) losses, net of tax expense (benefit):			
Available-for-sale securities, net of tax of $7, $4, $1	**(6)**	(6)	(7)
Qualifying derivatives, net of tax of $23, $80, $278	**(64)**	(83)	(434)
Defined benefit plans:			
Prior service costs, net of tax of ($3), ($4), ($5)	**4**	6	10
Net actuarial loss, net of tax of ($34), ($49), ($29)	**111**	135	79
Total other comprehensive income (loss) attributable to PPL Shareowners	**(709)**	375	(1,152)
Comprehensive income (loss)	**1,028**	1,506	379
Comprehensive income attributable to noncontrolling interests		1	5
Comprehensive income (loss) attributable to PPL Shareowners	**$ 1,028**	$ 1,505	$ 374

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)

	2014	2013	2012
Cash Flows from Operating Activities			
Net income	**$ 1,737**	$ 1,131	$ 1,531
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	**1,237**	1,161	1,100
Amortization	**228**	222	186
Defined benefit plans - expense	**90**	176	166
Deferred income taxes and investment tax credits	**640**	72	424
Unrealized (gains) losses on derivatives, and other hedging activities	**(175)**	236	27
Pre-tax gain from the sale of the Montana hydroelectric generation business (Note 8)	**(246)**		
Loss on lease termination (Note 8)		426	
Adjustment to WPD line loss accrual	**65**	45	(90)
Stock compensation expense	**64**	51	49
Other	**57**	49	31
Change in current assets and current liabilities			
Accounts receivable	**(83)**	(165)	7
Accounts payable	**(4)**	25	(29)
Unbilled revenues	**90**	27	(19)
Fuel, materials and supplies	**(134)**	(27)	(18)
Counterparty collateral	**(17)**	(81)	(34)
Taxes payable	**158**	20	24
Uncertain tax positions		(114)	(4)
Other	**80**	(35)	55
Other operating activities			
Defined benefit plans - funding	**(419)**	(563)	(607)
Other assets	**12**	7	(33)
Other liabilities	**23**	194	(2)
Net cash provided by (used in) operating activities	**3,403**	2,857	2,764
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(4,090)**	(4,212)	(3,105)
Expenditures for intangible assets	**(95)**	(95)	(71)
Proceeds from the sale of Montana hydroelectric generation business (Note 8)	**900**		
Ironwood Acquisition, net of cash acquired			(84)
Purchases of nuclear plant decommissioning trust investments	**(170)**	(159)	(154)
Proceeds from the sale of nuclear plant decommissioning trust investments	**154**	144	139
Proceeds from the receipt of grants	**164**	4	4
Purchases of other investments	**(120)**		
Net (increase) decrease in restricted cash and cash equivalents	**(89)**	(20)	96
Other investing activities	**17**	43	52
Net cash provided by (used in) investing activities	**(3,329)**	(4,295)	(3,123)
Cash Flows from Financing Activities			
Issuance of long-term debt	**296**	2,038	1,223
Retirement of long-term debt	**(546)**	(747)	(108)
Repurchase of common stock		(74)	
Issuance of common stock	**1,074**	1,411	72
Payment of common stock dividends	**(967)**	(878)	(833)
Redemption of preference stock of a subsidiary			(250)
Debt issuance and credit facility costs	**(22)**	(49)	(17)
Contract adjustment payments on Equity Units	**(22)**	(82)	(94)
Net increase (decrease) in short-term debt	**777**	49	74
Other financing activities	**(7)**	(37)	(19)
Net cash provided by (used in) financing activities	**583**	1,631	48
Effect of Exchange Rates on Cash and Cash Equivalents	**(8)**	8	10
Net Increase (Decrease) in Cash and Cash Equivalents	**649**	201	(301)
Cash and Cash Equivalents at Beginning of Period	**1,102**	901	1,202
Cash and Cash Equivalents at End of Period	**$ 1,751**	$ 1,102	$ 901
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	**$ 959**	$ 916	$ 847
Income taxes - net	**$ 190**	$ 128	$ 73

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)

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	**$ 1,751**	$ 1,102
Short-term investments	**120**	
Restricted cash and cash equivalents	**180**	83
Accounts receivable (less reserve: 2014, $46; 2013, $64)		
Customer	**923**	923
Other	**171**	97
Unbilled revenues	**735**	835
Fuel, materials and supplies	**836**	702
Prepayments	**87**	153
Deferred income taxes	**129**	246
Price risk management assets	**1,158**	942
Regulatory assets	**37**	33
Other current assets	**32**	37
Total Current Assets	**6,159**	5,153
Investments		
Nuclear plant decommissioning trust funds	**950**	864
Other investments	**35**	43
Total Investments	**985**	907
Property, Plant and Equipment		
Regulated utility plant	**30,568**	27,755
Less: accumulated depreciation - regulated utility plant	**5,361**	4,873
Regulated utility plant, net	**25,207**	22,882
Non-regulated property, plant and equipment		
Generation	**11,310**	11,881
Nuclear fuel	**624**	591
Other	**885**	834
Less: accumulated depreciation - non-regulated property, plant and equipment	**6,404**	6,172
Non-regulated property, plant and equipment, net	**6,415**	7,134
Construction work in progress	**2,975**	3,071
Property, Plant and Equipment, net	**34,597**	33,087
Other Noncurrent Assets		
Regulatory assets	**1,562**	1,246
Goodwill	**4,005**	4,225
Other intangibles	**925**	947
Price risk management assets	**319**	337
Other noncurrent assets	**312**	357
Total Other Noncurrent Assets	**7,123**	7,112
Total Assets	**$ 48,864**	$ 46,259

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)

	2014	2013
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 1,466	$ 701
Long-term debt due within one year	1,535	315
Accounts payable	1,356	1,308
Taxes	230	114
Interest	314	325
Dividends	249	232
Price risk management liabilities	1,126	829
Regulatory liabilities	91	90
Other current liabilities	1,076	998
Total Current Liabilities	7,443	4,912
Long-term Debt	18,856	20,592
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	4,450	3,928
Investment tax credits	159	342
Price risk management liabilities	252	415
Accrued pension obligations	1,756	1,286
Asset retirement obligations	739	687
Regulatory liabilities	992	1,048
Other deferred credits and noncurrent liabilities	589	583
Total Deferred Credits and Other Noncurrent Liabilities	8,937	8,289
Commitments and Contingent Liabilities (Notes 5, 6 and 13)		
Equity		
Common stock - $0.01 par value (a)	7	6
Additional paid-in capital	9,433	8,316
Earnings reinvested	6,462	5,709
Accumulated other comprehensive loss	(2,274)	(1,565)
Total Equity	13,628	12,466
Total Liabilities and Equity	$ 48,864	$ 46,259

(a) 780,000 shares authorized; 665,849 and 630,321 shares issued and outstanding at December 31, 2014 and 2013.

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, 2011	578,405	$ 6	$ 6,813	$ 4,797	$ (788)	$ 268	$ 11,096
Common stock issued	3,543		99				99
Common stock repurchased	(4)						
Stock-based compensation			18				18
Net income				1,526		5	1,531
Dividends, dividend equivalents, redemptions and distributions			6	(845)		(255)	(1,094)
Other comprehensive income (loss)					(1,152)		(1,152)
December 31, 2012	581,944	$ 6	$ 6,936	$ 5,478	$ (1,940)	$ 18	$ 10,498
Common stock issued	50,807		$ 1,437				$ 1,437
Common stock repurchased	(2,430)		(74)				(74)
Cash settlement of equity forward agreements			(13)				(13)
Stock-based compensation			30				30
Net income				$ 1,130		$ 1	1,131
Dividends, dividend equivalents, redemptions and distributions				(899)		(19)	(918)
Other comprehensive income (loss)					$ 375		375
December 31, 2013	630,321	$ 6	$ 8,316	$ 5,709	$ (1,565)	$	$ 12,466
Common stock issued	35,528	$ 1	$ 1,089				$ 1,090
Stock-based compensation			28				28
Net income				$ 1,737			1,737
Dividends, dividend equivalents, redemptions and distributions				(984)			(984)
Other comprehensive income (loss)					$ (709)		(709)
December 31, 2014	665,849	$ 7	$ 9,433	$ 6,462	$ (2,274)		$ 13,628

(a) Shares in thousands. Each share entitles the holder to one vote on any question presented at any shareowners' meeting.

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)

	2014	2013	2012
Operating Revenues			
Unregulated wholesale energy	**$ 1,808**	$ 2,909	$ 3,976
Unregulated wholesale energy to affiliate	**84**	51	78
Unregulated retail energy	**1,243**	1,027	844
Energy-related businesses	**601**	527	448
Total Operating Revenues	**3,736**	4,514	5,346
Operating Expenses			
Operation			
Fuel	**1,196**	1,049	965
Energy purchases	**209**	1,171	1,821
Other operation and maintenance	**1,007**	1,026	997
Loss on lease termination (Note 8)		697	
Depreciation	**297**	299	272
Taxes, other than income	**57**	53	55
Energy-related businesses	**573**	512	432
Total Operating Expenses	**3,339**	4,807	4,542
Operating Income (Loss)	**397**	(293)	804
Other Income (Expense) - net	**30**	32	19
Interest Expense	**124**	159	158
Income (Loss) from Continuing Operations Before Income Taxes	**303**	(420)	665
Income Taxes	**116**	(159)	236
Income (Loss) from Continuing Operations After Income Taxes	**187**	(261)	429
Income (Loss) from Discontinued Operations (net of income taxes)	**223**	32	46
Net Income (Loss)	**410**	(229)	475
Net Income (Loss) Attributable to Noncontrolling Interests		1	1
Net Income (Loss) Attributable to PPL Energy Supply Member	**$ 410**	$ (230)	$ 474
Amounts Attributable to PPL Energy Supply Member:			
Income (Loss) from Continuing Operations After Income Taxes	**$ 187**	$ (262)	$ 428
Income (Loss) from Discontinued Operations (net of income taxes)	**223**	32	46
Net Income (Loss)	**$ 410**	$ (230)	$ 474

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)

	2014	2013	2012
Net income (loss)	**$ 410**	$ (229)	$ 475
Other comprehensive income (loss):			
Amounts arising during the period - gains (losses), net of tax (expense) benefit:			
Available-for-sale securities, net of tax of ($40), ($72), ($31)	**35**	67	29
Qualifying derivatives, net of tax of $0, $0, ($46)			68
Defined benefit plans:			
Prior service costs, net of tax of ($6), ($1), $0	**8**	2	1
Net actuarial gain (loss), net of tax of $83, ($49), $56	**(120)**	71	(82)
Reclassifications to net income - (gains) losses, net of tax expense (benefit):			
Available-for-sale securities, net of tax of $7, $4, $1	**(6)**	(6)	(7)
Qualifying derivatives, net of tax of $17, $84, $291	**(25)**	(123)	(463)
Defined benefit plans:			
Prior service costs, net of tax of ($1), ($3), ($2)	**3**	4	5
Net actuarial loss, net of tax of ($4), ($10), ($2)	**5**	14	10
Total other comprehensive income (loss) attributable to PPL Energy Supply Member	**(100)**	29	(439)
Comprehensive income (loss)	**310**	(200)	36
Comprehensive income attributable to noncontrolling interests		1	1
Comprehensive income (loss) attributable to PPL Energy Supply Member	**$ 310**	$ (201)	$ 35

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)

	2014	2013	2012
Cash Flows from Operating Activities			
Net income (loss)	**$ 410**	$ (229)	$ 475
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	**313**	318	285
Amortization	**163**	156	119
Defined benefit plans - expense	**42**	51	43
Deferred income taxes and investment tax credits	**(26)**	(296)	152
Impairment of assets	**20**	65	3
Unrealized (gains) losses on derivatives, and other hedging activities	**4**	171	(41)
Pre-tax gain from the sale of the Montana hydroelectric generation business (Note 8)	**(315)**		
Loss on lease termination (Note 8)		426	
Other	**36**	2	19
Change in current assets and current liabilities			
Accounts receivable	**17**	23	(54)
Accounts payable	**2**	(56)	(22)
Unbilled revenues	**68**	83	33
Fuel, materials and supplies	**(97)**	(31)	(29)
Prepayments	**(53)**	(5)	(1)
Counterparty collateral	**(17)**	(81)	(34)
Price risk management assets and liabilities	**(30)**	7	(21)
Taxes payable	**(3)**	(31)	(27)
Other	**(40)**	(16)	(17)
Other operating activities			
Defined benefit plans - funding	**(35)**	(113)	(75)
Other assets	**3**	(4)	(41)
Other liabilities		(30)	17
Net cash provided by (used in) operating activities	**462**	410	784
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(416)**	(583)	(648)
Proceeds from the sale of the Montana hydroelectric generation business (Note 8)	**900**		
Ironwood Acquisition, net of cash acquired			(84)
Expenditures for intangible assets	**(46)**	(42)	(45)
Purchases of nuclear plant decommissioning trust investments	**(170)**	(159)	(154)
Proceeds from the sale of nuclear plant decommissioning trust investments	**154**	144	139
Proceeds from the receipt of grants	**164**	3	
Net (increase) decrease in notes receivable from affiliates			198
Net (increase) decrease in restricted cash and cash equivalents	**(108)**	(22)	104
Other investing activities	**19**	28	21
Net cash provided by (used in) investing activities	**497**	(631)	(469)
Cash Flows from Financing Activities			
Retirement of long-term debt	**(309)**	(747)	(9)
Contributions from member	**739**	1,577	563
Distributions to member	**(1,906)**	(408)	(787)
Net increase (decrease) in short-term debt	**630**	(356)	(44)
Other financing activities		(19)	(4)
Net cash provided by (used in) financing activities	**(846)**	47	(281)
Net Increase (Decrease) in Cash and Cash Equivalents	**113**	(174)	34
Cash and Cash Equivalents at Beginning of Period	**239**	413	379
Cash and Cash Equivalents at End of Period	**$ 352**	$ 239	$ 413
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	**$ 122**	$ 157	$ 150
Income taxes - net	**$ 310**	$ 189	$ 128

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)

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	**$ 352**	$ 239
Restricted cash and cash equivalents	**176**	68
Accounts receivable (less reserve: 2014, $2; 2013, $21)		
Customer	**186**	233
Other	**103**	97
Accounts receivable from affiliates	**36**	45
Unbilled revenues	**218**	286
Fuel, materials and supplies	**455**	358
Prepayments	**70**	20
Price risk management assets	**1,079**	860
Other current assets	**26**	27
Total Current Assets	**2,701**	2,233
Investments		
Nuclear plant decommissioning trust funds	**950**	864
Other investments	**30**	37
Total Investments	**980**	901
Property, Plant and Equipment		
Non-regulated property, plant and equipment		
Generation	**11,318**	11,891
Nuclear fuel	**624**	591
Other	**293**	288
Less: accumulated depreciation - non-regulated property, plant and equipment	**6,242**	6,046
Non-regulated property, plant and equipment, net	**5,993**	6,724
Construction work in progress	**443**	450
Property, Plant and Equipment, net	**6,436**	7,174
Other Noncurrent Assets		
Goodwill	**72**	86
Other intangibles	**257**	266
Price risk management assets	**239**	328
Other noncurrent assets	**75**	86
Total Other Noncurrent Assets	**643**	766
Total Assets	**$ 10,760**	$ 11,074

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)

	2014	2013
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 630**	
Long-term debt due within one year	**535**	$ 304
Accounts payable	**361**	393
Accounts payable to affiliates	**50**	4
Taxes	**28**	31
Interest	**16**	22
Price risk management liabilities	**1,024**	750
Other current liabilities	**246**	278
Total Current Liabilities	**2,890**	1,782
Long-term Debt	**1,683**	2,221
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,223**	1,114
Investment tax credits	**27**	205
Price risk management liabilities	**193**	320
Accrued pension obligations	**299**	111
Asset retirement obligations	**415**	393
Other deferred credits and noncurrent liabilities	**123**	130
Total Deferred Credits and Other Noncurrent Liabilities	**2,280**	2,273
Commitments and Contingent Liabilities (Note 15)		
Member's equity	**3,907**	4,798
Total Liabilities and Equity	**$ 10,760**	$ 11,074

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

CONSOLIDATEDSTATEMENTS OF EQUITY
PPL Energy Supply, LLC and Subsidiaries
(Millions of Dollars)

	Member's equity	Non-controlling interests	Total
December 31, 2011	$ 4,019	$ 18	$ 4,037
Net income (loss)	474	1	475
Other comprehensive income (loss)	(439)		(439)
Contributions from member	563		563
Distributions	(787)	(1)	(788)
December 31, 2012	$ 3,830	$ 18	$ 3,848
Net income (loss)	$ (230)	$ 1	$ (229)
Other comprehensive income (loss)	29		29
Contributions from member	1,577		1,577
Distributions	(408)	(19)	(427)
December 31, 2013	$ 4,798	$	$ 4,798
Net income (loss)	$ 410		$ 410
Other comprehensive income (loss)	(100)		(100)
Contributions from member	739		739
Distributions	(1,940)		(1,940)
December 31, 2014	$ 3,907		$ 3,907

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)

	2014	2013	2012
Operating Revenues	**$ 2,044**	$ 1,870	$ 1,763
Operating Expenses			
Operation			
Energy purchases	**587**	588	550
Energy purchases from affiliate	**84**	51	78
Other operation and maintenance	**543**	531	576
Depreciation	**185**	178	160
Taxes, other than income	**107**	103	105
Total Operating Expenses	**1,506**	1,451	1,469
Operating Income	**538**	419	294
Other Income (Expense) - net	**7**	6	9
Interest Expense	**122**	108	99
Income Before Income Taxes	**423**	317	204
Income Taxes	**160**	108	68
Net Income (a)	**263**	209	136
Distributions on Preference Stock			4
Net Income Available to PPL	**$ 263**	$ 209	$ 132

(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)

	2014	2013	2012
Cash Flows from Operating Activities			
Net income	**$ 263**	$ 209	$ 136
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	**185**	178	160
Amortization	**19**	19	18
Defined benefit plans - expense	**15**	21	22
Deferred income taxes and investment tax credits	**87**	127	114
Other	**(23)**	(9)	(9)
Change in current assets and current liabilities			
Accounts receivable	**(64)**	(29)	3
Accounts payable	**30**	12	38
Prepayments	**1**	36	2
Taxes payable	**75**	49	12
Other	**18**	(15)	(14)
Other operating activities			
Defined benefit plans - funding	**(23)**	(93)	(59)
Other assets	**19**	8	(3)
Other liabilities	**11**	10	(31)
Net cash provided by (used in) operating activities	**613**	523	389
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(931)**	(903)	(624)
Expenditures for intangible assets	**(26)**	(39)	(9)
Net (increase) decrease in notes receivable from affiliate	**150**	(150)	
Other investing activities	**16**	12	20
Net cash provided by (used in) investing activities	**(791)**	(1,080)	(613)
Cash Flows from Financing Activities			
Issuance of long-term debt	**296**	348	249
Retirement of long-term debt	**(10)**		
Contributions from PPL	**263**	205	150
Redemption of preference stock			(250)
Payment of common stock dividends to parent	**(158)**	(127)	(95)
Net increase (decrease) in short-term debt	**(20)**	20	
Other financing activities	**(4)**	(4)	(10)
Net cash provided by (used in) financing activities	**367**	442	44
Net Increase (Decrease) in Cash and Cash Equivalents	**189**	(115)	(180)
Cash and Cash Equivalents at Beginning of Period	**25**	140	320
Cash and Cash Equivalents at End of Period	**$ 214**	$ 25	$ 140
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	**$ 110**	$ 87	$ 81
Income taxes - net	**$ 40**	$ (45)	$ (42)

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)

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	**$ 214**	$ 25
Accounts receivable (less reserve: 2014, $17; 2013, $18)		
Customer	**312**	284
Other	**44**	5
Accounts receivable from affiliates	**1**	4
Notes receivable from affiliate		150
Unbilled revenues	**113**	116
Materials and supplies	**43**	35
Prepayments	**10**	40
Deferred income taxes	**58**	85
Regulatory assets	**12**	6
Other current assets	**12**	16
Total Current Assets	**819**	766
Property, Plant and Equipment		
Regulated utility plant	**7,589**	6,888
Less: accumulated depreciation - regulated utility plant	**2,517**	2,417
Regulated utility plant, net	**5,072**	4,471
Construction work in progress	**738**	591
Property, Plant and Equipment, net	**5,810**	5,062
Other Noncurrent Assets		
Regulatory assets	**897**	772
Intangibles	**235**	211
Other noncurrent assets	**24**	35
Total Other Noncurrent Assets	**1,156**	1,018
Total Assets	**$ 7,785**	$ 6,846

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)

	2014	2013
Liabilities and Equity		
Current Liabilities		
Short-term debt		$ 20
Long-term debt due within one year	$ **100**	10
Accounts payable	**325**	295
Accounts payable to affiliates	**70**	57
Taxes	**85**	51
Interest	**34**	34
Regulatory liabilities	**76**	76
Other current liabilities	**103**	82
Total Current Liabilities	**793**	625
Long-term Debt	**2,502**	2,305
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,483**	1,399
Accrued pension obligations	**212**	96
Regulatory liabilities	**18**	15
Other deferred credits and noncurrent liabilities	**60**	57
Total Deferred Credits and Other Noncurrent Liabilities	**1,773**	1,567
Commitments and Contingent Liabilities (Notes 6 and 13)		
Stockholder's Equity		
Common stock - no par value (a)	**364**	364
Additional paid-in capital	**1,603**	1,340
Earnings reinvested	**750**	645
Total Equity	**2,717**	2,349
Total Liabilities and Equity	$ **7,785**	$ 6,846

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at December 31, 2014 and 2013.

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, 2011	66,368	$ 250	$ 364	$ 979	$ 532	$ 2,125
Net income					136	136
Redemption of preference stock		(250)		6	(6)	(250)
Capital contributions from PPL				150		150
Cash dividends declared on preference stock					(4)	(4)
Cash dividends declared on common stock					(95)	(95)
December 31, 2012	66,368	$	$ 364	$ 1,135	$ 563	$ 2,062
Net income					$ 209	$ 209
Capital contributions from PPL				$ 205		205
Cash dividends declared on common stock					(127)	(127)
December 31, 2013	66,368		$ 364	$ 1,340	$ 645	$ 2,349
Net income					$ 263	$ 263
Capital contributions from PPL				$ 263		263
Cash dividends declared on common stock					(158)	(158)
December 31, 2014	66,368		$ 364	$ 1,603	$ 750	$ 2,717

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

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

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries
(Millions of Dollars)

	2014	2013	2012
Operating Revenues	**$ 3,168**	$ 2,976	$ 2,759
Operating Expenses			
Operation			
Fuel	**965**	896	872
Energy purchases	**253**	217	195
Other operation and maintenance	**815**	778	778
Depreciation	**354**	334	346
Taxes, other than income	**52**	48	46
Total Operating Expenses	**2,439**	2,273	2,237
Operating Income	**729**	703	522
Other Income (Expense) - net	**(9)**	(7)	(15)
Other-Than-Temporary Impairments			25
Interest Expense	**167**	144	150
Interest Expense with Affiliate		1	1
Income from Continuing Operations Before Income Taxes	**553**	551	331
Income Taxes	**209**	206	106
Income from Continuing Operations After Income Taxes	**344**	345	225
Income (Loss) from Discontinued Operations (net of income taxes)		2	(6)
Net Income	**$ 344**	$ 347	$ 219

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries
(Millions of Dollars)

	2014	2013	2012
Net income	**$ 344**	$ 347	$ 219
Other comprehensive income (loss):			
Amounts arising during the period - gains (losses), net of tax (expense) benefit:			
Equity investee's other comprehensive income (loss), net of tax of $0, $0, ($1)			1
Defined benefit plans:			
Prior service costs, net of tax of $4, $0, $0	**(7)**		
Net actuarial gain (loss), net of tax of $32, ($18), $13	**(50)**	28	(21)
Reclassification to net income - (gains) losses, net of tax expense (benefit):			
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $0	**(1)**		
Defined benefit plans:			
Prior service costs, net of tax of $0, $0, $0	**1**		
Net actuarial loss, net of tax of $0, $0, $0	**(1)**		1
Total other comprehensive income (loss)	**(58)**	28	(19)
Comprehensive income (loss) attributable to member	**$ 286**	$ 375	$ 200

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries
(Millions of Dollars)

	2014	2013	2012
Cash Flows from Operating Activities			
Net income	**$ 344**	$ 347	$ 219
Adjustments to reconcile net income to net cash			
provided by (used in) operating activities			
Depreciation	**354**	334	346
Amortization	**25**	22	27
Defined benefit plans - expense	**25**	48	40
Deferred income taxes and investment tax credits	**449**	254	133
Impairment of assets			25
Other	**16**	5	2
Change in current assets and current liabilities			
Accounts receivable	**(20)**	(91)	(9)
Accounts payable	**12**	40	1
Accounts payable to affiliates	**(1)**	1	(1)
Unbilled revenues	**13**	(24)	(10)
Fuel, materials and supplies	**(32)**	(1)	8
Income tax receivable	**(136)**	1	2
Taxes payable	**(3)**	13	1
Other	**(1)**	22	
Other operating activities			
Defined benefit plans - funding	**(45)**	(168)	(70)
Settlement of interest rate swaps		86	
Other assets	**(7)**	9	(8)
Other liabilities	**6**	22	38
Net cash provided by (used in) operating activities	**999**	920	744
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(1,262)**	(1,434)	(768)
Net (increase) decrease in notes receivable from affiliates	**70**	(70)	15
Other investing activities	**1**	2	
Net cash provided by (used in) investing activities	**(1,191)**	(1,502)	(753)
Cash Flows from Financing Activities			
Net increase (decrease) in notes payable with affiliates	**41**	(25)	25
Issuance of long-term debt		496	
Net increase (decrease) in short-term debt	**330**	120	125
Debt issuance and credit facility costs	**(5)**	(6)	(2)
Distributions to member	**(436)**	(254)	(155)
Contributions from member	**248**	243	
Net cash provided by (used in) financing activities	**178**	574	(7)
Net Increase (Decrease) in Cash and Cash Equivalents	**(14)**	(8)	(16)
Cash and Cash Equivalents at Beginning of Period	**35**	43	59
Cash and Cash Equivalents at End of Period	**$ 21**	$ 35	$ 43
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	**$ 157**	$ 137	$ 139
Income taxes - net	**$ (75)**	$ (67)	$ (45)

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)

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	**$ 21**	$ 35
Accounts receivable (less reserve: 2014, $25; 2013, $22)		
Customer	**231**	224
Other	**18**	20
Unbilled revenues	**167**	180
Notes receivable from affiliates		70
Fuel, materials and supplies	**311**	278
Prepayments	**28**	21
Income taxes receivable	**136**	
Deferred income taxes	**16**	159
Regulatory assets	**25**	27
Other current assets	**3**	3
Total Current Assets	**956**	1,017
Property, Plant and Equipment		
Regulated utility plant	**10,007**	8,526
Less: accumulated depreciation - regulated utility plant	**1,067**	778
Regulated utility plant, net	**8,940**	7,748
Other, net	**5**	3
Construction work in progress	**1,559**	1,793
Property, Plant and Equipment, net	**10,504**	9,544
Other Noncurrent Assets		
Regulatory assets	**665**	474
Goodwill	**996**	996
Other intangibles	**174**	221
Other noncurrent assets	**101**	98
Total Other Noncurrent Assets	**1,936**	1,789
Total Assets	**$ 13,396**	$ 12,350

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)

	2014	2013
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 575	$ 245
Long-term debt due within one year	900	
Notes payable with affiliates	41	
Accounts payable	399	346
Accounts payable to affiliates	2	3
Customer deposits	52	50
Taxes	36	39
Price risk management liabilities	5	4
Price risk management liabilities to affiliates	66	
Regulatory liabilities	15	14
Interest	23	23
Other current liabilities	131	111
Total Current Liabilities	2,245	835
Long-term Debt	3,667	4,565
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,241	965
Investment tax credits	131	135
Price risk management liabilities	43	32
Accrued pension obligations	305	152
Asset retirement obligations	274	245
Regulatory liabilities	974	1,033
Other deferred credits and noncurrent liabilities	268	238
Total Deferred Credits and Other Noncurrent Liabilities	3,236	2,800
Commitments and Contingent Liabilities (Notes 6 and 15)		
Member's equity	4,248	4,150
Total Liabilities and Equity	$ 13,396	$ 12,350

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

CONSOLIDATED STATEMENTS OF EQUITY
LG&E and KU Energy LLC and Subsidiaries
(Millions of Dollars)

		Member's Equity
December 31, 2011	$	3,741
Net income		219
Distributions to member		(155)
Other comprehensive income (loss)		(19)
December 31, 2012	$	3,786
Net income	$	347
Contributions from member		243
Distributions to member		(254)
Other comprehensive income (loss)		28
December 31, 2013	$	4,150
Net income	$	344
Contributions from member		248
Distributions to member		(436)
Other comprehensive income (loss)		(58)
December 31, 2014	$	4,248

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

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STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
Louisville Gas and Electric Company
(Millions of Dollars)

	2014	2013	2012
Operating Revenues			
Retail and wholesale	**$ 1,445**	$ 1,351	$ 1,247
Electric revenue from affiliate	**88**	59	77
Total Operating Revenues	**1,533**	1,410	1,324
Operating Expenses			
Operation			
Fuel	**404**	367	374
Energy purchases	**230**	195	163
Energy purchases from affiliate	**14**	10	12
Other operation and maintenance	**379**	373	363
Depreciation	**157**	148	152
Taxes, other than income	**25**	24	23
Total Operating Expenses	**1,209**	1,117	1,087
Operating Income	**324**	293	237
Other Income (Expense) - net	**(3)**	(2)	(3)
Interest Expense	**49**	34	42
Income Before Income Taxes	**272**	257	192
Income Taxes	**103**	94	69
Net Income (a)	**$ 169**	$ 163	$ 123

(a) Net income equals comprehensive income.

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

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
Louisville Gas and Electric Company
(Millions of Dollars)

	2014	2013	2012
Cash Flows from Operating Activities			
Net income	**$ 169**	$ 163	$ 123
Adjustments to reconcile net income to net cash provided			
by (used in) operating activities			
Depreciation	**157**	148	152
Amortization	**12**	6	11
Defined benefit plans - expense	**9**	18	18
Deferred income taxes and investment tax credits	**118**	26	69
Other	**2**	9	(13)
Change in current assets and current liabilities			
Accounts receivable	**(35)**	(23)	(2)
Accounts payable	**25**	16	
Accounts payable to affiliates	**(4)**	1	(3)
Unbilled revenues	**9**	(13)	(7)
Fuel, materials and supplies	**(8)**	(12)	
Income tax receivable	**(74)**		
Taxes payable	**8**	9	(7)
Other		8	(7)
Other operating activities			
Defined benefit plans - funding	**(13)**	(48)	(27)
Settlement of interest rate swaps		43	
Other assets	**(2)**	9	(24)
Other liabilities	**(2)**	6	22
Net cash provided by (used in) operating activities	**371**	366	305
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(656)**	(577)	(286)
Net cash provided by (used in) investing activities	**(656)**	(577)	(286)
Cash Flows from Financing Activities			
Issuance of long-term debt		248	
Net increase (decrease) in short-term debt	**244**	(35)	55
Debt issuance and credit facility costs	**(2)**	(3)	(2)
Payment of common stock dividends to parent	**(112)**	(99)	(75)
Contributions from parent	**157**	86	
Net cash provided by (used in) financing activities	**287**	197	(22)
Net Increase (Decrease) in Cash and Cash Equivalents	**2**	(14)	(3)
Cash and Cash Equivalents at Beginning of Period	**8**	22	25
Cash and Cash Equivalents at End of Period	**$ 10**	$ 8	$ 22
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	**$ 46**	$ 36	$ 39
Income taxes - net	**$ 65**	$ 51	$ 5

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)

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	**$ 10**	$ 8
Accounts receivable (less reserve: 2014, $2; 2013, $2)		
Customer	**107**	102
Other	**11**	9
Unbilled revenues	**76**	85
Accounts receivable from affiliates	**23**	
Fuel, materials and supplies	**162**	154
Prepayments	**8**	7
Income taxes receivable	**74**	
Regulatory assets	**21**	17
Other current assets	**1**	3
Total Current Assets	**493**	385
Property, Plant and Equipment		
Regulated utility plant	**4,031**	3,383
Less: accumulated depreciation - regulated utility plant	**456**	332
Regulated utility plant, net	**3,575**	3,051
Construction work in progress	**676**	651
Property, Plant and Equipment, net	**4,251**	3,702
Other Noncurrent Assets		
Regulatory assets	**397**	303
Goodwill	**389**	389
Other intangibles	**97**	120
Other noncurrent assets	**35**	35
Total Other Noncurrent Assets	**918**	847
Total Assets	**$ 5,662**	$ 4,934

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)

		2014		2013
Liabilities and Equity				
Current Liabilities				
Short-term debt	**$**	**264**	$	20
Long-term debt due within one year		**250**		
Accounts payable		**240**		166
Accounts payable to affiliates		**20**		24
Customer deposits		**25**		24
Taxes		**19**		11
Price risk management liabilities		**5**		4
Price risk management liabilities to affiliates		**33**		
Regulatory liabilities		**10**		9
Interest		**6**		6
Other current liabilities		**42**		32
Total Current Liabilities		**914**		296
Long-term Debt		**1,103**		1,353
Deferred Credits and Other Noncurrent Liabilities				
Deferred income taxes		**700**		582
Investment tax credits		**36**		38
Price risk management liabilities		**43**		32
Accrued pension obligations		**57**		19
Asset retirement obligations		**66**		68
Regulatory liabilities		**458**		482
Other deferred credits and noncurrent liabilities		**111**		104
Total Deferred Credits and Other Noncurrent Liabilities		**1,471**		1,325
Commitments and Contingent Liabilities (Notes 6 and 15)				
Stockholder's Equity				
Common stock - no par value (a)		**424**		424
Additional paid-in capital		**1,521**		1,364
Earnings reinvested		**229**		172
Total Equity		**2,174**		1,960
Total Liabilities and Equity	**$**	**5,662**	$	4,934

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at December 31, 2014 and December 31, 2013.

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

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

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2011	21,294	$ 424	$ 1,278	$ 60	$ 1,762
Net income				123	123
Cash dividends declared on common stock				(75)	(75)
December 31, 2012	21,294	$ 424	$ 1,278	$ 108	$ 1,810
Net income				$ 163	$ 163
Capital contributions from LKE			$ 86		86
Cash dividends declared on common stock				(99)	(99)
December 31, 2013	21,294	$ 424	$ 1,364	$ 172	$ 1,960
Net income				$ 169	$ 169
Capital contributions from LKE			$ 157		157
Cash dividends declared on common stock				(112)	(112)
December 31, 2014	21,294	$ 424	$ 1,521	$ 229	$ 2,174

(a) Shares in thousands. All common shares of LG&E stock are owned by LKE.

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

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STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
Kentucky Utilities Company
(Millions of Dollars)

	2014	2013	2012
Operating Revenues			
Retail and wholesale	**$ 1,723**	$ 1,625	$ 1,512
Electric revenue from affiliate	**14**	10	12
Total Operating Revenues	**1,737**	1,635	1,524
Operating Expenses			
Operation			
Fuel	**561**	529	498
Energy purchases	**23**	22	32
Energy purchases from affiliate	**88**	59	77
Other operation and maintenance	**408**	382	384
Depreciation	**197**	186	193
Taxes, other than income	**27**	24	23
Total Operating Expenses	**1,304**	1,202	1,207
Operating Income	**433**	433	317
Other Income (Expense) - net	**(1)**	(3)	(8)
Other-Than-Temporary Impairments			25
Interest Expense	**77**	70	69
Income Before Income Taxes	**355**	360	215
Income Taxes	**135**	132	78
Net Income (a)	**$ 220**	$ 228	$ 137

(a) Net income approximates comprehensive income.

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

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
Kentucky Utilities Company
(Millions of Dollars)

	2014	2013	2012
Cash Flows from Operating Activities			
Net income	**$ 220**	$ 228	$ 137
Adjustments to reconcile net income to net cash provided			
by (used in) operating activities			
Depreciation	**197**	186	193
Amortization	**11**	14	14
Defined benefit plans - expense	**5**	18	11
Deferred income taxes and investment tax credits	**224**	69	99
Impairment of assets			25
Other	**13**	(3)	10
Change in current assets and current liabilities			
Accounts receivable	**(9)**	(37)	(17)
Accounts payable	**(10)**	23	1
Accounts payable to affiliates	**22**	(8)	
Unbilled revenues	**4**	(11)	(3)
Fuel, materials and supplies	**(25)**	10	7
Income tax receivable	**(60)**		
Taxes payable	**(19)**	7	15
Other	**(5)**	10	6
Other operating activities			
Defined benefit plans - funding	**(5)**	(65)	(21)
Settlement of interest rate swaps		43	
Other assets	**(4)**	1	(3)
Other liabilities	**7**	10	26
Net cash provided by (used in) operating activities	**566**	495	500
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(604)**	(855)	(480)
Other investing activities	**1**	2	
Net cash provided by (used in) investing activities	**(603)**	(853)	(480)
Cash Flows from Financing Activities			
Issuance of long-term debt		248	
Net increase (decrease) in short-term debt	**86**	80	70
Debt issuance and credit facility costs	**(2)**	(3)	
Payment of common stock dividends to parent	**(148)**	(124)	(100)
Contributions from parent	**91**	157	
Net cash provided by (used in) financing activities	**27**	358	(30)
Net Increase (Decrease) in Cash and Cash Equivalents	**(10)**		(10)
Cash and Cash Equivalents at Beginning of Period	**21**	21	31
Cash and Cash Equivalents at End of Period	**$ 11**	$ 21	$ 21
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	**$ 73**	$ 61	$ 62
Income taxes - net	**$**	$ 47	$ (39)

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)

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	**$ 11**	$ 21
Accounts receivable (less reserve: 2014, $2; 2013, $4)		
Customer	**124**	122
Other	**6**	9
Unbilled revenues	**91**	95
Fuel, materials and supplies	**149**	124
Prepayments	**10**	4
Income taxes receivable	**60**	
Regulatory assets	**4**	10
Other current assets	**4**	6
Total Current Assets	**459**	391
Property, Plant and Equipment		
Regulated utility plant	**5,976**	5,143
Less: accumulated depreciation - regulated utility plant	**611**	446
Regulated utility plant, net	**5,365**	4,697
Other, net	**1**	1
Construction work in progress	**880**	1,139
Property, Plant and Equipment, net	**6,246**	5,837
Other Noncurrent Assets		
Regulatory assets	**268**	171
Goodwill	**607**	607
Other intangibles	**77**	101
Other noncurrent assets	**58**	56
Total Other Noncurrent Assets	**1,010**	935
Total Assets	**$ 7,715**	$ 7,163

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)

	2014	2013
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 236**	$ 150
Long-term debt due within one year	**250**	
Accounts payable	**141**	159
Accounts payable to affiliates	**47**	25
Customer deposits	**27**	26
Taxes	**14**	33
Price risk management liabilities to affiliates	**33**	
Regulatory liabilities	**5**	5
Interest	**11**	11
Other current liabilities	**41**	36
Total Current Liabilities	**805**	445
Long-term Debt	**1,841**	2,091
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**884**	658
Investment tax credits	**95**	97
Accrued pension obligations	**59**	11
Asset retirement obligations	**208**	177
Regulatory liabilities	**516**	551
Other deferred credits and noncurrent liabilities	**101**	89
Total Deferred Credits and Other Noncurrent Liabilities	**1,863**	1,583
Commitments and Contingent Liabilities (Notes 6 and 15)		
Stockholder's Equity		
Common stock - no par value (a)	**308**	308
Additional paid-in capital	**2,596**	2,505
Accumulated other comprehensive income (loss)		1
Earnings reinvested	**302**	230
Total Equity	**3,206**	3,044
Total Liabilities and Equity	**$ 7,715**	$ 7,163

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at December 31, 2014 and December 31, 2013.

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, 2011	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	37,818	$ 308	$ 2,348	$ 126	$ 1	$ 2,783
Net income				$ 228		$ 228
Capital contributions from LKE			$ 157			157
Cash dividends declared on common stock				(124)		(124)
December 31, 2013	37,818	$ 308	$ 2,505	$ 230	$ 1	$ 3,044
Net income				$ 220		$ 220
Capital contributions from LKE			$ 91			91
Cash dividends declared on common stock				(148)		(148)
Other comprehensive income (loss)					$ (1)	(1)
December 31, 2014	37,818	$ 308	$ 2,596	$ 302	$	$ 3,206

(a) Shares in thousands. All common shares of KU stock are owned by LKE.

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

COMBINED NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

(All Registrants)

General

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

Business and Consolidation

(PPL)

PPL is an energy and utility holding company that, through its subsidiaries, is primarily engaged in: 1) the regulated distribution of electricity in the U.K.; 2) the regulated generation, transmission, distribution and sale of electricity and the regulated distribution and sale of natural gas, primarily in Kentucky; 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 PPL Global, LKE (including its principal subsidiaries, LG&E and KU), 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.

WPD, a subsidiary of PPL Global, through indirect wholly owned subsidiaries operates regulated distribution networks providing electricity service in the U.K. WPD serves end-users in Wales and southwest and central England. Its principal subsidiaries are WPD (South Wales), WPD (South West), WPD (East Midlands) and WPD (West Midlands).

PPL consolidates WPD on a one-month lag. Material 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.

(PPL and PPL Energy Supply)

PPL Energy Supply is an energy company conducting business primarily through its principal subsidiaries PPL Generation and PPL EnergyPlus. 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.

In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy. See Note 8 for additional information.

In November 2014, PPL Montana completed the sale of its hydroelectric generating facilities. See Note 8 for additional information.

(PPL and PPL Electric)

PPL Electric is a cost-based rate-regulated utility 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, LKE, LG&E and KU)

LKE is a utility holding company with cost-based rate-regulated utility operations through its subsidiaries, LG&E and KU. LG&E and KU are engaged in the 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 under the KU name.

(PPL and PPL Energy Supply)

"Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income includes the activities of PPL Montana's hydroelectric generating facilities and the gain on the sale of these facilities to NorthWestern in November 2014. The related assets and liabilities have not been reclassified to assets/liabilities of discontinued operations on the balance sheet at December 31, 2013. The Statements of Cash Flows do not separately report the cash flows of the Discontinued Operations. See Note 8 for additional information.

(All Registrants)

The financial statements of the Registrants include each company's own accounts as well as the accounts of all entities in which the company has a controlling financial interest. Entities for which a controlling financial interest is not demonstrated through voting interests are evaluated based on accounting guidance for 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. The Registrants are not the primary beneficiary in any material VIEs. 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 12 for additional information.

Regulation

(PPL)

WPD operates in an incentive-based regulatory structure under distribution licenses granted by Ofgem. Electricity distribution revenues are set by Ofgem for a given time period through price control reviews that are not directly based on cost recovery. The price control formula that governs WPD's allowed revenue is designed to provide economic incentives to minimize operating, capital and financing costs. As a result, WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP and does not record regulatory assets and liabilities.

(All Registrants except PPL Energy Supply)

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 or future test period. As a result, the financial statements are subject to the accounting for certain types of regulation as prescribed by GAAP and reflect the effects of regulatory actions. Regulatory assets are recognized for the effect of transactions or events where future recovery of underlying costs is probable in regulated customer rates. The effect of such accounting is to defer certain or qualifying costs that would otherwise currently be charged to expense. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. In certain cases, regulatory liabilities are recorded based on an understanding or agreement with the regulator that rates have been set to recover 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 6 for additional details regarding regulatory matters.

Accounting Records *(All Registrants except PPL Energy Supply)*

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.

(All Registrants)

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 2013 and 2012 financial statements have been changed to conform to the current presentation. The changes in classification did not affect the Registrants' net income or equity.

Earnings Per Share *(PPL)*

EPS is computed using the two-class method, which is an earnings allocation method for computing EPS that treats a participating security as having rights to earnings that would otherwise have been available to common shareowners. Share-based payment awards that provide recipients a non-forfeitable right to dividends or dividend equivalents are considered participating securities.

Price Risk Management

(All Registrants)

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 at PPL Energy Supply. 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 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 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." PPL considers intra-month transactions to be spot activity, which is not accounted for as a derivative.

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 17 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 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 cash flow or net investment hedge 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 at PPL Electric, LG&E and KU if approved by the appropriate regulatory body. These transactions generally include the effect of interest rate swaps that are included in customer rates.

Cash inflows and outflows related to derivative instruments are included as a component of operating, investing or financing activities on the Statements of Cash Flows, depending on the classification of the hedged items.

PPL and its subsidiaries have elected not to offset net derivative positions against the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) under master netting arrangements.

PPL Energy Supply reflects its net realized and unrealized gains and losses associated with all derivatives that are held for trading purposes in "Unregulated wholesale energy" on the Statements of Income.

See Notes 16 and 17 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, NPNS has been elected for these contracts. See Notes 16 and 17 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:

	2014	2013	2012
Domestic electric and gas revenue (a)	$ 5,209	$ 4,842	$ 4,519
U.K. electric revenue (b)	2,573	2,359	2,289
Total	$ 7,782	$ 7,201	$ 6,808

(a) Represents revenue from cost-based rate-regulated generation, transmission and/or distribution in Pennsylvania, Kentucky, Virginia and Tennessee, including regulated wholesale revenue.
(b) Represents regulated electricity distribution revenue from the operation of WPD's distribution networks.

Revenue Recognition

(All Registrants)

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 "Unregulated wholesale energy" 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. During the price control period, WPD's revenue is decoupled from volume. However, in any fiscal period, WPD's revenue could be negatively affected if its tariffs and the volume delivered do not fully recover the allowed revenue for a particular period. Conversely, WPD could also over-recover revenue. Over and under-recoveries are added or subtracted to the base demand revenue in future years. Under applicable GAAP, WPD does not record a receivable for under-recoveries, but does record a liability for over-recoveries. 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.

(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 "Unregulated wholesale energy" and "Unregulated retail energy." 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 "Unregulated wholesale energy" 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 17), unless hedge accounting is applied or NPNS is elected. If derivatives meet cash flow hedging criteria, changes in fair value are recorded in

AOCI. The unrealized and realized results of derivative and non-derivative contracts that are designated as proprietary trading activities are reported net on the Statements of Income within "Unregulated wholesale energy."

"Energy-related businesses" revenue primarily includes revenue from PPL Energy Supply's mechanical contracting and engineering subsidiaries. These 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 $20 million and $14 million at December 31, 2014 and 2013, and the amount of billings in excess of costs and estimated earnings was $41 million and $75 million at December 31, 2014 and 2013.

During 2014, PPL and PPL Energy Supply recorded a $17 million increase to "Energy-related businesses" revenues and "Income from Continuing Operations before Income Taxes" on the 2014 Statement of Income related to prior periods and the timing of revenue recognition for a mechanical contracting and engineering subsidiary. The $10 million after-tax impact of correcting this error increased "Income from Continuing Operations after Income Taxes" and "Net Income" on the 2014 Statement of Income. The impact of the error is not material to the previously-issued financial statements or to the full year results for 2014.

Accounts Receivable

(All Registrants)

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.

(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 electricity suppliers (including PPL EnergyPlus) at a discount, which reflects a provision for uncollectible accounts. The alternative electricity suppliers have no continuing involvement or interest in the purchased accounts receivable. The purchased accounts receivable are initially recorded at fair value using a market approach based on the purchase price paid and are classified as Level 2 in the fair value hierarchy. During 2014, 2013 and 2012, PPL Electric purchased $1.1 billion, $985 million and $848 million of accounts receivable from unaffiliated third parties. During 2014, 2013 and 2012, PPL Electric purchased $336 million, $294 million and $313 million of accounts receivable from PPL EnergyPlus.

Allowance for Doubtful Accounts *(All Registrants)*

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					
2014	$ 64	$ 49		$ 67	$ 46
2013	64	39	$ 4(c)	43	64
2012	54	55(b)		45	64
PPL Energy Supply					
2014	$ 21			$ 19(b)	$ 2
2013	23	$ 1		3	21
2012	15	12(b)		4	23

	Balance at Beginning of Period	Additions: Charged to Income	Additions: Charged to Other Accounts	Deductions (a)	Balance at End of Period
PPL Electric					
2014	$ 18	$ 34		$ 35	$ 17
2013	18	32		32	18
2012	17	32		31	18
LKE					
2014	$ 22	$ 14		$ 11	$ 25
2013	19	4	$ 4(c)	5	22
2012	17	9		7	19
LG&E					
2014	$ 2	$ 5	$ (1)(c)	$ 4	$ 2
2013	1	2	1(c)	2	2
2012	2	2		3	1
KU					
2014	$ 4	$ 8	$ (3)(c)	$ 7	$ 2
2013	2	3	3(c)	4	4
2012	2	4		4	2

(a) Primarily related to uncollectible accounts written off.
(b) In 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 and the U.S. Bankruptcy Court for the District of Montana approved a request to terminate the contract. In 2014, PPL EnergyPlus received an insignificant amount of cash, settling the outstanding administrative claim and therefore, the related reserve balance was offset against the accounts receivable balance.
(c) Primarily related to capital projects, thus the provision was recorded as an adjustment to construction work in progress.

Cash

Cash Equivalents *(All Registrants)*

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Restricted Cash and Cash Equivalents *(PPL, PPL Energy Supply and PPL Electric)*

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, while the noncurrent portion is included in "Other noncurrent assets" for all three Registrants.

At December 31, the balances of restricted cash and cash equivalents included the following.

	PPL		PPL Energy Supply		PPL Electric	
	2014	2013	2014	2013	2014	2013
Margin deposits posted to counterparties	$ 175	$ 67	$ 175	$ 67		
Low carbon network fund (a)	19	27				
Funds deposited with a trustee		12				$ 12
Ironwood debt service reserves	17	17	17	17		
Other	13	11	1	1	$ 3	
	$ 224	$ 134	$ 193	$ 85	$ 3	$ 12

(a) Funds received by WPD, which are to be spent on approved initiatives to support a low carbon environment.

Fair Value Measurements *(All Registrants)*

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

(All Registrants)

Generally, the original maturity date of an investment and management's intent and ability to sell an investment prior to its original maturity determine the classification of investments as either short-term or long-term. Investments that would otherwise be classified as short-term, but are restricted as to withdrawal or use for other than current operations or are clearly designated for expenditure in the acquisition or construction of noncurrent assets or for the liquidation of long-term debts, are classified as long-term.

Short-term Investments

Short-term investments generally include certain deposits as well as securities that are considered highly liquid or provide for periodic reset of interest rates. Investments with original maturities greater than three months and less than a year, as well as investments with original maturities of greater than a year that management has the ability and intent to sell within a year, are included in "Short-term investments" ("Other current assets" if not material) 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, if any, is recognized currently in earnings and the remainder of the other-than-temporary impairment 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 cost is determined to be an other-than-temporary impairment, the unrealized loss is recognized currently in earnings. See Notes 16 and 20 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 "Other noncurrent assets" 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. 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, 2014, 2013 and 2012. See Note 16 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 "Other noncurrent assets" on the LKE, LG&E and KU 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 120 MW for LG&E and approximately 53 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 are 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 13 and 18 for additional discussion on the power purchase agreement.

Long-Lived and Intangible Assets

Property, Plant and Equipment

(All Registrants)

PP&E is recorded at original cost, unless impaired. PP&E acquired in business combinations is recorded at fair value at the time of acquisition, 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. 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 Electric records net cost of removal when incurred as a regulatory asset. The regulatory asset is subsequently amortized through depreciation over a five-year period, which is recoverable in customer rates in accordance with regulatory practices.

(All Registrants except PPL Energy Supply)

AFUDC is capitalized at PPL Electric as part of the construction costs for cost-based rate-regulated projects for which a return on such costs is recovered after the project is placed in service. The debt component of AFUDC is credited to "Interest Expense" and the equity component is credited to "Other Income (Expense) - net" on the Statements of Income. LG&E and KU generally do not record AFUDC, except for certain instances in KU's FERC approved rates charged to its municipal customers, as a return is provided on construction work in progress.

(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 and PPL Energy Supply capitalize interest costs as part of construction costs. Capitalized interest, excluding AFUDC for PPL, was as follows.

	PPL	PPL Energy Supply
2014	$ 34	$ 23
2013	46	37
2012	53	47

Depreciation

(All Registrants)

Depreciation is recorded over the estimated useful lives of property using various methods including the straight-line, composite and group methods. When a component of PP&E that was depreciated under the composite or group method is retired, the original cost is charged to accumulated depreciation. When all or a significant portion of an operating unit that was depreciated under the composite or group method is retired or sold, the property and the related accumulated depreciation account is reduced and any gain or loss is included in income, unless otherwise required by regulators.

Following are the weighted-average rates of depreciation at December 31.

	2014					
	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
Regulated utility plant	2.92		2.46	3.80	4.05	3.63
Non-regulated PP&E - Generation	3.28	3.28				

	2013					
	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
Regulated utility plant	2.94		2.61	4.07	4.52	3.77
Non-regulated PP&E - Generation	3.10	3.10				

(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. Effective January 1, 2013, the new rates resulted in annual reductions in depreciation expense of approximately $22 million ($8 million for LG&E and $14 million for KU).

(All Registrants)

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price paid over the fair value of the identifiable net assets acquired in a business combination.

Other acquired intangible assets are initially measured based on their fair value. Intangibles that have finite useful lives are amortized over their useful lives based upon the pattern in which the economic benefits of the intangible assets are consumed or otherwise used. Costs incurred to obtain an initial license and renew or extend terms of licenses are capitalized as intangible assets.

When determining the useful life of an intangible asset, including intangible assets that are renewed or extended, PPL and its subsidiaries consider the expected use of the asset; the expected useful life of other assets to which the useful life of the intangible asset may relate; legal, regulatory, or contractual provisions that may limit the useful life; the company's historical experience as evidence of its ability to support renewal or extension; the effects of obsolescence, demand, competition, and other economic factors; and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

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.

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 16 for a discussion of asset impairments, including the Corette coal-fired plant and the Kerr Dam Project, both in Montana.

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.

The depressed level of energy and capacity prices in PJM, as well as management's forward view of these prices using its fundamental pricing models, has put pressure on the recoverability assessment of PPL Energy Supply's investment in its Pennsylvania coal-fired generation assets. In the fourth quarter of 2013, after updating its fundamental pricing models in conjunction with the annual business planning process, management tested the Brunner Island and Montour plants for impairment and concluded neither plant was impaired as of December 31, 2013. The recoverability assessment is very sensitive to forward energy and capacity price assumptions as well as forecasted operation and maintenance and capital spending. Therefore, a further decline in forecasted long-term energy or capacity prices or changes in environmental laws requiring additional capital or operations and maintenance expenditures, could negatively impact PPL Energy Supply's operations of these facilities and potentially result in future impairment charges for some or all of the carrying value of these plants. There were no events or changes in circumstances that indicated a recoverability assessment was required to be performed in 2014. The carrying value of these assets was $2.6 billion as of December 31, 2014 ($1.4 billion for Brunner Island and $1.2 billion for Montour).

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. PPL's, PPL Energy Supply's, LKE's, LG&E's and KU's reporting units are at the operating segment level.

PPL, PPL Energy Supply, LKE, LG&E and KU may elect either to initially make a qualitative evaluation about the likelihood of an impairment of goodwill or to bypass the qualitative evaluation and test goodwill for impairment using a 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.

PPL (for its U.K. Regulated and Kentucky Regulated segments), and individually, LKE, LG&E and KU elected to perform the qualitative step zero evaluation of goodwill in the fourth quarter of 2014 and determined that it was not more likely than not that the fair values of their reporting units were less than their carrying values.

PPL, for its Supply segment, and PPL Energy Supply elected to bypass step zero and quantitatively tested the goodwill of these reporting units for impairment in the fourth quarter of 2014 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 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 LG&E and 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 19 for additional information on AROs.

Compensation and Benefits

Defined Benefits *(All Registrants)*

Certain PPL subsidiaries sponsor various defined benefit pension and other postretirement plans. An asset or liability is recorded to recognize the funded status of all defined benefit plans with an offsetting entry to AOCI or, for LG&E, KU and PPL Electric, to regulatory assets or liabilities. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets.

The expected return on plan assets is determined based on a market-related value of plan assets, which is calculated by rolling forward the prior year market-related value with contributions, disbursements and long-term expected return on investments. One-fifth of the difference between the actual value and the expected value is added (or subtracted if negative) to the expected value to determine the new market-related value.

PPL uses an accelerated amortization method for the recognition of gains and losses for its defined benefit pension plans. Under the accelerated method, actuarial gains and losses in excess of 30% of the plan's projected benefit obligation are amortized on a straight-line basis over one-half of the 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 11 for a discussion of defined benefits.

Stock-Based Compensation

(All Registrants except LG&E and KU)

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 10 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.

Taxes

Income Taxes

(All Registrants)

PPL and its domestic subsidiaries file a consolidated U.S. federal income tax return.

Significant management judgment is required in developing the Registrants' provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken in tax returns, valuation allowances on deferred tax assets and whether the undistributed earnings of WPD are considered indefinitely reinvested.

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.

The Registrants record the receipt of grants related to assets as a reduction to the book basis of the property and the related deferred income taxes as an immediate reduction to income tax expense.

See Note 5 for additional discussion regarding income taxes including management's conclusion that the undistributed earnings of WPD are considered indefinitely reinvested. Based on this conclusion, PPL Global does not record U.S. taxes on WPD's undistributed earnings.

(All Registrants except PPL Energy Supply)

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."

(All Registrants except PPL)

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.

	2014	2013
PPL Energy Supply	$ 105	$ 44
PPL Electric	(25)	(19)
LKE	136	(28)
LG&E	74	(8)
KU	60	(27)

Taxes, Other Than Income *(All Registrants)*

The Registrants present sales taxes in "Other current liabilities" and PPL presents value-added taxes in "Taxes" on the Balance Sheets. These taxes are not reflected on the Statements of Income. See Note 5 for details on taxes included in "Taxes, other than income" on the Statements of Income.

Other

Leases

(All Registrants)

The Registrants evaluate whether arrangements entered into contain leases for accounting purposes. See Note 9 for a discussion of arrangements under which PPL Energy Supply, LG&E and KU are lessees for accounting purposes.

Fuel, Materials and Supplies

(All Registrants)

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.

(All Registrants except PPL Electric)

"Fuel, materials and supplies" on the Balance Sheets consisted of the following at December 31.

	PPL				PPL Energy Supply				LKE				LG&E				KU			
	2014		2013		2014		2013		2014		2013		2014		2013		2014		2013	
Fuel	$	408	$	305	$	243	$	163	$	166	$	141	$	66	$	64	$	100	$	77
Natural gas stored underground (a)		62		49		7		2		54		48		54		48				
Materials and supplies		366		348		205		193		91		89		42		42		49		47
Total	$	836	$	702	$	455	$	358	$	311	$	278	$	162	$	154	$	149	$	124

(a) The majority of LKE's and LG&E's natural gas stored underground is held to serve retail customers.

Guarantees *(All Registrants)*

Generally, the initial measurement of a guarantee liability is the fair value of the guarantee at its inception. However, there are certain guarantees excluded from the scope of accounting guidance and other guarantees that are not subject to the initial recognition and measurement provisions of accounting guidance that only require disclosure. See Note 13 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 AOCI.

Gains or losses relating to foreign currency transactions are recognized in "Other Income (Expense) - net" on the Statements of Income. See Note 15 for additional information.

New Accounting Guidance Adopted *(All Registrants)*

Accounting for Obligations Resulting from Joint and Several Liability Arrangements

Effective January 1, 2014, the Registrants retrospectively adopted 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 did not have a significant impact on the Registrants.

Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity

Effective January 1, 2014, PPL prospectively adopted accounting guidance that requires a cumulative translation adjustment to be released into earnings when an entity ceases to have a controlling financial interest in a subsidiary or group of assets within a consolidated foreign entity and the sale or transfer results in the complete or substantially complete liquidation of the foreign entity. For the step acquisition of previously held equity method investments that are foreign entities, this guidance clarifies that the amount of accumulated other comprehensive income that is reclassified and included in the calculation of a gain or loss shall include any foreign currency translation adjustment related to that previously held investment.

The initial adoption of this guidance did not have a significant impact on PPL; however, the impact in future periods could be material.

Presentation of Unrecognized Tax Benefits When Net Operating Loss Carryforwards, Similar Tax Losses, or Tax Credit Carryforwards Exist

Effective January 1, 2014, the Registrants prospectively adopted 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 did not have a significant impact on the Registrants.

2. Segment and Related Information

(PPL)

PPL is organized into four segments: U.K. Regulated, Kentucky Regulated, Pennsylvania Regulated and Supply. PPL's segments are split between its regulated and competitive businesses with its regulated businesses further segmented by geographic location.

The U.K. Regulated segment consists of PPL Global which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from British pound sterling into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs, and allocated financing costs.

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations of LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain financing costs are allocated to the Kentucky Regulated segment.

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

The Supply segment consists primarily of PPL Energy Supply's wholesale, retail, marketing and trading activities, as well as its competitive generation operations. In addition, certain financing and other costs are allocated to the Supply segment.

In June 2014, PPL and PPL Energy Supply, which primarily represents PPL's Supply segment, executed definitive agreements with affiliates of Riverstone to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy. The transaction is expected to close in the second quarter of 2015. Upon completion of this transaction, PPL will no longer have a Supply segment. See Note 8 for additional information.

"Corporate and Other" primarily includes financing costs incurred at the corporate level that have not been allocated or assigned to the segments, as well as certain other unallocated costs, which is presented to reconcile segment information to PPL's consolidated results.

Financial data for the segments are:

Income Statement Data	2014	2013	2012
Revenues from external customers by product			
U.K. Regulated			
Utility service (a)	$ 2,573	$ 2,359	$ 2,289
Energy-related businesses	48	44	47
Total	2,621	2,403	2,336
Kentucky Regulated			
Utility service (a)	3,168	2,976	2,759

	2014	2013	2012
Pennsylvania Regulated			
Utility service (a)	2,044	1,866	1,760
Supply			
Energy (b)	3,051	3,936	4,816
Energy-related businesses	601	527	461
Total	3,652	4,463	5,277
Corporate and Other	14	13	
Total	11,499	11,721	12,132
Intersegment electric revenues			
Supply (c)	84	51	79
Depreciation			
U.K. Regulated	337	300	279
Kentucky Regulated	354	334	346
Pennsylvania Regulated	185	178	160
Supply	297	299	276
Corporate and Other	47	31	26
Total	1,220	1,142	1,087
Amortization (d)			
U.K. Regulated	17	19	15
Kentucky Regulated	25	22	27
Pennsylvania Regulated	19	19	18
Supply	163	156	126
Corporate and Other	4	6	
Total	228	222	186
Unrealized (gains) losses on derivatives and other hedging activities (b)			
U.K. Regulated	(199)	44	52
Kentucky Regulated	12	12	11
Supply	12	180	(36)
Total	(175)	236	27
Interest Expense			
U.K. Regulated	461	425	421
Kentucky Regulated	219	212	219
Pennsylvania Regulated	122	108	99
Supply	181	216	212
Corporate and Other	41	33	
Total	1,024	994	951
Income from Continuing Operations Before Income Taxes			
U.K. Regulated	1,311	993	953
Kentucky Regulated	501	484	263
Pennsylvania Regulated	423	317	204
Supply (b) (e)	246	(477)	589
Corporate and Other (f)	(117)	(57)	
Total	2,364	1,260	2,009
Income Taxes (g)			
U.K. Regulated	329	71	150
Kentucky Regulated	189	179	80
Pennsylvania Regulated	160	108	68
Supply	93	(174)	220
Corporate and Other (f)	10	(21)	
Total	781	163	518
Deferred income taxes and investment tax credits (h)			
U.K. Regulated	94	(45)	26
Kentucky Regulated	449	254	136
Pennsylvania Regulated	87	127	114
Supply	(110)	(291)	141
Corporate and Other (f)	36	32	
Total	556	77	417

	2014	2013	2012
Net Income Attributable to PPL Shareowners			
U.K. Regulated	982	922	803
Kentucky Regulated	312	307	177
Pennsylvania Regulated	263	209	132
Supply (b) (e) (i)	307	(272)	414
Corporate and Other (f)	(127)	(36)	
Total	$ 1,737	$ 1,130	$ 1,526

Cash Flow Data	2014	2013	2012
Expenditures for long-lived assets			
U.K. Regulated	$ 1,438	$ 1,280	$ 1,016
Kentucky Regulated	1,262	1,434	768
Pennsylvania Regulated	957	942	633
Supply	431	568	736
Corporate and Other	66	59	
Total	$ 4,154	$ 4,283	$ 3,153

	As of December 31,	
	2014	2013
Balance Sheet Data		
Total Assets		
U.K. Regulated	$ 16,005	$ 15,895
Kentucky Regulated	13,062	12,016
Pennsylvania Regulated	7,785	6,846
Supply	11,025	11,408
Corporate and Other (j)	987	94
Total	$ 48,864	$ 46,259

Geographic Data	2014	2013	2012
Revenues from external customers			
U.K.	$ 2,621	$ 2,403	$ 2,336
U.S.	8,878	9,318	9,796
Total	$ 11,499	$ 11,721	$ 12,132

	As of December 31,	
	2014	2013
Long-Lived Assets		
U.K.	$ 11,942	$ 11,384
U.S.	23,572	22,638
Total	$ 35,514	$ 34,022

(a) See Note 1 for additional information on Utility Revenue.
(b) Includes unrealized gains and losses from economic activity. See Note 17 for additional information.
(c) See "PLR Contracts/Purchase of Accounts Receivable" in Note 14 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) 2013 includes a charge of $697 million ($413 million after tax) for the termination of the lease of the Colstrip coal-fired electric generating facility. See Note 8 for additional information.
(f) 2014 includes most of the costs related to the anticipated spinoff of PPL Energy Supply, including deferred income tax expense, transaction and transition costs and separation benefits for PPL Services employees. See Note 8 for additional information.
(g) Represents both current and deferred income taxes, including investment tax credits.
(h) Represents a non-cash expense item that is also included in "Income Taxes."
(i) 2014 includes a gain of $237 million ($137 million after tax) on the sale of the Montana hydroelectric generating facilities. See Note 8 for additional information.
(j) Primarily consists of unallocated items, including cash, PP&E and the elimination of inter-segment transactions. Increase in 2014 was primarily due to increased cash on hand.

(All Registrants except PPL)

PPL Energy Supply, PPL Electric, LKE, LG&E and KU each operate within a single reportable segment.

3. Preferred Securities

(PPL)

In June 2012, PPL Electric redeemed all $250 million of its preference stock at par value, without premium.

PPL is authorized to issue up to 10 million shares of preferred stock. No PPL preferred stock was issued or outstanding in 2014, 2013 or 2012.

(PPL Electric)

PPL Electric is authorized to issue up to 20,629,936 shares of preferred stock. No PPL Electric preferred stock was issued or outstanding in 2014, 2013 or 2012. Prior to October 31, 2013, PPL Electric was authorized to issue up to 10 million shares of preference stock. In June 2012, PPL Electric redeemed, at par, all 2.5 million shares of its outstanding 6.25% Series Preference Stock (Preference Shares), par value of $100 per share.

(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 2014, 2013 or 2012.

(KU)

KU is authorized to issue up to 5,300,000 shares of preferred stock and 2,000,000 shares of preference stock without par value. KU had no preferred or preference stock issued or outstanding in 2014, 2013 or 2012.

4. Earnings Per Share

(PPL)

Basic EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding during the applicable period. Diluted EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding, increased by incremental shares that would be outstanding if potentially dilutive non-participating securities were converted to common shares as calculated using the Treasury Stock Method or If-Converted Method, as applicable. Incremental non-participating securities that have a dilutive impact are detailed in the table below.

Reconciliations of the amounts of income and shares of PPL common stock (in thousands) for the periods ended December 31 used in the EPS calculation are:

	2014	2013	2012
Income (Numerator)			
Income from continuing operations after income taxes attributable to PPL shareowners	$ 1,583	$ 1,096	$ 1,486
Less amounts allocated to participating securities	8	6	8
Less issuance costs on subsidiary's preferred securities redeemed			6
Income from continuing operations after income taxes available to PPL common shareowners - Basic	1,575	1,090	1,472
Plus interest charges (net of tax) related to Equity Units (a)	9	44	
Income from continuing operations after income taxes available to PPL common shareowners - Diluted	$ 1,584	$ 1,134	$ 1,472
Income (loss) from discontinued operations (net of income taxes) available to PPL common shareowners - Basic and Diluted	$ 154	$ 34	$ 40
Net income attributable to PPL shareowners	$ 1,737	$ 1,130	$ 1,526
Less amounts allocated to participating securities	9	6	8
Less issuance costs on subsidiary's preferred securities redeemed			6
Net income available to PPL common shareowners - Basic	1,728	1,124	1,512
Plus interest charges (net of tax) related to Equity Units	9	44	
Net income available to PPL common shareowners - Diluted	$ 1,737	$ 1,168	$ 1,512
Shares of Common Stock (Denominator)			
Weighted-average shares - Basic EPS	653,504	608,983	580,276
Add incremental non-participating securities:			
Share-based payment awards (b)	1,910	1,062	563
Equity Units (a)	10,559	52,568	
Forward sale agreements and purchase contracts (b)		460	787
Weighted-average shares - Diluted EPS	665,973	663,073	581,626

	2014	2013	2012
Basic EPS			
Available to PPL common shareowners:			
Income from continuing operations after income taxes	$ 2.41	$ 1.79	$ 2.55
Income (loss) from discontinued operations (net of income taxes)	0.23	0.06	0.06
Net Income	$ 2.64	$ 1.85	$ 2.61
Diluted EPS			
Available to PPL common shareowners:			
Income from continuing operations after income taxes	$ 2.38	$ 1.71	$ 2.54
Income (loss) from discontinued operations (net of income taxes)	0.23	0.05	0.06
Net Income	$ 2.61	$ 1.76	$ 2.60

(a) In 2014 and 2013, the If-Converted Method was applied to the Equity Units prior to settlement. See Note 7 for additional information on the Equity Units, including the issuance of PPL common stock to settle the Purchase contracts.
(b) The Treasury Stock Method was applied to non-participating share-based payment awards, forward sale agreements and the 2010 Purchase Contracts for 2012.

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

	2014
Stock-based compensation plans (a)	2,985
DRIP	868

(a) Includes stock options exercised, vesting of performance units, vesting of restricted stock and restricted stock units and conversion of stock units granted to directors.

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

	2014	2013	2012
Stock options	1,816	4,446	5,293
Performance units	5	55	58
Restricted stock units	31	29	

5. Income and Other Taxes

(PPL)

"Income from Continuing Operations Before Income Taxes" included the following.

	2014	2013	2012
Domestic income	$ 1,157	$ 201	$ 1,000
Foreign income	1,207	1,059	1,009
Total	$ 2,364	$ 1,260	$ 2,009

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:

	2014	2013
Deferred Tax Assets		
Deferred investment tax credits (a)	$ 63	$ 137
Regulatory obligations	131	144
Accrued pension costs	298	140
Federal loss carryforwards	151	331
State loss carryforwards	304	304
Federal and state tax credit carryforwards (a)	209	332
Foreign capital loss carryforwards	446	467
Foreign loss carryforwards	6	6
Foreign - pensions	182	202
Foreign - regulatory obligations	23	26
Foreign - other	11	12
Contributions in aid of construction	138	137
Domestic - other	273	211
Unrealized losses on qualifying derivatives	46	
Valuation allowances	(700)	(663)
Total deferred tax assets	1,581	1,786
Deferred Tax Liabilities		
Domestic plant - net (a)	4,453	4,073
Taxes recoverable through future rates	156	151
Unrealized gain on qualifying derivatives	28	37
Other regulatory assets	322	244
Reacquired debt costs	31	34
Foreign plant - net	854	859
Domestic - other	58	78
Total deferred tax liabilities	5,902	5,476
Net deferred tax liability	$ 4,321	$ 3,690

(a) During 2014, PPL accepted U.S. government grants for hydroelectric plant expansions resulting in reductions of investment tax credits previously claimed and reductions in the carrying value of the related plants. See Note 8 for additional information.

At December 31, PPL had the following loss and tax credit carryforwards.

	2014	Expiration
Loss carryforwards		
Federal net operating losses (a)	$ 432	2031-2032
State net operating losses (a) (b)	5,059	2017-2034
State contributions	33	2015-2018
Foreign net operating losses (c)	29	Indefinite
Foreign capital losses (d)	2,231	Indefinite
Credit carryforwards		
Federal investment tax credit	125	2025-2028
Federal alternative minimum tax credit	44	Indefinite
Federal - other	34	2016-2034
State - other	8	2022

State capital loss and foreign tax credit carryforwards were insignificant at December 31, 2014.

(a) Includes an insignificant amount of federal and state net operating loss carryforwards from excess tax deductions related to stock compensation for which a tax benefit will be recorded in Equity when realized.
(b) A valuation allowance of $238 million has been recorded against the deferred tax assets for these losses.
(c) A valuation allowance of $6 million has been recorded against the deferred tax assets for these losses.
(d) A valuation allowance of $446 million has been recorded against the deferred tax assets for these losses.

Valuation allowances have been established for the amount that, more likely than not, will not be realized. The changes in deferred tax valuation allowances were as follows:

	Balance at Beginning of Period	Additions: Charged to Income	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
2014	$ 663	$ 57	$ 6	$ 26	$ 700
2013	706	29		72(a)	663
2012	724	18	10	46(a)	706

(a) The reductions of the U.K. statutory income tax rate in 2013 and 2012 resulted in $67 million and $46 million in reductions 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 Acts 2013 and 2012.

PPL Global does not 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, 2014 and 2013 were $3.7 billion and $2.9 billion, respectively. 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 in the event of repatriation to the U.S.

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 as follows:

	2014	2013	2012
Income Tax Expense (Benefit)			
Current - Federal	$ 43	$ (91)	$ (15)
Current - State	30	(4)	(5)
Current - Foreign	152	181	121
Total Current Expense	225	86	101
Deferred - Federal	345	75	547
Deferred - State	136	45	100
Deferred - Foreign	96	(53)	35
Total Deferred Expense, excluding operating loss carryforwards	577	67	682
Investment tax credit, net - Federal	(7)	(8)	(10)
Tax expense (benefit) of operating loss carryforwards			
Deferred - Federal (a)	8	36	(195)
Deferred - State	(22)	(18)	(60)
Total Tax Expense (Benefit) of Operating Loss Carryforwards	(14)	18	(255)
Total income taxes from continuing operations	$ 781	$ 163	$ 518
Total income tax expense - Federal	$ 389	$ 12	$ 327
Total income tax expense - State	144	23	35
Total income tax expense - Foreign	248	128	156
Total income taxes from continuing operations	$ 781	$ 163	$ 518

(a) A 2012 Federal income tax return adjustment was recorded in 2013 related to a reduction in the 2012 NOL recorded in the filed return. The reduction was primarily due to PPL's decision, at the time of filing, to utilize regular modified accelerated cost recovery system (MACRS) depreciation rates for certain non-regulated assets otherwise eligible for bonus tax depreciation.

In the table above, the following income tax expense (benefits) are excluded from income taxes from continuing operations.

	2014	2013	2012
Discontinued operations	$ 109	$ 18	$ 23
Stock-based compensation recorded to Additional Paid-in Capital	(4)	(2)	(1)
Valuation allowance on state deferred taxes related to issuance costs of Purchase Contracts recorded to Additional Paid-in Capital		(2)	
Other comprehensive income	190	159	(526)
Valuation allowance on state deferred taxes recorded to other comprehensive income		(7)	
Total	$ 295	$ 166	$ (504)

	2014	2013	2012
Reconciliation of Income Tax Expense			
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 35%	$ 827	$ 441	$ 703
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	41	(9)	25
State valuation allowance adjustments (a)	55	24	13
Impact of lower U.K. income tax rates (b)	(167)	(129)	(110)
U.S. income tax on foreign earnings - net of foreign tax credit (c)	53	9	26
Federal and state tax reserves adjustments (d)	(1)	(43)	(1)
Federal and state income tax return adjustments (e)	2	(5)	16
Impact of the U.K. Finance Acts on deferred tax balances (b)	(1)	(97)	(75)
Federal income tax credits (f)	(1)	(9)	(11)
Depreciation not normalized	(7)	(8)	(11)
State deferred tax rate change (g)	(1)	15	(19)
Intercompany interest on U.K. financing entities	(8)	(10)	(9)
Other	(11)	(16)	(29)
Total increase (decrease)	(46)	(278)	(185)
Total income taxes from continuing operations	$ 781	$ 163	$ 518
Effective income tax rate	33.0%	12.9%	25.8%

(a) As a result of the PPL Energy Supply spinoff announcement, PPL recorded $50 million deferred income tax expense during 2014 to adjust the valuation allowance on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the future earnings of PPL Energy Supply. See Note 8 for additional information on the anticipated spinoff.

During 2013, PPL recorded $23 million of state deferred income tax expense related to a deferred tax valuation allowance primarily due to a decrease in projected future taxable income at PPL Energy Supply over the remaining carryforward period of Pennsylvania net operating losses.

(b) The U.K. Finance Act 2013, enacted in July 2013, reduced the U.K. statutory income tax rate from 23% to 21% effective April 1, 2014 and from 21% to 20% effective April 1, 2015. As a result, PPL reduced its net deferred tax liabilities and recognized a deferred tax benefit during 2013 related to both rate decreases.

The U.K. Finance Act 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.

(c) During 2014, PPL recorded $47 million of income tax expense primarily attributable to taxable dividends.

During 2013, PPL recorded $28 million of income tax expense resulting from increased taxable dividends offset by a $19 million income tax benefit associated with a ruling obtained from the IRS impacting the recalculation of 2010 U.K. earnings and profits that was reflected on an amended 2010 U.S. tax return.

During 2012, PPL recorded a $23 million adjustment to federal income tax expense related to the recalculation of 2010 U.K. earnings and profits.

(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 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 and oral argument was held in February 2013. On May 20, 2013, the Supreme Court reversed the Third Circuit's opinion and ruled that the WPT is a creditable tax. As a result of the Supreme Court ruling, PPL recorded a tax benefit of $44 million during 2013, of which $19 million relates to interest.

PPL recorded a tax benefit of $7 million during 2013 and $6 million during 2012 federal and state income tax reserves related to stranded cost securitization. The reserve balance at December 31, 2013 related to stranded costs securitization was zero.

(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.

(f) During 2013 and 2012, PPL recorded deferred tax benefits related to investment tax credits on progress expenditures for the Holtwood hydroelectric plant expansion. See Note 8 for additional information.
(g) During 2014, 2013 and 2012, PPL recorded adjustments related to its December 31 state deferred tax liabilities as a result of annual changes in state apportionment and the impact on the future estimated state income tax rate.

	2014	2013	2012
Taxes, other than income			
State gross receipts	$ 147	$ 135	$ 135
Foreign property	157	147	147
Domestic Other	70	69	70
Total	$ 374	$ 351	$ 352

(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:

	2014	2013
Deferred Tax Assets		
Deferred investment tax credits (a)	$ 11	$ 84
Accrued pension costs	98	39
Federal loss carryforwards	22	28
Federal tax credit carryforwards (a)	13	131
State loss carryforwards	79	80
Other	79	69
Valuation allowances	(78)	(78)
Total deferred tax assets	224	353
Deferred Tax Liabilities		
Plant - net (a)	1,374	1,392
Unrealized gain on qualifying derivatives	28	38
Other	42	46
Total deferred tax liabilities	1,444	1,476
Net deferred tax liability	$ 1,220	$ 1,123

(a) During 2014, PPL accepted U.S. government grants for hydroelectric plant expansions resulting in reductions of investment tax credits previously claimed and reductions in the carrying value of the related plants. See Note 8 for additional information.

At December 31, PPL Energy Supply had the following loss and tax credit carryforwards.

	2014	Expiration
Loss carryforwards		
Federal net operating losses	$ 63	2031-2032
State net operating losses (a)	1,228	2018-2034
Credit carryforwards		
Federal AMT credit	6	Indefinite
Federal - other	7	2031-2034

(a) A valuation allowance of $78 million has been recorded against the deferred tax assets for these losses.

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
2014	$ 78				$ 78
2013	74	$ 4			78
2012	72	2			74

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 as follows:

	2014	2013	2012
Income Tax Expense (Benefit)			
Current - Federal	$ 28	$ 118	$ 74
Current - State	13	16	19
Total Current Expense	41	134	93
Deferred - Federal	66	(285)	187
Deferred - State	11	(27)	7
Total Deferred Expense (Benefit), excluding operating loss carryforwards	77	(312)	194
Investment tax credit, net - federal	(2)	(3)	(2)
Tax expense (benefit) of operating loss carryforwards			
Deferred - Federal (a)		22	(48)
Deferred - State			(1)
Total Tax Expense (Benefit) of Operating Loss Carryforwards		22	(49)
Total income taxes (benefits) from continuing operations (b)	$ 116	$ (159)	$ 236
Total income tax expense (benefit) - Federal	$ 92	$ (148)	$ 211
Total income tax expense (benefit) - State	24	(11)	25
Total income taxes (benefits) from continuing operations (b)	$ 116	$ (159)	$ 236

(a) A 2012 federal income tax return adjustment was recorded in 2013 related to a reduction in the 2012 NOL recorded in the filed return. The reduction was primarily due to PPL's decision, at the time of filing, to utilize regular MACRS depreciation rates for certain non-regulated assets otherwise eligible for bonus tax depreciation.
(b) Excludes current and deferred federal and state tax expense recorded to Discontinued Operations of $109 million, $17 million and $27 million in 2014, 2013 and 2012. Also excludes federal and state tax expense (benefit) recorded to OCI of $(56) million, $47 million and $(267) million in 2014, 2013 and 2012.

	2014	2013	2012
Reconciliation of Income Tax Expense			
Federal income tax on Income (Loss) from Continuing Operations Before Income Taxes at statutory tax rate - 35%	$ 106	$ (147)	$ 233
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	17	(24)	30
State deferred tax rate change (a)	(1)	15	(19)
Federal income tax credits (b)		(8)	(11)
Other	(6)	5	3
Total increase (decrease)	10	(12)	3
Total income taxes from continuing operations	$ 116	$ (159)	$ 236
Effective income tax rate	38.3%	37.9%	35.5%

(a) During 2014, 2013 and 2012, PPL Energy Supply recorded adjustments related to its December 31 state deferred tax liabilities as a result of annual changes in state apportionment and the impact on the future estimated state income tax rate.
(b) During 2013 and 2012, PPL Energy Supply recorded deferred tax benefits related to investment tax credits on progress expenditures for the Holtwood hydroelectric plant expansion. See Note 8 for additional information.

	2014	2013	2012
Taxes, other than income			
State gross receipts	$ 45	$ 37	$ 35
State capital stock	1	1	5
Property and other	11	15	15
Total	$ 57	$ 53	$ 55

(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.

	2014	2013
Deferred Tax Assets		
Accrued pension costs	$ 85	$ 42
Contributions in aid of construction	110	109
Regulatory obligations	39	38
State loss carryforwards	30	35
Federal loss carryforwards	51	72
Other	54	45
Total deferred tax assets	369	341
Deferred Tax Liabilities		
Electric utility plant - net	1,453	1,366
Taxes recoverable through future rates	132	129
Reacquired debt costs	20	23
Other regulatory assets	173	129
Other	16	8
Total deferred tax liabilities	1,794	1,655
Net deferred tax liability	$ 1,425	$ 1,314

At December 31, PPL Electric had the following loss carryforwards.

	2014	Expiration
Loss carryforwards		
Federal net operating losses	$ 146	2031-2032
State net operating losses	467	2030-2032

Credit and state contribution carryforwards were insignificant at December 31, 2014.

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were as follows:

	2014	2013	2012
Income Tax Expense (Benefit)			
Current - Federal	$ 60	$ (15)	$ (28)
Current - State	15	(4)	(18)
Total Current Expense (Benefit)	75	(19)	(46)
Deferred - Federal	70	109	162
Deferred - State	16	16	42
Total Deferred Expense, excluding operating loss carryforwards	86	125	204
Investment tax credit, net - Federal	(1)	(1)	(1)
Tax expense (benefit) of operating loss carryforwards			
Deferred - Federal		4	(72)
Deferred - State		(1)	(17)
Total Tax Expense (Benefit) of Operating Loss Carryforwards		3	(89)
Total income tax expense	$ 160	$ 108	$ 68
Total income tax expense - Federal	$ 129	$ 97	$ 61
Total income tax expense - State	31	11	7
Total income tax expense	$ 160	$ 108	$ 68

	2014	2013	2012
Reconciliation of Income Taxes			
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 148	$ 111	$ 71
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	22	16	9
Federal and state tax reserves adjustments (a)	(1)	(9)	(8)
Federal and state income tax return adjustments (b)	1	(1)	7
Depreciation not normalized	(6)	(6)	(8)
Other	(4)	(3)	(3)
Total increase (decrease)	12	(3)	(3)
Total income tax expense	$ 160	$ 108	$ 68
Effective income tax rate	37.8%	34.1%	33.3%

(a) PPL Electric recorded a tax benefit of $7 million during 2013 and $6 million during 2012 to federal and state income tax reserves related to stranded cost securitization. The reserve balance at December 31, 2013 related to stranded costs securitization was zero.

(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 in 2012 resulting from the reversal of prior years' state income tax benefits related to regulated depreciation.

	2014	2013	2012
Taxes, other than income			
State gross receipts	$ 102	$ 98	$ 101
Other	5	5	4
Total	$ 107	$ 103	$ 105

(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:

	2014	2013
Deferred Tax Assets		
Net operating loss carryforward	$ 82	$ 222
Tax credit carryforwards	182	179
Regulatory liabilities	92	107
Accrued pension costs	53	26
Capital loss carryforward		4
Income taxes due to customers	20	23
Deferred investment tax credits	51	52
Derivative liability	45	14
Other	44	43
Valuation allowances		(4)
Total deferred tax assets	569	666
Deferred Tax Liabilities		
Plant - net	1,639	1,327
Regulatory assets	143	133
Other	12	12
Total deferred tax liabilities	1,794	1,472
Net deferred tax liability	$ 1,225	$ 806

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.

		2014	Expiration
Loss carryforwards			
Federal net operating losses	$	132	2031-2032
State net operating losses		927	2028-2032
State capital losses		1	2016
Credit carryforwards			
Federal investment tax credit		125	2025-2028
Federal alternative minimum tax credit		30	Indefinite
Federal - other		27	2016-2034
State - other		8	2022

Changes in deferred tax valuation allowances were:

	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
2014	$ 4		$ 4(a)	
2013	5		1(a)	$ 4
2012	5			5

(a) Primarily related to the expiration of state capital loss carryforwards.

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:

	2014	2013	2012
Income Tax Expense (Benefit)			
Current - Federal	$ (247)	$ (59)	$ (32)
Current - State	8	10	2
Total Current Expense (Benefit)	(239)	(49)	(30)
Deferred - Federal	437	244	185
Deferred - State	23	20	15
Total Deferred Expense, excluding benefits of operating loss carryforwards	460	264	200
Investment tax credit, net - Federal	(4)	(4)	(6)
Tax benefit of operating loss carryforwards			
Deferred - Federal	(8)	(4)	(46)
Deferred - State		(1)	(12)
Total Tax Benefit of Operating Loss Carryforwards	(8)	(5)	(58)
Total income tax expense from continuing operations (a)	$ 209	$ 206	$ 106
Total income tax expense - Federal	$ 178	$ 177	$ 101
Total income tax expense - State	31	29	5
Total income tax expense from continuing operations (a)	$ 209	$ 206	$ 106

(a) Excludes current and deferred federal and state tax expense (benefit) recorded to Discontinued Operations of less than $1 million in 2014, $1 million in 2013, and $(4) million in 2012. Also, excludes deferred federal and state tax expense (benefit) recorded to OCI of $(36) million in 2014, $18 million in 2013 and $(12) million in 2012.

	2014	2013	2012
Reconciliation of Income Taxes			
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 194	$ 193	$ 116
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	20	20	6
Amortization of investment tax credit	(4)	(4)	(6)
Net operating loss carryforward (a)			(9)
Other	(1)	(3)	(1)
Total increase (decrease)	15	13	(10)
Total income tax expense from continuing operations	$ 209	$ 206	$ 106
Effective income tax rate	37.8%	37.4%	32.0%

(a) During 2012, LKE recorded adjustments to deferred taxes related to net operating loss carryforwards based on income tax return adjustments.

	2014	2013	2012
Taxes, other than income			
Property and other	$ 52	$ 48	$ 46
Total	$ 52	$ 48	$ 46

(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:

	2014	2013
Deferred Tax Assets		
Regulatory liabilities	$ 51	$ 59
Deferred investment tax credits	14	15
Income taxes due to customers	18	19
Derivative liability	32	14
Other	9	14
Total deferred tax assets	124	121
Deferred Tax Liabilities		
Plant - net	698	585
Regulatory assets	90	83
Accrued pension costs	28	24
Other	8	8
Total deferred tax liabilities	824	700
Net deferred tax liability	$ 700	$ 579

LG&E expects to have adequate levels of taxable income to realize its recorded deferred income tax assets.

At December 31, 2014, LG&E had $4 million of state credit carryforwards that expire in 2022.

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:

	2014	2013	2012
Income Tax Expense (Benefit)			
Current - Federal	$ (25)	$ 52	$ (2)
Current - State	10	16	3
Total Current Expense (Benefit)	(15)	68	1
Deferred - Federal	114	33	65
Deferred - State	6	(2)	6
Total Deferred Expense, excluding benefits of operating loss carryforwards	120	31	71
Investment tax credit, net - Federal	(2)	(2)	(3)
Tax benefit of operating loss carryforwards			
Deferred - Federal		(3)	
Total Tax Benefit of Operating Loss Carryforwards		(3)	
Total income tax expense	$ 103	$ 94	$ 69
Total income tax expense - Federal	$ 87	$ 80	$ 60
Total income tax expense - State	16	14	9
Total income tax expense	$ 103	$ 94	$ 69

	2014	2013	2012
Reconciliation of Income Taxes			
Federal income tax on Income Before Income Taxes at			
statutory tax rate - 35%	$ 95	$ 90	$ 67
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	10	10	5
Amortization of investment tax credit	(2)	(2)	(3)
Other		(4)	
Total increase (decrease)	8	4	2
Total income tax expense	$ 103	$ 94	$ 69
Effective income tax rate	37.9%	36.6%	35.9%

	2014	2013	2012
Taxes, other than income			
Property and other	$ 25	$ 24	$ 23
Total	$ 25	$ 24	$ 23

(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:

	2014	2013
Deferred Tax Assets		
Regulatory liabilities	$ 41	$ 47
Deferred investment tax credits	37	38
Net operating loss carryforward		23
Income taxes due to customers	2	4
Derivative liability	13	
Other	7	8
Total deferred tax assets	100	120
Deferred Tax Liabilities		
Plant - net	922	721
Regulatory assets	53	50
Other	7	4
Total deferred tax liabilities	982	775
Net deferred tax liability	$ 882	$ 655

KU expects to have adequate levels of taxable income to realize its recorded deferred income tax assets.

At December 31, 2014, KU had $4 million of state credit carryforwards that expire in 2022.

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:

	2014	2013	2012
Income Tax Expense (Benefit)			
Current - Federal	$ (95)	$ 51	$ (20)
Current - State	6	12	(1)
Total Current Expense (Benefit)	(89)	63	(21)
Deferred - Federal	212	66	111
Deferred - State	14	8	11
Total Deferred Expense, excluding benefits of operating loss carryforwards	226	74	122

	2014	2013	2012
Investment tax credit, net - Federal	(2)	(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)	$ 135	$ 132	$ 78
Total income tax expense - Federal	$ 115	$ 112	$ 68
Total income tax expense - State	20	20	10
Total income tax expense (a)	$ 135	$ 132	$ 78

(a) Excludes deferred federal and state tax expense (benefit) recorded to OCI of less than $(1) million in both 2014 and in 2013 and $1 million in 2012.

	2014	2013	2012
Reconciliation of Income Taxes			
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 124	$ 126	$ 75
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	13	14	6
Amortization of investment tax credit	(2)	(2)	(3)
Other		(6)	
Total increase (decrease)	11	6	3
Total income tax expense	$ 135	$ 132	$ 78
Effective income tax rate	38.0%	36.7%	36.3%

	2014	2013	2012
Taxes, other than income			
Property and other	$ 27	$ 24	$ 23
Total	$ 27	$ 24	$ 23

Unrecognized Tax Benefits *(All Registrants)*

Changes to unrecognized tax benefits were as follows:

	2014	2013
PPL		
Beginning of period	$ 22	$ 92
Additions based on tax positions of prior years	1	3
Reductions based on tax positions of prior years	(2)	(32)
Settlements	(1)	(30)
Lapse of applicable statute of limitation		(11)
End of period	$ 20	$ 22
PPL Energy Supply		
Beginning of period	$ 15	$ 30
Reductions based on tax positions of prior years		(15)
End of period	$ 15	$ 15
PPL Electric		
Beginning of period		$ 26
Reductions based on tax positions of prior years		(17)
Lapse of applicable statute of limitation		(9)
End of period		$

LKE's, LG&E's and KU's unrecognized tax benefits and changes in those unrecognized tax benefits are insignificant at December 31, 2014 and December 31, 2013.

At December 31, 2014, 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 PPL Electric, LKE, LG&E and KU, no significant changes in unrecognized tax benefits are projected over the next 12 months.

	Increase	Decrease
PPL	$	$ 20
PPL Energy Supply		15

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 PPL Electric, LKE, LG&E and KU were insignificant.

	2014	2013
PPL	$ 19	$ 21
PPL Energy Supply	14	14

At December 31, the following receivable (payable) balances were recorded for interest related to tax positions. The amounts for PPL Electric, LKE, LG&E and KU were insignificant.

	2014	2013
PPL	$ 14	$ 15
PPL Energy Supply	16	15

The following interest expense (benefit) was recognized in income taxes. The amounts for LKE, LG&E and KU were insignificant.

	2014	2013	2012
PPL	$ 1	$ (30)	$ (4)
PPL Energy Supply	(1)	5	(4)
PPL Electric		(7)	(4)

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, 2014, 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)	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)	2010 and prior	2010 and prior	2008 and prior			
Kentucky (state)	2009 and prior			2010 and prior	2010 and prior	2010 and prior
Montana (state)	2010 and prior	2010 and prior				
U.K. (foreign)	2011 and prior					

6. Utility Rate Regulation

Regulatory Assets and Liabilities

(All Registrants except PPL Energy Supply)

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.

WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP and does not record regulatory assets and liabilities. See Note 1 for additional information.

(PPL, LKE, LG&E and KU)

LG&E is subject to the jurisdiction of the KPSC and FERC, and KU is subject to the jurisdiction of the KPSC, FERC, 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 adjustments for certain net investments and costs recovered separately through other means. As such, LG&E and KU generally earn a return on regulatory assets.

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.

(All Registrants except PPL Energy Supply)

The following table provides information about the regulatory assets and liabilities of cost-based rate-regulated utility operations at December 31.

	PPL		PPL Electric	
	2014	2013	2014	2013
Current Regulatory Assets:				
Environmental cost recovery	$ 5	$ 7		
Gas supply clause	15	10		
Fuel adjustment clause	4	2		
Demand side management		8		
Transmission service charge	6		$ 6	
Other	7	6	6	$ 6
Total current regulatory assets	$ 37	$ 33	$ 12	$ 6

	PPL		PPL Electric	
	2014	2013	2014	2013
Noncurrent Regulatory Assets:				
Defined benefit plans	$ 720	$ 509	$ 372	$ 257
Taxes recoverable through future rates	316	306	316	306
Storm costs	124	147	46	53
Unamortized loss on debt	77	85	49	57
Interest rate swaps	122	44		
Accumulated cost of removal of utility plant	114	98	114	98
AROs	79	44		
Other	10	13		1
Total noncurrent regulatory assets	$ 1,562	$ 1,246	$ 897	$ 772
Current Regulatory Liabilities:				
Generation supply charge	$ 28	$ 23	$ 28	$ 23
Gas supply clause	6	3		
Transmission service charge		8		8
Transmission formula rate	42	20	42	20
Fuel adjustment clause		4		
Universal service rider		10		10
Storm damage expense	3	14	3	14
Gas line tracker	3	6		
Other	9	2	3	1
Total current regulatory liabilities	$ 91	$ 90	$ 76	$ 76
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 693	$ 688		
Coal contracts (a)	59	98		
Power purchase agreement - OVEC (a)	92	100		
Net deferred tax assets	26	30		
Act 129 compliance rider	18	15	$ 18	$ 15
Defined benefit plans	16	26		
Interest rate swaps	84	86		
Other	4	5		
Total noncurrent regulatory liabilities	$ 992	$ 1,048	$ 18	$ 15

	LKE		LG&E		KU	
	2014	2013	2014	2013	2014	2013
Current Regulatory Assets:						
Environmental cost recovery	$ 5	$ 7	$ 4	$ 2	$ 1	$ 5
Gas supply clause	15	10	15	10		
Fuel adjustment clause	4	2	2	2	2	
Demand side management		8		3		5
Other	1				1	
Total current regulatory assets	$ 25	$ 27	$ 21	$ 17	$ 4	$ 10
Noncurrent Regulatory Assets:						
Defined benefit plans	$ 348	$ 252	$ 215	$ 164	$ 133	$ 88
Storm costs	78	94	43	51	35	43
Unamortized loss on debt	28	28	18	18	10	10
Interest rate swaps	122	44	89	44	33	
AROs	79	44	28	21	51	23
Other	10	12	4	5	6	7
Total noncurrent regulatory assets	$ 665	$ 474	$ 397	$ 303	$ 268	$ 171
Current Regulatory Liabilities:						
Demand side management	$ 2		$ 1		$ 1	
Gas supply clause	6	$ 3	6	$ 3		
Fuel adjustment clause		4				$ 4
Gas line tracker	3	6	3	6		
Other	4	1			4	1
Total current regulatory liabilities	$ 15	$ 14	$ 10	$ 9	$ 5	$ 5

	LKE		LG&E		KU	
	2014	2013	2014	2013	2014	2013
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal						
of utility plant	$ 693	$ 688	$ 302	$ 299	$ 391	$ 389
Coal contracts (a)	59	98	25	43	34	55
Power purchase agreement - OVEC (a)	92	100	63	69	29	31
Net deferred tax assets	26	30	24	26	2	4
Defined benefit plans	16	26			16	26
Interest rate swaps	84	86	42	43	42	43
Other	4	5	2	2	2	3
Total noncurrent regulatory liabilities	$ 974	$ 1,033	$ 458	$ 482	$ 516	$ 551

(a) These liabilities were recorded as offsets to certain intangible assets that were recorded at fair value upon the acquisition of LKE by PPL.

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."

(All Registrants except PPL Energy Supply)

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 $58 million for PPL, $18 million for PPL Electric, $40 million for LKE, $25 million for LG&E and $15 million for KU are expected to be amortized into net periodic defined benefit costs in 2015.

Storm Costs

PPL Electric, LG&E and KU have the ability to request from the PUC, KPSC and VSCC, as applicable, the authority to treat expenses related to specific extraordinary storms as a regulatory asset and defer such costs for regulatory accounting and reporting purposes. Once such authority is granted, LG&E and KU can request recovery of those expenses in a base rate case and begin amortizing the costs when recovery starts. PPL Electric can recover qualifying expenses caused by major storm events, as defined in its retail tariff, over three years through the Storm Damage Expense Rider commencing in the application year after the storm occurred. LG&E's and KU's storm costs are being amortized through various dates ending in 2020.

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, 2035 for LG&E and through 2040 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 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.

Transmission Service Charge (TSC)

PPL Electric is charged by PJM for transmission service-related costs applicable to its PLR customers. PPL Electric passes these costs on to customers, who receive basic generation supply service through the PUC-approved TSC cost recovery mechanism. The TSC contains a reconciliation mechanism whereby any over- or under-recovery from customers is either refunded to, or recovered from, customers through the adjustment factor determined for the subsequent year.

Transmission Formula Rate

PPL Electric's transmission revenues are billed in accordance with a FERC-approved open access transmission tariff that utilizes a formula-based rate recovery mechanism. 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 regulatory liability.

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 that 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.

Storm Damage Expense

In accordance with the PUC's December 2012 final rate case order, PPL Electric proposed the establishment of a Storm Damage Expense Rider (SDER) with the PUC. In April 2014, the PUC issued a final order approving the SDER with a January 1, 2015 effective date. On June 20, 2014, the Office of Consumer Advocate (OCA) filed a petition requesting the Commonwealth Court of Pennsylvania to reverse and remand the April 2014 order, which petition remains outstanding. On January 15, 2015, the PUC issued an order modifying the effective date of the SDER to February 1, 2015. See below under "Regulatory Matters - Pennsylvania Activities" for additional information on the SDER.

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, Phase I of 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. Phase II of PPL's energy efficiency and conservation plan allows PPL Electric to recover the maximum $185 million cost of the program over the three year period June 1, 2013 through May 31, 2016. 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.

(PPL, LKE, LG&E and KU)

Environmental Cost Recovery

Kentucky law permits LG&E and KU to recover the costs, including a return of operating expenses and a return of and on capital invested, of complying with the Clean Air Act and those federal, state or local environmental requirements which apply to coal combustion wastes and by-products from coal-fired 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, LG&E and KU began receiving a 10.25% return on equity for all ECR projects included in the 2009 and 2011 compliance plans. In 2012 and 2011, LG&E and KU were 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.

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, 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 typically 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 to generate electricity, including transportation costs, from the costs embedded in base rates are adjusted in LG&E's and KU's rates. The KPSC requires 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 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

LG&E's and 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. LG&E's and 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, LG&E and KU earn 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

(PPL, LKE, LG&E and KU)

Periodically, LG&E and KU enter into forward-starting interest rate swaps with PPL that have terms identical to forward-starting swaps entered into by PPL with third parties. Net realized gains and losses on all of these swaps are probable of recovery through regulated rates; as such, any gains and losses on these derivatives are included in regulatory assets or liabilities and will be recognized in "Interest Expense" on the Statements of Income over the life of the underlying debt at the time the underlying hedged interest expense is recorded. At December 31, 2014, the total notional amount of forward starting interest rate swaps outstanding was $1 billion (LG&E and KU each held contracts of $500 million). The swaps range in maturity through 2045. There were no forward starting interest rate swaps outstanding at December 31, 2013. Net cash settlements of $86 million were received on swaps that were terminated in 2013 (LG&E and KU each received $43 million). Net realized gains on these terminated swaps will be returned through regulated rates. As such, the net settlements were recorded in regulatory liabilities and are being recognized in "Interest Expense" on the Statements of Income over the life of the new debt which matures in 2043. See Note 17 for additional information related to the forward-starting interest rate swaps.

(PPL, LKE and LG&E)

In addition to the hedges terminated as a result of the debt issuance, realized amounts associated with LG&E's interest rate swaps, including a terminated swap contract from 2008, are recoverable through rates based on an order from the KPSC, LG&E's unrealized losses and gains 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 or loss related to the 2008 terminated swap contract is to be recovered through 2035.

AROs

As discussed in Note 1, the accretion and depreciation expenses related to LG&E's and 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.

Gas Line Tracker

In the 2012 rate case order, the KPSC approved the GLT rate recovery mechanism. The GLT authorizes LG&E to recover its incremental operating expenses, depreciation and property taxes, and to earn a 10.25% return on equity for capital associated with the five year gas service riser, leak mitigation and customer service line ownership programs. As part of this program, LG&E makes necessary repairs and assumes ownership of natural gas lines. LG&E annually files projected costs in October to become effective on the first billing cycle in January. After the completion of a plan year, LG&E submits a balancing adjustment filing to the KPSC to amend rates charged for the differences between the actual costs and actual GLT charges for the preceding year. The regulatory assets or liabilities represent the amounts that have been under- or over-recovered due to these timing differences.

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.

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

U.K. Activities *(PPL)*

Ofgem Review of Line Loss Calculation

In March 2014, Ofgem issued its final decision on the DPCR4 line loss incentives and penalties mechanism. As a result, during the first quarter of 2014 WPD increased its existing liability by $65 million for over-recovery of line losses with a reduction to "Utility" revenues on the Statement of Income. Previously, WPD recorded an increase of $45 million to the liability with a reduction to "Utility" revenue on the Statement of Income in 2013, compared to a $79 million reduction of the liability with a credit to "Utility" revenue on the Statement of Income in 2012. In June 2014, WPD applied for judicial review of certain of Ofgem's decisions related to closing out the DPCR4 line loss mechanism. The court held a hearing on November 20, 2014, however, WPD was denied permission to apply for judicial review and WPD considers the matter now closed. Other activity impacting the liability included reductions in the liability that have been included in tariffs and foreign exchange movements. The recorded liability at December 31, 2014 and 2013 was $99 million and $74 million. The total recorded liability will be refunded to customers from April 1, 2015 through March 31, 2019.

Kentucky Activities

(PPL, LKE, LG&E and KU)

Rate Case Proceedings

On November 26, 2014, LG&E and KU filed requests with the KPSC for increases in annual base electricity rates of approximately $30 million at LG&E and approximately $153 million at KU and an increase in annual base gas rates of approximately $14 million at LG&E. The proposed base rate increases would result in electricity rate increases of 2.7% at LG&E and 9.6% at KU and a gas rate increase of 4.2% at LG&E and would become effective in July 2015. LG&E's and KU's applications each include a request for authorized returns-on-equity of 10.5%. The applications are based on a forecasted test year of July 1, 2015 through June 30, 2016. A number of parties have been granted intervention requests in the proceedings. A hearing on the applications is scheduled to commence on April 21, 2015. LG&E and KU cannot predict the outcome of these proceedings.

(PPL, LKE and LG&E)

CPCN Filings

In January 2014, LG&E and KU filed an application for a CPCN with the KPSC requesting approval to build a solar generating facility at the E.W. Brown generating site. LG&E and KU entered into a stipulation in this proceeding agreeing to certain matters with some interveners and a hearing was held in November 2014. In December 2014, a final order was issued approving the request to construct the solar generating facility at E.W. Brown along with the acceptance of the provisions in the stipulation agreement.

Pennsylvania Activities *(PPL and PPL Electric)*

Rate Case Proceeding

In December 2012, the PUC approved a total distribution revenue increase of about $71 million for PPL Electric, including a 10.40% allowed return on equity. The approved rates became effective January 1, 2013.

Storm Damage Expense Rider

In its December 28, 2012 final rate case order, the PUC directed PPL Electric to file a proposed SDER. The SDER is a reconcilable automatic adjustment clause under which PPL Electric annually will compare actual storm costs to storm costs allowed in base rates and refund or recoup any differences from customers. In March 2013, PPL Electric filed its proposed SDER with the PUC and, as part of that filing, requested recovery of the 2012 qualifying storm costs related to Hurricane Sandy. PPL Electric proposed that the SDER become effective January 1, 2013 at a zero rate with qualifying storm costs incurred in 2013 and the 2012 Hurricane Sandy costs included in rates effective January 1, 2014. As of December 31, 2013, PPL Electric had a $14 million regulatory liability balance for amounts expected to be refunded to customers for revenues collected to cover storm costs in excess of actual storm costs incurred during 2013. In April 2014, the PUC issued a final order approving the SDER with a January 1, 2015 effective date and initially including actual storm costs compared to collections for December 2013 through November 2014. As a result, PPL Electric reduced its 2013 regulatory liability by $12 million. Also, as part of the April 2014 order, PPL Electric was authorized to recover Hurricane Sandy storm damage costs through the SDER over a three-year period beginning January 1, 2015.

On June 20, 2014, the OCA filed a petition with the Commonwealth Court of Pennsylvania requesting that the Court reverse and remand the April 2014 order permitting PPL Electric to establish the SDER. This matter remains pending before the Commonwealth Court. On October 31, 2014, PPL Electric filed with the PUC a preliminary calculation of the SDER for the period January 1, 2015 through December 31, 2015 and a tariff supplement pursuant to the April Order. On December 3, 2014, the OCA filed a formal complaint and public statement with the PUC challenging PPL Electric's October 31 filings. In response to the OCA's formal complaint, the PUC suspended the effective date of the SDER until April 20, 2015 and opened an investigation. On January 12, 2015, the OCA filed a petition to withdraw its complaint against PPL Electric's October 31 filings. On January 13, 2015, the Administrative Law Judge issued an initial decision granting the OCA's petition to withdraw. On January 15, 2015, the PUC issued a final order closing the investigation and modifying the effective date of the SDER to February 1, 2015.

Act 129

Act 129 requires Pennsylvania Electric Distribution Companies (EDCs) to meet specified goals for reduction in customer electricity usage and peak demand by specified dates. EDCs not meeting the requirements of Act 129 are subject to significant penalties.

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

In January 2013, the PUC approved PPL Electric's DSP procurement plan for the period June 1, 2013 through May 31, 2015. PPL Electric filed a new DSP procurement plan with the PUC for the period June 1, 2015 through May 31, 2017. In September 2014, the parties filed with the presiding Administrative Law Judge a partial settlement resolving all but two issues in the proceeding related to the structure of the DSP, without direct financial impact of PPL Electric. The parties filed briefs on those two issues. In October 2014, a recommended decision was issued approving the partial settlement. Exceptions and reply exceptions were filed by the parties. On January 15, 2015, an Opinion and Order was issued approving the partial settlement and granting PPL Electric's Petition with slight modifications and closing the investigation.

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 are able to recover the costs of providing smart metering technology. All of PPL Electric's metered customers currently have advanced meters installed at their service locations capable of many of the functions required under Act 129. PPL Electric conducted pilot projects and technical evaluations of its current advanced metering technology and concluded that the current technology does not meet all of the requirements of Act 129. PPL Electric recovered the cost of its evaluations through a cost recovery mechanism, the Smart Meter Rider (SMR). In August 2013, PPL Electric filed with the PUC an annual report describing the actions it was taking under its Smart Meter Plan during 2013 and its planned actions for 2014. PPL Electric also submitted revised SMR charges that became effective January 1, 2014. On June 30, 2014, PPL Electric filed its final Smart Meter Plan with the PUC. In that plan, PPL Electric proposes to replace all of its current meters with advanced meters that meet the Act 129 requirements. Full deployment of the new meters is expected to be complete by the end of 2019. The total cost of the project is estimated to be approximately $450 million. PPL Electric proposes to recover these costs through the SMR which the PUC previously has approved for recovery of such costs. The PUC assigned PPL Electric's plan to an Administrative Law Judge for hearings and preparation of a recommended decision. This matter remains pending before the PUC. PPL Electric cannot predict the outcome of this proceeding.

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 phase one 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. From December 2011 through the end of 2012, the PUC issued several orders and other pronouncements related to the investigation. A final implementation order was issued in February 2013, and the PUC created several working groups to address continuing competitive issues. 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.

Distribution System Improvement Charge

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 and, in an order entered on May 23, 2013, the PUC approved PPL Electric's proposed DSIC with an initial rate effective July 1, 2013, subject to refund after hearings. The PUC also assigned four technical recovery calculation issues to the Office of Administrative Law Judge for hearing and preparation of a recommended decision. In August 2014, the presiding Administrative Law Judge issued a recommended decision which would not have a significant impact on PPL Electric. Exceptions and reply exceptions have been filed by the parties. This matter remains pending before the PUC. PPL Electric cannot predict the outcome of this proceeding.

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. At December 31, 2014 and 2013, $29 million was included on the Balance Sheets as a regulatory asset. 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 "Storm Damage Expense Rider" above for information regarding PPL Electric's filing of a proposed Storm Damage Expense Rider with the PUC.

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 (OATT) that utilizes a formula-based rate recovery mechanism. The formula rate is calculated, in part, based on financial results as reported in PPL Electric's annual FERC Form 1, filed under the FERC's Uniform System of Accounts.

PPL Electric initiated its formula rate 2012, 2011 and 2010 Annual Updates. Each update was subsequently challenged by a group of municipal customers, whose challenges were opposed by PPL Electric. Between 2011 and 2013, numerous hearings before the FERC and settlement conferences were convened in an attempt to resolve these matters. Beginning in the second half of 2013, PPL Electric and the group of municipal customers exchanged confidential settlement proposals. In September 2014, the parties filed a Joint Offer of Settlement with the FERC resolving all issues in the pending challenges, and including refunds of certain insignificant amounts to the municipalities. The settlement judge certified the uncontested settlement to the FERC with a recommendation that it be approved. The Chief Judge issued an order terminating settlement judge procedures. On February 9, 2015, FERC issued a letter order approving the Joint Offer of Settlement and directing PPL Electric to file tariff revisions that implement within the PJM OATT the changes to the formula rate set forth in the Joint Settlement.

FERC Wholesale Formula Rates (LKE and KU)

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 a true-up. KU's application proposed an authorized return on equity of 10.7%. Certain elements, including the new formula rate, became effective April 23, 2014, subject to refund. In April 2014, nine municipalities submitted notices of termination, under the original notice period provisions, to cease taking power under the wholesale requirements contracts. Such terminations are to be effective in 2019, except in the case of one municipality with a 2017 effective date. In addition, a tenth municipality has a previously settled termination date of 2016. In July 2014, KU agreed on settlement terms with the two municipal customers that did not provide termination notices and filed the settlement proposal with the FERC for its approval. In August 2014, the FERC issued an order on the interim settlement agreement allowing the proposed rates to become effective pending a final order. If approved, the settlement agreement will resolve the rate case with respect to these two municipalities, including an authorized return on equity of 10.0% or the return on equity awarded to other parties in this case, whichever is lower. Also in July 2014, KU made a contractually required filing with the FERC that addressed certain rate recovery matters affecting the nine terminating municipalities during the remaining term of their contracts. KU and the terminating municipalities continue settlement discussions in this proceeding. KU cannot currently predict the outcome of its FERC applications regarding its wholesale power agreements with the municipalities.

7. Financing Activities

Credit Arrangements and Short-term Debt

(All Registrants)

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

		December 31, 2014				December 31, 2013	
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued
PPL							
U.K.							
WPD Ltd.							
Syndicated Credit Facility (a) (c)	Dec. 2016	£ 210	£ 103		£ 107	£ 103	
WPD (South West)							
Syndicated Credit Facility (a) (c)	July 2019	245			245		
WPD (East Midlands)							
Syndicated Credit Facility (a) (c)	July 2019	300	64		236		
WPD (West Midlands)							
Syndicated Credit Facility (a) (c)	July 2019	300			300		
Uncommitted Credit Facilities		105		£ 5	100		£ 5
Total U.K. Credit Facilities (b)		£ 1,160	£ 167	£ 5	£ 988	£ 103	£ 5
U.S.							
PPL Capital Funding							
Syndicated Credit Facility (c) (d) (f)	Nov. 2018	$ 300			$ 300	$ 270	
Syndicated Credit Facility (c) (d)	July 2019	300			300		
Bilateral Credit Facility (c) (d)	Mar. 2015	150		$ 21	129		
Uncommitted Credit Facility		65		1	64		
Total PPL Capital Funding Credit Facilities		$ 815		$ 22	$ 793	$ 270	
PPL Energy Supply							
Syndicated Credit Facility (c) (d) (f)	Nov. 2017	$ 3,000	$ 630	$ 121	$ 2,249		$ 29
Letter of Credit Facility (d)	Mar. 2015	150		138	12		138
Uncommitted Credit Facilities (d)		100		22	78		77
Total PPL Energy Supply Credit Facilities		$ 3,250	$ 630	$ 281	$ 2,339		$ 244
PPL Electric							
Syndicated Credit Facility (c) (d)	July 2019	$ 300		$ 1	$ 299		$ 21
LKE							
Syndicated Credit Facility (c) (d) (f)	Oct. 2018	$ 75	$ 75			$ 75	
LG&E							
Syndicated Credit Facility (c) (d)	July 2019	$ 500		$ 264	$ 236		$ 20
KU							
Syndicated Credit Facility (c) (d)	July 2019	$ 400		$ 236	$ 164		$ 150
Letter of Credit Facility (c) (d) (e)	Oct. 2017	198		198			198
Total KU Credit Facilities		$ 598		$ 434	$ 164		$ 348

(a) The facilities contain financial covenants to maintain an interest coverage ratio of not less than 3.0 times consolidated earnings before income taxes, depreciation and amortization and total net debt not in excess of 85% of its RAV, calculated in accordance with the credit facility.

(b) WPD Ltd.'s amounts borrowed at December 31, 2014 and 2013 were USD-denominated borrowings of $161 million and $166 million, which bore interest at 1.86% and 1.87%. WPD (East Midlands) amount borrowed at December 31, 2014 was a GBP-denominated borrowing which equated to $100 million and bore interest at 1.00%. At December 31, 2014, the unused capacity under the U.K. credit facilities was approximately $1.5 billion.

(c) Each company pays customary fees under its respective facility and borrowings generally bear interest at LIBOR-based rates plus an applicable margin.

(d) The facilities contain a financial covenant requiring debt to total capitalization not to exceed 65% for PPL Energy Supply and 70% for PPL Capital Funding, PPL Electric, LKE, LG&E and KU, as calculated in accordance with the facilities and other customary covenants. Additionally, as it relates to the syndicated and bilateral credit facilities and subject to certain conditions, PPL Capital Funding may request that the capacity of its facility expiring in July 2019 be increased by up to $100 million and the facilities expiring in November 2018 and March 2015 may be increased by up to $30 million, PPL Energy Supply may request that its facility's capacity be increased by up to $500 million, PPL Electric and KU each may request up to a $100 million increase in its facility's capacity and LKE may request up to a $25 million increase in its facility's capacity.

(e) 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.

(f) At December 31, 2014, PPL Energy Supply's and LKE's interest rates on outstanding borrowings were 2.05% and 1.67%, respectively. At December 31, 2013, PPL Capital Funding's and LKE's interest rates on outstanding borrowings were 1.79% and 1.67%, respectively.

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

	December 31, 2014				December 31, 2013	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Electric		$ 300		$ 300	0.23%	$ 20
LG&E	0.42%	350	$ 264	86	0.29%	20
KU	0.49%	350	236	114	0.32%	150
Total		$ 1,000	$ 500	$ 500		$ 190

In August 2014, PPL Energy Supply terminated its commercial paper program.

(PPL and PPL Energy Supply)

PPL Energy Supply maintains a $500 million Facility Agreement expiring June 2017, which provides PPL Energy Supply 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, 2014, PPL Energy Supply had 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 $2.6 billion at December 31, 2014. The facility expires in November 2019, but is subject to automatic one-year renewals under certain conditions. There were $64 million of secured obligations outstanding under this facility at December 31, 2014.

(All Registrants except PPL)

See Note 14 for discussion of intercompany borrowings.

Long-term Debt *(All Registrants)*

	Weighted-Average Rate	Maturities	December 31, 2014	December 31, 2013
PPL				
U.S.				
Senior Unsecured Notes (a)	4.28%	2015 - 2044	$ 6,018	$ 5,568
Senior Secured Notes/First Mortgage Bonds (b) (c) (d)	3.83%	2015 - 2044	6,119	5,823
Junior Subordinated Notes	6.31%	2067 - 2073	930	1,908
Other				15
Total U.S. Long-term Debt			13,067	13,314
U.K.				
Senior Unsecured Notes (e)	5.53%	2016 - 2040	6,627	6,872
Index-linked Senior Unsecured Notes (f)	1.83%	2043 - 2056	732	749
Total U.K. Long-term Debt (g)			7,359	7,621
Total Long-term Debt Before Adjustments			20,426	20,935
Fair market value adjustments			18	23
Unamortized premium and (discount), net			(53)	(51)
Total Long-term Debt			20,391	20,907
Less current portion of Long-term Debt (a)			1,535	315
Total Long-term Debt, noncurrent			$ 18,856	$ 20,592

	Weighted-Average Rate	Maturities	December 31, 2014		2013	
PPL Energy Supply						
Senior Unsecured Notes (a)	5.31%	2015 - 2036	$	2,193	$	2,493
Senior Secured Notes	8.86%	2025		45		49
Other						5
Total Long-term Debt Before Adjustments				2,238		2,547
Fair market value adjustments				(19)		(22)
Unamortized premium and (discount), net				(1)		
Total Long-term Debt				2,218		2,525
Less current portion of Long-term Debt (a)				535		304
Total Long-term Debt, noncurrent			$	1,683	$	2,221
PPL Electric						
Senior Secured Notes/First Mortgage Bonds (b) (c)	4.57%	2015 - 2044	$	2,614	$	2,314
Other						10
Total Long-term Debt Before Adjustments				2,614		2,324
Unamortized discount				(12)		(9)
Total Long-term Debt				2,602		2,315
Less current portion of Long-term Debt				100		10
Total Long-term Debt, noncurrent			$	2,502	$	2,305
LKE						
Senior Unsecured Notes	3.31%	2015 - 2021	$	1,125	$	1,125
First Mortgage Bonds (b) (d)	3.21%	2015 - 2043		3,460		3,460
Total Long-term Debt Before Adjustments				4,585		4,585
Fair market value adjustments				(1)		(1)
Unamortized discount				(17)		(19)
Total Long-term Debt				4,567		4,565
Less current portion of Long-term Debt				900		
Total Long-term Debt, noncurrent			$	3,667	$	4,565
LG&E						
First Mortgage Bonds (b) (d)	2.85%	2015 - 2043	$	1,359	$	1,359
Total Long-term Debt Before Adjustments				1,359		1,359
Fair market value adjustments				(1)		(1)
Unamortized discount				(5)		(5)
Total Long-term Debt				1,353		1,353
Less current portion of Long-term Debt				250		
Total Long-term Debt, noncurrent			$	1,103	$	1,353
KU						
First Mortgage Bonds (b) (d)	3.44%	2015 - 2043	$	2,101	$	2,101
Total Long-term Debt Before Adjustments				2,101		2,101
Fair market value adjustments						1
Unamortized discount				(10)		(11)
Total Long-term Debt				2,091		2,091
Less current portion of Long-term Debt				250		
Total Long-term Debt, noncurrent			$	1,841	$	2,091

(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 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 $5.8 billion and $5.1 billion at December 31, 2014 and 2013.

Includes LG&E's first mortgage bonds that are secured by the lien of the LG&E 2010 Mortgage Indenture which creates a lien, subject to certain exceptions and exclusions, on substantially all of LG&E's real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity and the storage and distribution of natural gas. The aggregate carrying value of the property subject to the lien was $3.7 billion and $3.2 billion at December 31, 2014 and 2013.

Includes KU's first mortgage bonds that are secured by the lien of the KU 2010 Mortgage Indenture which creates a lien, subject to certain exceptions and exclusions, on substantially all of KU's real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity. The aggregate carrying value of the property subject to the lien was $5.5 billion and $5.1 billion at December 31, 2014 and 2013.

(c) 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 (b) 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.

(d) Includes LG&E's and KU's series of first mortgage bonds that were issued to the respective trustees of tax-exempt revenue bonds to secure its respective obligations to make payments with respect to each series of bonds. The first mortgage bonds were issued in the same principal amounts, contain payment and redemption provisions that correspond to and bear the same interest rate as such tax-exempt revenue bonds. These first mortgage bonds were issued under the LG&E 2010 Mortgage Indenture and the KU 2010 Mortgage Indenture and are secured as noted in (b) 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, 2014, the aggregate tax-exempt revenue bonds issued on behalf of LG&E and KU that were in a term rate mode totaled $418 million for LKE, comprised of $391 million and $27 million for LG&E and KU, respectively. At December 31, 2014, the aggregate tax-exempt revenue bonds issued on behalf of LG&E and KU that were in a variable rate mode totaled $507 million for LKE, comprised of $183 million and $324 million for LG&E and KU, respectively.

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 ($135 million for LG&E and $96 million for KU), 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 $251 million at December 31, 2014 ($23 million for LG&E and $228 million for KU), 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.

(e) Includes £225 million ($352 million at December 31, 2014) 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.

(f) The principal amount of the notes issued by WPD (South West) and WPD (East Midlands) is adjusted based on changes in a specified index, as detailed in the terms of the related indentures. The adjustment to the principal amounts from 2013 to 2014 was an increase of approximately £10 million ($16 million) resulting from inflation. In addition, this amount includes £225 million ($352 million at December 31, 2014) 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.

(g) Includes £3.8 billion ($5.9 billion at December 31, 2014) of notes that may be put by the holders to the issuer for redemption if the long-term credit ratings assigned to the notes are withdrawn by any of the rating agencies (Moody's, 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, based on stated maturities or earlier put dates, for the periods 2015 through 2019 and thereafter are as follows:

	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
2015	$ 1,535	$ 535	$ 100	$ 900	$ 250	$ 250
2016	839	354		25	25	
2017	298	4		194	194	
2018	750	403		98	98	
2019	44	4		40	40	
Thereafter	16,960	938	2,514	3,328	752	1,851
Total	$ 20,426	$ 2,238	$ 2,614	$ 4,585	$ 1,359	$ 2,101

Long-term Debt and Equity Securities Activities

(PPL)

2010 Equity Units

In May 2013, PPL Capital Funding remarketed $1.150 billion of 4.625% Junior Subordinated Notes due 2018 that were originally issued in June 2010 as a component of PPL's 2010 Equity Units. In connection with the remarketing, PPL Capital

Funding issued $300 million of 2.04% Junior Subordinated Notes due 2016 and $850 million of 2.77% Junior Subordinated Notes due 2018, which were simultaneously exchanged for three tranches of Senior Notes: $250 million of 1.90% Senior Notes due 2018, $600 million of 3.40% Senior Notes due 2023 and $300 million of 4.70% Senior Notes due 2043. The transaction was accounted for as a debt extinguishment, resulting in a $10 million loss on extinguishment of the Junior Subordinated Notes, recorded to "Interest Expense" on the Statement of Income. The transaction was considered non-cash activity that was excluded from the Statement of Cash Flows for the year ended December 31, 2013. Additionally, in July 2013, PPL issued 40 million shares of common stock at $28.73 per share to settle the 2010 Purchase Contracts. PPL received net cash proceeds of $1.150 billion, which were used to repay short-term and long-term debt and for general corporate purposes.

2011 Equity Units

In March 2014, PPL Capital Funding remarketed $978 million of 4.32% Junior Subordinated Notes due 2019 that were originally issued in April 2011 as a component of PPL's 2011 Equity Units. In connection with the remarketing, PPL Capital Funding retired $228 million of the 4.32% Junior Subordinated Notes due 2019 and issued $350 million of 2.189% Junior Subordinated Notes due 2017 and $400 million of 3.184% Junior Subordinated Notes due 2019. Simultaneously, the newly issued Junior Subordinated Notes were exchanged for $350 million of 3.95% Senior Notes due 2024 and $400 million of 5.00% Senior Notes due 2044. The transaction was accounted for as a debt extinguishment, resulting in a $9 million loss on extinguishment of the Junior Subordinated Notes, recorded to "Interest Expense" on the Statement of Income. Except for the $228 million retirement of the 4.32% Junior Subordinated Notes and fees related to the transactions, the activity was non-cash and excluded from the Statement of Cash Flows for the year ended December 31, 2014. Additionally, in May 2014, PPL issued 31.7 million shares of common stock at $30.86 per share to settle the 2011 Purchase Contracts. PPL received net cash proceeds of $978 million, which were used to repay short-term debt and for general corporate purposes.

(PPL and PPL Energy Supply)

In August 2014, PPL Energy Supply repaid the entire $300 million principal amount of its 5.40% Senior Notes upon maturity.

(PPL and PPL Electric)

In June 2014, PPL Electric issued $300 million of 4.125% First Mortgage Bonds due 2044. PPL Electric received proceeds of $294 million, net of a discount and underwriting fees, which were used for capital expenditures, to repay short-term debt and for general corporate purposes.

Legal Separateness *(All Registrants)*

The subsidiaries of PPL are separate legal entities. PPL's subsidiaries are not liable for the debts of PPL. Accordingly, creditors of PPL may not satisfy their debts from the assets of PPL's subsidiaries absent a specific contractual undertaking by a subsidiary to pay PPL's creditors or as required by applicable law or regulation. Similarly, PPL is not liable for the debts of its subsidiaries, nor are its subsidiaries liable for the debts of one another. Accordingly, creditors of PPL's subsidiaries may not satisfy their debts from the assets of PPL or its other subsidiaries absent a specific contractual undertaking by PPL or its other subsidiaries to pay the creditors or as required by applicable law or regulation.

Similarly, the subsidiaries of PPL 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, 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 and Related Restrictions

(PPL)

In November 2014, PPL declared its quarterly common stock dividend, payable January 2, 2015, at 37.25 cents per share (equivalent to $1.49 per annum). Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors.

Neither PPL Capital Funding nor PPL may declare or pay any cash dividend or distribution on its capital stock during any period in which PPL Capital Funding defers interest payments on its 2007 Series A Junior Subordinated Notes due 2067 or 2013 Series B Junior Subordinated Notes due 2073. At December 31, 2014, no interest payments were deferred.

WPD subsidiaries have financing arrangements that limit their ability to pay dividends. However, PPL does not, at this time, expect that any of such limitations would significantly impact PPL's ability to meet its cash obligations.

(PPL and PPL Energy Supply)

Under the terms of the spinoff agreements with affiliates of Riverstone to create Talen Energy, PPL Energy Supply is generally prohibited from making distributions or other payments to PPL or any PPL affiliate that is not a subsidiary of PPL Energy Supply, with the exception of specific distributions and other payments set forth in the agreements. These exceptions are generally limited to a planned distribution from PPL Energy Supply to PPL during the first quarter of 2015 in an amount not to exceed $191 million. At December 31, 2014, PPL Energy Supply's net assets of $3.7 billion were restricted for the purposes of transferring funds to PPL in the form of distributions, loans or advances.

(All Registrants except PPL Energy Supply)

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, 2014, net assets of $2.4 billion ($0.9 billion for LG&E and $1.5 billion for KU) were restricted for purposes of paying dividends to LKE, and net assets of $2.9 billion ($1.2 billion for LG&E and $1.7 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.

8. Acquisitions, Development and Divestitures

(All Registrants)

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with the projects, sell, cancel or expand them, execute tolling agreements or pursue other options. Any resulting transactions may impact future financial results.

Divestitures

Anticipated Spinoff of PPL Energy Supply

(PPL and PPL Energy Supply)

In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy. Under the terms of the agreements, at closing, PPL will spin off to PPL shareowners a newly formed entity, Talen Energy Holdings, Inc. (Holdco), which at such time will own all of the membership interests of PPL Energy Supply and all of the common stock of Talen Energy. Immediately following the spinoff, Holdco will merge with a special purpose subsidiary of Talen Energy, with Holdco continuing as the surviving company to the merger and as a wholly owned subsidiary of Talen Energy and the sole owner of PPL Energy Supply. Substantially contemporaneous with the spinoff and merger, RJS Power will be contributed by its owners to become a subsidiary of Talen Energy. Following completion of these transactions, PPL shareowners will own 65% of Talen Energy and affiliates of Riverstone will own 35%. PPL will have no continuing ownership interest in, control of, or affiliation with Talen Energy and PPL's shareowners will receive a number of Talen Energy shares at closing based on the number of PPL shares owned as of the spinoff record date. The spinoff will have no effect on the number of PPL common shares owned by PPL shareowners or the number of shares of PPL common stock outstanding. The transaction is intended to be tax-free to PPL and its shareowners for U.S. federal income tax purposes and is subject to customary closing conditions, including receipt of certain regulatory approvals by the NRC, FERC, DOJ and PUC. In addition, there must be available, subject to certain conditions, at least $1 billion of undrawn credit capacity under a Talen Energy (or its subsidiaries) revolving credit or similar facility. Any letters of credit or other credit support measures posted in connection with energy marketing and trading transactions at the time of the spinoff are excluded from this calculation.

On December 18, 2014, the FERC issued a final order approving, subject to certain market power mitigation requirements, the combination of the competitive generation assets to form Talen Energy. On January 27, 2015, PPL and an affiliate of RJS Power filed a joint response with the FERC accepting additional market power mitigation measures required for the FERC's approval. PPL and RJS Power originally proposed divesting either of two groups of assets each having approximately 1,300 MW of generating capacity. PPL and RJS Power have agreed that within 12 months after closing of the transaction, Talen Energy will divest generating assets in one of the groups (from PPL Energy Supply's existing portfolio, this includes either the Holtwood and Wallenpaupack hydroelectric facilities or the Ironwood facility), and limit PJM energy market offers from assets it would retain in the other group to cost-based offers.

The transaction is expected to close in the second quarter of 2015.

(PPL, PPL Energy Supply and PPL Electric)

Following the announcement of the transaction to form Talen Energy, efforts were initiated to identify the appropriate staffing for Talen Energy and for PPL and its subsidiaries following completion of the spinoff. Organizational plans and staffing selections were substantially completed in 2014.

The new organizational plans identify the need to resize and restructure the organizations. As a result, during 2014, charges for employee separation benefits were recorded in "Other operation and maintenance" on the Statement of Income and in "Other current liabilities" on the Balance Sheet as follows.

	PPL	PPL Energy Supply	PPL Electric
Separation benefits	$ 36	$ 16	$ 1
Number of positions	306	112	14

The separation benefits incurred include cash severance compensation, lump sum COBRA reimbursement payments and outplacement services. Most separations and payment of separation benefits are expected to occur in 2015.

Additional employee-related costs to be incurred primarily include accelerated stock-based compensation and pro-rated performance-based cash incentive and stock-based compensation awards, primarily for PPL Energy Supply employees and for PPL employees who will become PPL Energy Supply employees in connection with the transaction. These costs will be recognized at the spinoff closing date. PPL and PPL Energy Supply estimate these additional costs will be in the range of $30 million to $40 million.

(PPL)

As a result of the spinoff announcement, PPL recorded $50 million of deferred income tax expense in 2014, to adjust valuation allowances on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the future earnings of PPL Energy Supply.

In addition, PPL recorded $27 million of third-party costs in 2014 related to this transaction. Of these costs, $19 million were primarily for investment bank advisory, legal and accounting fees to facilitate the transaction, and are recorded in "Other Income (Expense) - net" on the Statement of Income. An additional $8 million of consulting and other costs were incurred to ready the new Talen Energy organization and reconfigure the remaining PPL service functions. These costs are recorded in "Other operation and maintenance" on the Statement of Income. PPL currently estimates a range of total third-party costs that will ultimately be incurred of between $60 million and $70 million.

The assets and liabilities of PPL Energy Supply will continue to be classified as "held and used" on PPL's Balance Sheet until the closing of the transaction. In conducting its annual goodwill impairment assessment in the fourth quarter of 2014 for its Supply segment reporting unit, PPL determined that the estimated fair value of PPL Energy Supply exceeded its carrying value and no impairment was recognized. However, an impairment loss could be recognized by PPL at the spinoff date if the aggregate carrying amount of PPL Energy Supply's assets and liabilities exceeds its aggregate fair value at that date. PPL cannot predict whether an impairment loss will be recorded at the spinoff date.

(PPL Energy Supply)

In accordance with business combination accounting guidance, PPL Energy Supply will treat the combination with RJS Power as an acquisition and PPL Energy Supply will be considered the acquirer of RJS Power.

Discontinued Operations

Montana Hydro Sale *(PPL and PPL Energy Supply)*

In November 2014, PPL Montana completed the sale to NorthWestern of 633 MW of hydroelectric generating facilities located in Montana for approximately $900 million in cash. The sale included 11 hydroelectric power facilities and related assets, included in the Supply segment.

Following are the components of Discontinued Operations in the Statements of Income for the years ended December 31.

	2014	2013	2012
PPL			
Operating revenues	$ 117	$ 139	$ 154
Gain on the sale (pre-tax)	237		
Interest expense (a)	9	12	10
Income (loss) before income taxes	263	49	73
Income (Loss) from Discontinued Operations	154	32	46
PPL Energy Supply			
Operating revenues	$ 117	$ 139	$ 154
Gain on the sale (pre-tax)	306		
Interest expense (a)	9	12	10
Income (loss) before income taxes	332	49	73
Income (Loss) from Discontinued Operations	223	32	46

(a) Represents allocated interest expense based upon the discontinued operations share of the net assets of PPL Energy Supply.

Upon completion of the sale, assets primarily consisting of $544 million of PP&E, net, and $82 million of Goodwill for PPL ($14 million for PPL Energy Supply) were removed from the Balance Sheet.

Other *(PPL and PPL Energy Supply)*

To facilitate the sale of the Montana hydroelectric generating facilities discussed above, PPL Montana terminated, in December 2013, its operating lease arrangement related to partial interests in Units 1, 2 and 3 of the Colstrip coal-fired electric generating facility and acquired those interests, collectively, for $271 million. At lease termination, the existing lease-related assets on the balance sheet consisting primarily of prepaid rent and leasehold improvements were written off and the acquired Colstrip assets were recorded at fair value as of the acquisition date. PPL and PPL Energy Supply recorded a charge of $697 million ($413 million after-tax) for the termination of the lease included in "Loss on lease termination" on the 2013 Statements of Income. The $271 million payment is reflected in "Cash Flows from Operating Activities" on the 2013 Statements of Cash Flow.

Development

(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 American Recovery and Reinvestment Act of 2009, PPL Energy Supply received FERC approval to expand capacity at its Holtwood and Rainbow hydroelectric facilities. In 2013, the Rainbow hydroelectric redevelopment project in Great Falls, Montana, which increased total capacity to 63 MW, was placed in service. Also in 2013, the 125 MW Holtwood project was placed in service.

In 2014, the U.S. Department of Treasury awarded $56 million for the Rainbow hydroelectric redevelopment project and $108 million for the Holtwood hydroelectric project for Specified Energy Property in Lieu of Tax Credits. As a result of the receipt of the grants, PPL Energy Supply was required to recapture investment tax credits previously recorded of $60 million related to the Rainbow project and $117 million related to the Holtwood project. The impact on the financial statements for the receipt of the grants and recapture of investment tax credits was not significant for 2014, and will not be significant in future periods.

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, PPL Bell Bend submitted Parts I and II of an application for a federal loan guarantee for Bell Bend to the DOE. In February 2014, the DOE announced the first loan guarantee for a nuclear project in Georgia. Although eight of the ten applicants that submitted Part II applications remain active in the DOE program, 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.

The NRC continues to review the COLA. PPL Bell Bend does not expect to complete the COLA review process with the NRC prior to 2018. PPL Bell Bend has made no decision to proceed with construction 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 by PPL's Board of Directors to spend up to $224 million on the COLA and other permitting costs necessary for construction. At December 31, 2014 and 2013, $188 million and $173 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 Energy Supply continues to support the Bell Bend licensing project with a near term focus on obtaining the final environmental impact statement. PPL Energy Supply placed the NRC safety review (which supports issuance of their final safety evaluation report, the other key element of the COLA) on hold in 2014, due to a lack of progress by the reactor vendor with respect to its NRC design certification process, which is a prerequisite to the COLA. PPL Bell Bend believes that the estimated fair value of the COLA currently exceeds the costs expected to be capitalized associated with 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-kV 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 Pennsylvania portion of the Susquehanna-Roseland line and Public Service Electric & Gas Company to construct the New Jersey portion of the line.

Construction activities have been underway on the 101-mile route in Pennsylvania since 2012. The line is expected to be completed before the peak summer demand period of 2015. At December 31, 2014, PPL Electric's estimated share of the project cost was $630 million. At December 31, 2014 and 2013, $597 million and $377 million of costs were capitalized and are included on the Balance Sheet primarily in "Construction work in progress."

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 that includes three new substations and upgrades to adjacent facilities). The FERC granted the incentive for inclusion in rate base of all prudently incurred construction work in progress (CWIP) costs but denied the requested incentive for a 100 basis point adder to the return on equity.

In December 2012, PPL Electric submitted an application to the PUC requesting permission to site and construct the project. In January 2014, the PUC issued a Final Order approving the application. PPL Electric expects the project to be completed in 2016. At December 31, 2014, PPL Electric's estimated cost of the project was $335 million, most of which qualifies for the CWIP incentive treatment.

Future Capacity Needs *(PPL, LKE, LG&E and KU)*

To meet new, more stringent EPA regulations, LG&E and KU anticipate retiring five older coal-fired electric generating units at the Cane Run plant in 2015 and the Green River plant in 2016, which have a combined summer capacity rating of 724 MW. In addition, KU retired the remaining 71 MW coal-fired unit at the Tyrone plant in February 2013 and retired a 12 MW gas-fired unit at the Haefling plant in December 2013. There were no significant gains or losses related to the 2013 retirements.

Construction activity continues on the previously announced NGCC unit, Cane Run Unit 7, scheduled to be operational in May 2015. In October 2013, LG&E and KU announced plans for a 10 MW solar generation facility to be operational in 2016 at a cost of approximately $36 million. In December 2014, a final order was issued by the KPSC approving the request to construct the solar generating facility at E.W. Brown.

9. Leases

(All Registrants except PPL Electric)

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 the years ended December 31 for operating leases was as follows:

	2014	2013	2012
PPL	$ 80	$ 111	$ 116
PPL Energy Supply	29	55	62
LKE	18	18	18
LG&E	7	7	7
KU	10	10	10

Total future minimum rental payments for all operating leases are estimated to be:

	PPL	PPL Energy Supply	LKE	LG&E	KU
2015	$ 36	$ 11	$ 16	$ 6	$ 9
2016	25	11	11	4	7
2017	20	10	8	3	5
2018	12	4	7	2	4
2019	8	1	5	2	3
Thereafter	34	2	26	11	13
Total	$ 135	$ 39	$ 73	$ 28	$ 41

10. Stock-Based Compensation

(All Registrants except LG&E and KU)

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 granted under the ICP and ICPKE 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.

				Annual Grant Limit For Individual Participants - Performance Based Awards	
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)	For awards denominated in shares (Shares)	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 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:

	2014	2013	2012
PPL	$ 31.50	$ 30.30	$ 28.35
PPL Energy Supply	31.70	30.42	28.29
PPL Electric	31.81	30.55	28.51
LKE	30.98	30.00	28.34

Restricted stock and restricted stock unit activity for 2014 was:

	Restricted Shares/Units	Weighted-Average Grant Date Fair Value Per Share
PPL		
Nonvested, beginning of period	3,140,600	$ 28.50
Granted	1,197,947	31.50
Vested	(804,582)	26.01
Forfeited	(48,445)	30.48
Nonvested, end of period	3,485,520	30.07
PPL Energy Supply		
Nonvested, beginning of period	1,343,404	$ 28.71
Transferred	70,298	27.43
Granted	465,238	31.70
Vested	(395,740)	26.19
Forfeited	(25,300)	30.54
Nonvested, end of period	1,457,900	30.13
PPL Electric		
Nonvested, beginning of period	265,550	$ 28.22
Transferred	2,270	29.03
Granted	103,511	31.81
Vested	(78,370)	26.04
Forfeited	(6,150)	30.65
Nonvested, end of period	286,811	30.04

	Restricted Shares/Units	Weighted-Average Grant Date Fair Value Per Share
LKE		
Nonvested, beginning of period	231,553	$ 29.17
Granted	112,625	30.98
Vested	(2,710)	29.97
Nonvested, end of period	341,468	29.76

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:

	2014	2013	2012
PPL	$ 21	$ 19	$ 27
PPL Energy Supply	10	7	6
PPL Electric	2	3	2
LKE		1	4

Performance Units

Performance units are intended to encourage and reward future corporate performance. Performance units represent a target number of shares (Target Award) of PPL's common stock that the recipient would receive upon PPL's attainment of the applicable performance goal. Performance is determined based on total shareowner return during a three-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 the Philadelphia Stock Exchange Utility Index. Awards are payable on a graduated basis based on thresholds that measure PPL's performance relative to peers that comprise the applicable index on which each years' awards are measured. Awards can be paid up to 200% of the Target Award or forfeited with no payout if performance is below a minimum established performance threshold. Dividends payable during the performance cycle accumulate and are converted into additional performance units and are payable in shares of PPL common stock upon completion of the performance period based on the 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.

Beginning in 2014, the fair value of performance units granted to retirement-eligible employees is recognized as compensation expense on a straight-line basis over a one-year period, the minimum vesting period required for an employee to be entitled to payout of the awards. For employees who are not retirement-eligible, compensation expense is recognized over the shorter of the three-year performance period or the period until the employee is retirement-eligible, with a minimum vesting and recognition period of one-year. The fair value of performance units granted in 2013 and 2012 is recognized as compensation expense on a straight-line basis over the three-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 uses a mix of historic and implied volatility to value awards.

The weighted-average assumptions used in the model were:

	2014	2013	2012
Risk-free interest rate	0.75%	0.36%	0.30%
Expected stock volatility	15.80%	15.50%	19.30%
Expected life	3 years	3 years	3 years

The weighted-average grant date fair value of performance units granted was:

	2014	2013	2012
PPL	$ 34.55	$ 34.15	$ 31.41
PPL Energy Supply	34.35	34.29	31.40
PPL Electric	34.43	33.97	31.37
LKE	34.12	33.84	31.30

Performance unit activity for 2014 was:

	Performance Units	Weighted-Average Grant Date Fair Value Per Share
PPL		
Nonvested, beginning of period	793,199	$ 32.19
Granted	555,553	34.55
Vested	(177,036)	29.11
Nonvested, end of period	1,171,716	33.77
PPL Energy Supply		
Nonvested, beginning of period	170,609	$ 32.22
Transferred	27,656	32.12
Granted	138,601	34.35
Vested	(45,374)	29.11
Nonvested, end of period	291,492	33.71
PPL Electric		
Nonvested, beginning of period	38,210	$ 32.22
Granted	29,701	34.43
Vested	(8,296)	28.99
Nonvested, end of period	59,615	33.77
LKE		
Nonvested, beginning of period	129,630	$ 31.88
Granted	75,174	34.12
Vested	(30,858)	29.20
Nonvested, end of period	173,946	33.32

The total fair value of performance units vesting for the year ended December 31, 2014 was $5 million for PPL and insignificant for PPL Energy Supply, PPL Electric and LKE.

Stock Options

PPL's CGNC eliminated the use of stock options and changed its long-term incentive mix to 60% performance units and 40% performance-contingent restricted stock units, resulting in 100% performance-based long-term incentive mix for equity awards granted beginning in January 2014.

Under the Plans, stock options had been granted with an option exercise price per share not less than the fair value of PPL's common stock on the date of grant. Options outstanding at December 31, 2014, 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 uses a mix of historic and implied volatility to value awards. 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. The assumptions used in the model were:

	2013	2012
Risk-free interest rate	1.15%	1.13%
Expected option life	6.48 years	6.17 years
Expected stock volatility	18.50%	20.60%
Dividend yield	5.00%	5.00%

The weighted-average grant date fair value of options granted was:

	2013	2012
PPL	$ 2.18	$ 2.48
PPL Energy Supply	2.19	2.51
PPL Electric	2.19	2.50
LKE	2.18	2.51

Stock option activity for 2014 was:

	Number of Options	Weighted Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (years)	Aggregate Total Intrinsic Value
PPL				
Outstanding at beginning of period	11,381,482	$ 30.45		
Exercised	(2,338,520)	28.58		
Outstanding at end of period	9,042,962	30.93	5.9	$ 56
Options exercisable at end of period	6,432,806	31.60	5.2	38
PPL Energy Supply				
Outstanding at beginning of period	2,845,336	$ 30.47		
Transferred	458,800	30.47		
Exercised	(559,120)	28.79		
Outstanding at end of period	2,745,016	30.84	5.6	$ 17
Options exercisable at end of period	2,166,150	31.24	5.0	13
PPL Electric				
Outstanding at beginning of period	532,200	$ 30.04		
Exercised	(24,280)	30.12		
Outstanding at end of period	507,920	30.04	6.3	$ 3
Options exercisable at end of period	386,413	30.27	5.8	3
LKE				
Outstanding at beginning of period	997,156	$ 28.35		
Exercised	(373,839)	27.87		
Outstanding at end of period	623,317	28.64	7.5	$ 5
Options exercisable at end of period	215,106	27.58	6.9	2

Substantially all stock option awards are expected to vest.

PPL received $67 million in cash from stock options exercised in 2014. The related income tax benefits realized were not significant.

The total intrinsic value of stock options exercised for 2014 was $13 million, 2013 was $6 million and was not significant for 2012.

Compensation Expense

Compensation expense for restricted stock, restricted stock units, performance units and stock options accounted for as equity awards, which for PPL Energy Supply, PPL Electric and LKE includes an allocation of PPL Services' expense, was:

	2014	2013	2012
PPL	$ 63	$ 52	$ 49
PPL Energy Supply	33	27	23
PPL Electric	12	10	11
LKE	8	8	8

The income tax benefit related to above compensation expense was as follows:

	2014	2013	2012
PPL	$ 26	$ 22	$ 20
PPL Energy Supply	14	11	10
PPL Electric	5	4	4
LKE	3	3	4

The income tax benefit PPL realized from stock-based awards vested or exercised for 2014 was $4 million and was not significant for 2013 and 2012.

At December 31, 2014, 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	1.7 years
PPL Energy Supply	13	1.8 years
PPL Electric	3	1.8 years
LKE	2	1.3 years

11. Retirement and Postemployment Benefits

(All Registrants)

Defined Benefits

The majority of PPL's subsidiaries domestic employees are eligible for pension benefits under non-contributory defined benefit pension plans with benefits based on length of service and final average pay, as defined by the plans. Effective January 1, 2012, PPL's primary defined benefit pension plan was closed to all newly hired salaried employees. Effective July 1, 2014, PPL's primary defined benefit pension plan was closed to all newly hired bargaining unit employees. Newly hired employees are eligible to participate in the PPL Retirement Savings Plan, a 401(k) savings plan with enhanced employer contributions.

The majority of PPL Montana employees are eligible for pension benefits under a cash balance pension plan. Effective January 1, 2012, that plan was closed to all newly hired salaried employees. Effective September 1, 2014, that plan was closed to all newly hired bargaining unit employees. Newly hired employees are eligible to participate in the PPL Retirement Savings Plan.

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, the principal defined benefit pension plan applicable to WPD (South West) and WPD (South Wales) was closed to most new employees, except for those meeting specific grandfathered participation rights. WPD Midlands' defined benefit plan had been closed to new members, except for those meeting specific grandfathered participation rights, prior to acquisition. New employees not eligible to participate in the plans are offered benefits under a defined contribution plan.

PPL and certain of its subsidiaries also provide supplemental retirement benefits to executives and other key management employees through unfunded nonqualified retirement plans.

The majority of employees of PPL's domestic subsidiaries are eligible for certain health care and life insurance benefits upon retirement through contributory plans. Effective January 1, 2014, the PPL Postretirement Medical Plan was closed to all newly hired salaried employees. Effective July 1, 2014, the PPL Postretirement Medical Plan was closed to all newly hired bargaining unit employees. Postretirement health benefits may be paid from 401(h) accounts established as part of the PPL Retirement Plan and the LG&E and KU 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 table provides the components of net periodic defined benefit costs for PPL's domestic (U.S.) and WPD's (U.K.) pension and other postretirement benefit plans for the years ended December 31.

	Pension Benefits						Other Postretirement Benefits		
	U.S.			U.K.					
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Net periodic defined benefit costs (credits):									
Service cost	$ 102	$ 126	$ 103	$ 71	$ 69	$ 54	$ 12	$ 14	$ 12
Interest cost	233	213	220	354	320	340	32	29	31
Expected return on plan assets	(298)	(293)	(259)	(521)	(465)	(458)	(26)	(25)	(23)
Amortization of:									
Transition (asset) obligation									2
Prior service cost (credit)	20	22	24		1	4			1
Actuarial (gain) loss	30	80	42	132	150	79	1	6	4
Net periodic defined benefit costs (credits) prior to settlement charges, curtailment charges (credits) and termination benefits	87	148	130	36	75	19	19	24	27
Settlement charges			11						
Curtailment charges (credits)							(1)		
Termination benefits (a)	13				3	2			
Net periodic defined benefit costs (credits)	$ 100	$ 148	$ 141	$ 36	$ 78	$ 21	$ 18	$ 24	$ 27
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI and Regulatory Assets/Liabilities - Gross:									
Curtailments							$ 1		
Settlements			$ (11)						
Net (gain) loss	$ 600	$ (319)	372	$ 354	$ 76	$ 1,073	21	$ (68)	$ 13
Prior service cost (credit)	(8)						7	(3)	(1)
Amortization of:									
Transition asset (obligation)									(2)
Prior service (cost) credit	(20)	(22)	(24)		(1)	(4)			(1)
Actuarial gain (loss)	(30)	(80)	(42)	(132)	(150)	(79)	(1)	(6)	(4)
Total recognized in OCI and regulatory assets/liabilities (b)	542	(421)	295	222	(75)	990	28	(77)	5
Total recognized in net periodic defined benefit costs, OCI and regulatory assets/liabilities (b)	$ 642	$ (273)	$ 436	$ 258	$ 3	$ 1,011	$ 46	$ (53)	$ 32

(a) See Note 13 for details of a one-time voluntary retirement window offered to certain bargaining unit employees in 2014. 2013 and 2012 amounts are 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		
	2014	2013	2012	2014	2013	2012
OCI	$ 343	$ (228)	$ 181	$ 7	$ (41)	$ 12
Regulatory assets/liabilities	199	(193)	114	21	(36)	(7)
Total recognized in OCI and regulatory assets/liabilities	$ 542	$ (421)	$ 295	$ 28	$ (77)	$ 5

The estimated amounts to be amortized from AOCI and regulatory assets/liabilities into net periodic defined benefit costs in 2015 are as follows:

	Pension Benefits	
	U.S.	U.K.
Prior service cost (credit)	$ 7	
Actuarial (gain) loss	100	$ 162
Total	$ 107	$ 162
Amortization from Balance Sheet:		
AOCI	$ 49	$ 162
Regulatory assets/liabilities	58	
Total	$ 107	$ 162

(PPL Energy Supply)

The following table provides the components of net periodic defined benefit costs for PPL Energy Supply's pension and other postretirement benefit plans for the years ended December 31.

	Pension Benefits			Other Postretirement Benefits		
	2014	2013	2012	2014	2013	2012
Net periodic defined benefit costs (credits):						
Service cost	$ 5	$ 7	$ 6		$ 1	$ 1
Interest cost	9	8	7	$ 1		1
Expected return on plan assets	(11)	(10)	(9)			
Amortization of:						
Actuarial (gain) loss	2	3	2			
Curtailment charges (credits)				(1)		
Net periodic defined benefit costs (credits)	$ 5	$ 8	$ 6	$	$ 1	$ 2
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI:						
Curtailments				$ 1		
Net (gain) loss	$ 26	$ (15)	$ 16	(1)	$ (1)	
Prior service cost (credit)					(3)	$ (1)
Amortization of:						
Actuarial gain (loss)	(2)	(3)	(2)			
Total recognized in OCI	24	(18)	14		(4)	(1)
Total recognized in net periodic defined benefit costs and OCI	$ 29	$ (10)	$ 20	$	$ (3)	$ 1

Actuarial loss of $4 million related to PPL Energy Supply's pension plan is expected to be amortized from AOCI into net periodic defined benefit costs in 2015.

(LKE)

The following table provides the components of net periodic defined benefit costs for LKE's pension and other postretirement benefit plans for the years ended December 31.

	Pension Benefits			Other Postretirement Benefits		
	2014	2013	2012	2014	2013	2012
Net periodic defined benefit costs (credits):						
Service cost	$ 21	$ 26	$ 22	$ 4	$ 5	$ 4
Interest cost	66	62	64	9	8	9
Expected return on plan assets	(82)	(82)	(70)	(4)	(5)	(4)
Amortization of:						
Transition (asset) obligation						2
Prior service cost (credit)	5	5	5	2	3	3
Actuarial (gain) loss	12	33	22	(1)		(1)
Net periodic defined benefit costs (credit)	$ 22	$ 44	$ 43	$ 10	$ 11	$ 13
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI and Regulatory Assets/Liabilities - Gross:						
Net (gain) loss	$ 162	$ (116)	$ 96	$ 26	$ (14)	$ (11)
Prior service cost (credit)	23			6		
Amortization of:						
Transition asset (obligation)						(2)
Prior service (cost) credit	(5)	(5)	(5)	(2)	(3)	(3)
Actuarial gain (loss)	(12)	(33)	(22)	1		1
Total recognized in OCI and regulatory assets/liabilities	168	(154)	69	31	(17)	(15)
Total recognized in net periodic defined benefit costs, OCI and regulatory assets/liabilities	$ 190	$ (110)	$ 112	$ 41	$ (6)	$ (2)

For LKE's pension and other postretirement benefits, the amounts recognized in OCI and regulatory assets/liabilities for the years ended December 31 were as follows:

	Pension Benefits			Other Postretirement Benefits		
	2014	2013	2012	2014	2013	2012
OCI	$ 84	$ (46)	$ 34	$ 9	$ (1)	$ (1)
Regulatory assets/liabilities	84	(108)	35	22	(16)	(14)
Total recognized in OCI and regulatory assets/liabilities	$ 168	$ (154)	$ 69	$ 31	$ (17)	$ (15)

The estimated amounts to be amortized from AOCI and regulatory assets/liabilities into net periodic defined benefit costs for LKE in 2015 are as follows.

	Pension Benefits	Other Postretirement Benefits
Prior service cost (credit)	$ 7	$ 3
Actuarial (gain) loss	34	
Total	$ 41	$ 3
Amortization from Balance Sheet:		
AOCI	$ 3	$ 1
Regulatory assets/liabilities	38	2
Total	$ 41	$ 3

(LG&E)

The following table provides the components of net periodic defined benefit costs for LG&E's pension benefit plan for the years ended December 31.

	Pension Benefits		
	2014	2013	2012
Net periodic defined benefit costs (credits):			
Service cost	$ 1	$ 2	$ 2
Interest cost	15	14	14
Expected return on plan assets	(19)	(20)	(19)
Amortization of:			
Prior service cost (credit)	2	2	3
Actuarial (gain) loss	6	14	11
Net periodic defined benefit costs (credits)	$ 5	$ 12	$ 11
Other Changes in Plan Assets and Benefit Obligations Recognized in Regulatory Assets - Gross:			
Net (gain) loss	$ 14	$ (20)	$ 18
Prior service cost (credit)	9		
Amortization of:			
Prior service (cost) credit	(2)	(2)	(2)
Actuarial gain (loss)	(6)	(14)	(11)
Total recognized in regulatory assets/liabilities	15	(36)	5
Total recognized in net periodic defined benefit costs and regulatory assets	$ 20	$ (24)	$ 16

The estimated amounts to be amortized from regulatory assets into net periodic defined benefit costs for LG&E in 2015 are as follows.

	Pension Benefits
Prior service cost (credit)	$ 3
Actuarial (gain) loss	11
Total	$ 14

(All Registrants)

The following net periodic defined benefit costs (credits) were charged to operating expense, excluding amounts charged to construction and other non-expense accounts. The U.K. pension benefits apply to PPL only.

	Pension Benefits						Other Postretirement Benefits		
	U.S.			U.K.					
	2014	2013	2012	2014	2013	2012	2014	2013	2012
PPL	$ 84	$ 117	$ 119	$ (9)	$ 33	$ 25	$ 13	$ 19	$ 22
PPL Energy Supply	39	45	37				3	6	6
PPL Electric (a)	12	18	19				2	3	3
LKE	17	32	31				7	8	9
LG&E	5	14	13				4	4	5
KU (a)	3	9	8				2	2	3

(a) PPL Electric and KU do not directly sponsor any defined benefit plans. PPL Electric and KU were allocated these costs of defined benefit plans sponsored by PPL Services (for PPL Electric) and by LKE (for KU), based on their participation in those plans, which management believes are reasonable.

In the table above, for PPL Energy Supply and LG&E, amounts include costs for the specific plans each sponsors and the following allocated costs of defined benefit plans sponsored by PPL Services (for PPL Energy Supply) and by LKE (for LG&E), based on their participation in those plans, which management believes are reasonable:

	Pension Benefits			Other Postretirement Benefits		
	2014	2013	2012	2014	2013	2012
PPL Energy Supply	$ 34	$ 38	$ 31	$ 3	$ 5	$ 5
LG&E	2	5	5	4	4	5

(All Registrants except PPL Electric and KU)

PPL, PPL Energy Supply, LKE and LG&E adopted the new mortality tables issued by the Society of Actuaries in October 2014 (RP-2014 base tables) for all U.S. defined benefit pension and other postretirement benefit plans at December 31, 2014. In addition, PPL, PPL Energy Supply, LKE and LG&E updated the basis for estimating projected mortality improvements and selected the IRS BB-2D two-dimensional improvement scale on a generational basis for all U.S. defined benefit pension and other postretirement benefit plans. These new mortality assumptions reflect the recognition of both improved life expectancies and the expectation of continuing improvements in life expectancies. The use of the new base tables and improvement scale resulted in an increase to U.S. defined benefit pension and other postretirement benefit obligations, an increase to future expense and a decrease in funded status.

The following weighted-average assumptions were used in the valuation of the benefit obligations at December 31. The U.K. pension benefits apply to PPL only.

	Pension Benefits					
	U.S.		U.K.		Other Postretirement Benefits	
	2014	2013	2014	2013	2014	2013
PPL						
Discount rate	4.25%	5.12%	3.85%	4.41%	4.08%	4.91%
Rate of compensation increase	3.92%	3.97%	4.00%	4.00%	3.86%	3.96%
PPL Energy Supply						
Discount rate	4.28%	5.18%			3.81%	4.51%
Rate of compensation increase	4.03%	3.94%			4.03%	3.94%
LKE						
Discount rate	4.25%	5.18%			4.06%	4.91%
Rate of compensation increase	3.50%	4.00%			3.50%	4.00%
LG&E						
Discount rate	4.20%	5.13%				

The following weighted-average assumptions were used to determine the net periodic defined benefit costs for the years ended December 31. The U.K. pension benefits apply to PPL only.

	Pension Benefits								
	U.S.			U.K.			Other Postretirement Benefits		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
PPL									
Discount rate	5.12%	4.22%	5.06%	4.41%	4.27%	5.24%	4.91%	4.00%	4.80%
Rate of compensation increase	3.97%	3.98%	4.02%	4.00%	4.00%	4.00%	3.96%	3.97%	4.00%
Expected return on plan assets (a)	7.00%	7.03%	7.07%	7.19%	7.16%	7.17%	5.96%	5.94%	5.99%
PPL Energy Supply									
Discount rate	5.18%	4.25%	5.12%				4.51%	3.77%	4.60%
Rate of compensation increase	3.94%	3.95%	4.00%				3.94%	3.95%	4.00%
Expected return on plan assets (a)	7.00%	7.00%	7.00%				N/A	N/A	N/A
LKE									
Discount rate	5.18%	4.24%	5.09%				4.91%	3.99%	4.78%
Rate of compensation increase	4.00%	4.00%	4.00%				4.00%	4.00%	4.00%
Expected return on plan assets (a)	7.00%	7.10%	7.25%				6.75%	6.76%	7.02%
LG&E									
Discount rate	5.13%	4.20%	5.00%						
Expected return on plan assets (a)	7.00%	7.10%	7.25%						

(a) The expected long-term rates of return for pension and other postretirement benefits are based on management's projections using a best-estimate of expected returns, volatilities and correlations for each asset class. Each plan's specific current and expected asset allocations are also considered in developing a reasonable return assumption.

(PPL, PPL Energy Supply and LKE)

The following table provides the assumed health care cost trend rates for the years ended December 31:

	2014	2013	2012
PPL, PPL Energy Supply and LKE			
Health care cost trend rate assumed for next year			
- obligations	7.2%	7.6%	8.0%
- cost	7.6%	8.0%	8.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			
- obligations	5.0%	5.0%	5.5%
- cost	5.0%	5.5%	5.5%
Year that the rate reaches the ultimate trend rate			
- obligations	2020	2020	2019
- cost	2020	2019	2019

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 2014:

	One Percentage Point	
	Increase	Decrease
Effect on accumulated postretirement benefit obligation		
PPL	$ 5	$ (5)
LKE	4	(4)

The effects on PPL Energy Supply's other postretirement benefit plan would not have been significant.

(PPL)

The funded status of PPL's plans at December 31 was as follows:

	Pension Benefits					
	U.S.		U.K.		Other Postretirement Benefits	
	2014	2013	2014	2013	2014	2013
Change in Benefit Obligation						
Benefit Obligation, beginning of period	$ 4,591	$ 5,046	$ 8,143	$ 7,888	$ 662	$ 722
Service cost	102	126	71	69	12	14
Interest cost	233	213	354	320	32	29
Participant contributions			16	15	12	12
Plan amendments	(7)				6	(4)
Actuarial (gain) loss	925	(540)	747	46	58	(54)
Curtailments					(1)	
Termination benefits	13			3		
Gross benefits paid (a)	(248)	(254)	(411)	(375)	(56)	(57)
Federal subsidy					1	
Currency conversion			(397)	177		
Benefit Obligation, end of period	5,609	4,591	8,523	8,143	726	662
Change in Plan Assets						
Plan assets at fair value, beginning of period	4,156	3,939	7,284	6,911	446	421
Actual return on plan assets	622	72	895	438	62	37
Employer contributions	102	399	311	134	16	30
Participant contributions			16	15	12	12
Gross benefits paid (a)	(248)	(254)	(411)	(375)	(52)	(54)
Currency conversion			(361)	161		
Plan assets at fair value, end of period	4,632	4,156	7,734	7,284	484	446
Funded Status, end of period	$ (977)	$ (435)	$ (789)	$ (859)	$ (242)	$ (216)
Amounts recognized in the Balance Sheets consist of:						
Noncurrent asset					$ 1	
Current liability	$ (10)	$ (8)	$ (1)		(4)	$ (1)
Noncurrent liability	(967)	(427)	(788)	$ (859)	(239)	(215)
Net amount recognized, end of period	$ (977)	$ (435)	$ (789)	$ (859)	$ (242)	$ (216)

	Pension Benefits				Other Postretirement Benefits	
	U.S.		U.K.			
	2014	2013	2014	2013	2014	2013
Amounts recognized in AOCI and regulatory assets/liabilities (pre-tax) consist of:						
Prior service cost (credit)	$ 41	$ 69			$ (4)	$ (11)
Net actuarial (gain) loss	1,412	842	$ 2,334	$ 2,112	54	33
Total (b)	$ 1,453	$ 911	$ 2,334	$ 2,112	$ 50	$ 22
Total accumulated benefit obligation for defined benefit pension plans	$ 5,156	$ 4,191	$ 7,867	$ 7,542		

(a) Certain U.S. pension plans offered a limited-time program in 2014 and 2013 during which terminated vested participants could elect to receive their accrued pension benefit as a one-time lump sum payment. Gross benefits paid includes $33 million and $64 million of lump-sum cash payments made to terminated vested participants in 2014 and 2013 in connection with these offerings.
(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	
	2014	2013	2014	2013
AOCI	$ 773	$ 430	$ 26	$ 19
Regulatory assets/liabilities	680	481	24	3
Total	$ 1,453	$ 911	$ 50	$ 22

The following tables provide information on pension plans where the projected benefit obligation (PBO) or accumulated benefit obligation (ABO) exceed the fair value of plan assets:

	U.S.		U.K.	
	PBO in excess of plan assets		PBO in excess of plan assets	
	2014	2013	2014	2013
Projected benefit obligation	$ 5,609	$ 4,591	$ 8,523	$ 8,143
Fair value of plan assets	4,632	4,156	7,734	7,284

	U.S.		U.K.	
	ABO in excess of plan assets		ABO in excess of plan assets	
	2014	2013	2014	2013
Accumulated benefit obligation	$ 5,156	$ 572	$ 3,592	$ 3,441
Fair value of plan assets	4,632	431	3,321	3,131

(PPL Energy Supply)

The funded status of PPL Energy Supply's plans at December 31 was as follows:

	Pension Benefits		Other Postretirement Benefits	
	2014	2013	2014	2013
Change in Benefit Obligation				
Benefit Obligation, beginning of period	$ 163	$ 176	$ 12	$ 17
Service cost	5	7		1
Interest cost	9	8	1	
Plan amendments				(4)
Actuarial (gain) loss	38	(23)	(1)	(1)
Curtailments			(1)	
Gross benefits paid	(5)	(5)	(1)	(1)
Benefit Obligation, end of period	210	163	10	12

	Pension Benefits		Other Postretirement Benefits	
	2014	2013	2014	2013
Change in Plan Assets				
Plan assets at fair value, beginning of period	147	149		
Actual return on plan assets	22	3		
Employer contributions	6		1	1
Gross benefits paid	(5)	(5)	(1)	(1)
Plan assets at fair value, end of period	170	147		
Funded Status, end of period	$ (40)	$ (16)	$ (10)	$ (12)
Amounts recognized in the Balance Sheets consist of:				
Current liability			$ (1)	$ (1)
Noncurrent liability	$ (40)	$ (16)	(9)	(11)
Net amount recognized, end of period	$ (40)	$ (16)	$ (10)	$ (12)
Amounts recognized in AOCI (pre-tax) consist of:				
Prior service cost (credit)			$ (4)	$ (5)
Net actuarial (gain) loss	$ 59	$ 34		1
Total	$ 59	$ 34	$ (4)	$ (4)
Total accumulated benefit obligation for defined benefit pension plans	$ 210	$ 163		

PPL Energy Supply's pension plan had projected and accumulated benefit obligations in excess of the fair value of plan assets at December 31, 2014 and 2013.

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:

	2014	2013
Pension	$ 259	$ 96
Other postretirement benefits	34	35

(LKE)

The funded status of LKE's plans at December 31 was as follows:

	Pension Benefits		Other Postretirement Benefits	
	2014	2013	2014	2013
Change in Benefit Obligation				
Benefit Obligation, beginning of period	$ 1,328	$ 1,487	$ 193	$ 209
Service cost	21	26	4	5
Interest cost	66	62	9	8
Participant contributions			7	7
Plan amendments (a)	23		6	
Actuarial (gain) loss	253	(177)	32	(18)
Gross benefits paid (b)	(83)	(70)	(17)	(18)
Benefit Obligation, end of period	1,608	1,328	234	193
Change in Plan Assets				
Plan assets at fair value, beginning of period	1,173	1,070	74	68
Actual return on plan assets	173	21	10	1
Employer contributions	38	152	8	16
Participant contributions			7	7
Gross benefits paid (b)	(83)	(70)	(17)	(18)
Plan assets at fair value, end of period	1,301	1,173	82	74
Funded Status, end of period	$ (307)	$ (155)	$ (152)	$ (119)

	Pension Benefits		Other Postretirement Benefits	
	2014	2013	2014	2013
Amounts recognized in the Balance Sheets consist of:				
Noncurrent asset			$ 2	
Current liability	$ (3)	$ (3)	(3)	
Noncurrent liability	(304)	(152)	(151)	$ (119)
Net amount recognized, end of period	$ (307)	$ (155)	$ (152)	$ (119)
Amounts recognized in AOCI and regulatory assets/liabilities (pre-tax) consist of:				
Prior service cost (credit)	$ 43	$ 24	$ 12	$ 8
Net actuarial (gain) loss	354	205	(4)	(30)
Total	$ 397	$ 229	$ 8	$ (22)
Total accumulated benefit obligation for defined benefit pension plans	$ 1,461	$ 1,176		

(a) The plans were amended in December 2014 to enhance the early retirement factors for all plan participants retiring on or after January 1, 2015. These modifications resulted in an increase of $23 million in the plans' projected benefit obligations as of December 31, 2014.
(b) Certain LKE pension plans offered a limited-time program in 2014 and 2013 during which terminated vested participants could elect to receive their accrued pension benefit as a one-time lump-sum payment. The gross benefits paid includes $33 million and $21 million of lump-sum cash payments made to terminated vested participants in 2014 and 2013 in connection with these offerings.

The amounts recognized in AOCI and regulatory assets/liabilities at December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2014	2013	2014	2013
AOCI	$ 65	$ (19)	$ 8	
Regulatory assets/liabilities	332	248		$ (22)
Total	$ 397	$ 229	$ 8	$ (22)

The following tables provide information on pension plans where the projected benefit obligation (PBO) or accumulated benefit obligations (ABO) exceed the fair value of plan assets:

	PBO in excess of plan assets	
	2014	2013
Projected benefit obligation	$ 1,608	$ 1,328
Fair value of plan assets	1,301	1,173

	ABO in excess of plan assets	
	2014	2013
Accumulated benefit obligation	$ 1,461	$ 350
Fair value of plan assets	1,301	284

(LG&E)

The funded status of LG&E's plan at December 31, was as follows:

	Pension Benefits	
	2014	2013
Change in Benefit Obligation		
Benefit Obligation, beginning of period	$ 291	$ 331
Service cost	1	2
Interest cost	15	14
Plan amendments (a)	9	
Actuarial (gain) loss	36	(35)
Gross benefits paid (b)	(21)	(21)
Benefit Obligation, end of period	331	291

	Pension Benefits	
	2014	2013
Change in Plan Assets		
Plan assets at fair value, beginning of period	281	287
Actual return on plan assets	41	4
Employer contributions		11
Gross benefits paid (b)	(21)	(21)
Plan assets at fair value, end of period	301	281
Funded Status, end of period	$ (30)	$ (10)
Amounts recognized in the Balance Sheets consist of:		
Noncurrent liability	$ (30)	$ (10)
Net amount recognized, end of period	$ (30)	$ (10)
Amounts recognized in regulatory assets (pre-tax) consist of:		
Prior service cost (credit)	$ 22	$ 15
Net actuarial (gain) loss	98	90
Total	$ 120	$ 105
Total accumulated benefit obligation for defined benefit pension plan	$ 330	$ 288

(a) The plan was amended in December 2014 to enhance the early retirement factors for all plan participants retiring on or after January 1, 2015. This modification resulted in an increase of $9 million in the plan's projected benefit obligation as of December 31, 2014.
(b) LG&E's pension plan offered a limited-time program in 2014 and 2013 during which terminated vested participants could elect to receive their accrued pension benefit as a one-time lump-sum payment. The gross benefits paid includes $8 million and $7 million of lump-sum cash payments made to terminated vested participants in 2014 and 2013 in connection with these offerings.

LG&E's pension plan had projected and accumulated benefit obligations in excess of plan assets at December 31, 2014 and 2013.

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:

	2014	2013
Pension	$ 27	$ 9
Other postretirement benefits	85	73

(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 2014, 2013 and 2012. At the date the financial statements were issued, the Form 5500 was not available for the plan year ending in 2014. Therefore, the following disclosures specific to this plan are being made based on the Form 5500s filed for the plan years ended December 31, 2013 and 2012. 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 four subsidiaries contributing to the plan had exceeded 5%. The plan had a

Pension Protection Act zone status of red, without utilizing an extended amortization period, as of December 31, 2013 and 2012. 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 September 18, 2016. 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.

	2014	2013	2012
Pension Plans	$ 40	$ 36	$ 31
Other Postretirement Benefit Plans	33	32	28
Total Contributions	$ 73	$ 68	$ 59

(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.

	2014	2013
Pension	$ 212	$ 96
Other postretirement benefits	40	41

(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.

	2014	2013
Pension	$ 59	$ 11
Other postretirement benefits	52	42

Plan Assets - U.S. Pension Plans

(All Registrants except PPL Electric and KU)

PPL's primary legacy pension plan, the pension plans sponsored by LKE and the pension plan in which employees of PPL Montana participate are invested in the PPL Services Corporation Master Trust (the Master Trust) that also includes 401(h) accounts that are restricted for certain other postretirement benefit obligations of PPL and LKE. The investment strategy for the Master Trust is to achieve a risk-adjusted return on a mix of assets that, in combination with PPL's funding policy, will ensure that sufficient assets are available to provide long-term growth and liquidity for benefit payments, while also managing the duration of the assets to complement the duration of the liabilities. The Master Trust benefits from a wide diversification of asset types, investment fund strategies and external investment fund managers, and therefore has no significant concentration of risk.

The investment policy of the Master Trust outlines investment objectives and defines the responsibilities of the EBPB, external investment managers, investment advisor and trustee and custodian. The investment policy is reviewed annually by PPL's Board of Directors.

The EBPB created a risk management framework around the trust assets and pension liabilities. This framework considers the trust assets as being composed of three sub-portfolios: growth, immunizing and liquidity portfolios. The growth portfolio is comprised of investments that generate a return at a reasonable risk, including equity securities, certain debt securities and alternative investments. The immunizing portfolio consists of debt securities, generally with long durations, and derivative positions. The immunizing portfolio is designed to offset a portion of the change in the pension liabilities due to changes in interest rates. The liquidity portfolio consists primarily of cash and cash equivalents.

Target allocation ranges have been developed for each portfolio 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 2014 are presented below.

The asset allocation for the trust and the target allocation by portfolio at December 31 are as follows:

	Percentage of trust assets		2014 Target Asset Allocation (a)		
	2014 (a)	2013	Weighted Average	PPL Plans	LKE Plans
Growth Portfolio	**51%**	**59%**	**52%**	**52%**	**52%**
Equity securities	26%	30%			
Debt securities (b)	13%	17%			
Alternative investments	12%	12%			
Immunizing Portfolio	**47%**	**39%**	**46%**	**46%**	**46%**
Debt securities (b)	44%	40%			
Derivatives	3%	(1%)			
Liquidity Portfolio	**2%**	**2%**	**2%**	**2%**	**2%**
Total	100%	100%	100%	100%	100%

(a) Allocations exclude consideration of cash for the WKE Bargaining Employees' Retirement Plan and a group annuity contract held by the LG&E and KU Retirement Plan.
(b) Includes commingled debt funds, which PPL treats as debt securities for asset allocation purposes.

(PPL Energy Supply)

PPL Montana, a subsidiary of PPL Energy Supply, has a pension plan whose assets are invested solely in the Master Trust, which is fully disclosed below. The fair value of this plan's assets of $170 million and $147 million at December 31, 2014 and 2013 represents an interest of approximately 4% and 3% in the Master Trust.

(LKE)

LKE has pension plans, including LG&E's plan, whose assets are invested solely in the Master Trust, which is fully disclosed below. The fair value of these plans' assets of $1.3 billion and $1.2 billion at December 31, 2014 and 2013 represents an interest of approximately 28% and 29% in the Master Trust.

(LG&E)

LG&E has a pension plan whose assets are invested solely in the Master Trust, which is fully disclosed below. The fair value of this plan's assets of $301 million and $281 million at December 31, 2014 and 2013 represents an interest of approximately 6% and 7% in the Master Trust.

(All Registrants except PPL Electric and KU)

The fair value of net assets in the Master Trust by asset class and level within the fair value hierarchy was:

	December 31, 2014				December 31, 2013			
		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	$ 246	$ 246			$ 120	$ 120		
Equity securities:								
U.S.:								
Large-cap	432	114	$ 318		480	134	$ 346	
Small-cap	145	145			137	137		
International	615		615		630	163	467	
Commingled debt	818		818		749	13	736	
Debt securities:								
U.S. Treasury and U.S. government sponsored agency	723	706	17		617	563	54	
Residential/commercial backed securities	2		2		12		11	$ 1
Corporate	1,109		1,088	$ 21	963		940	23
International government	8		8		7		7	
Other	9		9		24		24	
Alternative investments:								
Commodities	90		90		108		108	
Real estate	148		148		134		134	
Private equity	104			104	80			80
Hedge funds	223		223		210		210	
Derivatives:								
Interest rate swaps and swaptions	92		92		(49)		(49)	
Other	12		12		12		12	
Insurance contracts	33			33	37			37
PPL Services Corporation Master Trust assets, at fair value	4,809	$ 1,211	$ 3,440	$ 158	4,271	$ 1,130	$ 3,000	$ 141
Receivables and payables, net (a)	(41)							
401(h) accounts restricted for other postretirement benefit obligations	(136)				(115)			
Total PPL Services Corporation Master Trust pension assets	$ 4,632				$ 4,156			

(a) Receivables and payables represent amounts for investments sold/purchased but not yet settled along with interest and dividends earned but not yet received.

A reconciliation of the Master Trust assets classified as Level 3 at December 31, 2014 is as follows:

	Residential/ commercial backed securities	Corporate debt	Private equity	Insurance contracts	Total
Balance at beginning of period	$ 1	$ 23	$ 80	$ 37	$ 141
Actual return on plan assets					
Relating to assets still held at the reporting date	(1)	(1)	19	1	18
Relating to assets sold during the period		(1)			(1)
Purchases, sales and settlements			5	(5)	
Balance at end of period	$	$ 21	$ 104	$ 33	$ 158

A reconciliation of the Master 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 during the period		5				5
Purchases, sales and settlements		(9)	2	(7)		(14)
Transfers from level 3 to level 2					(1)	(1)
Balance at end of period	$ 1	$ 23	$ 80	$ 37	$	$ 141

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 evaluations that reflect observable market information, such as actual trade information for identical securities or for similar securities, adjusted for observable differences. The fair value of debt securities is generally measured using a market approach, including the use of pricing models which incorporate observable inputs. Common inputs include benchmark yields, relevant trade data, broker/dealer bid/ask prices, benchmark securities and credit valuation adjustments. When necessary, the fair value of debt securities is measured using the income approach, which incorporates similar observable inputs as well as payment data, future predicted cash flows, collateral performance and new issue data. For the Master Trust, these securities represent investments in securities issued by U.S. Treasury and U.S. government sponsored agencies; investments securitized by residential mortgages, auto loans, credit cards and other pooled loans; investments in investment grade and non-investment grade bonds issued by U.S. companies across several industries; investments in debt securities issued by foreign governments and corporations 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 Master Trust has unfunded commitments of $55 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 most 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 within 65 to 95 days with 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 - U.S. Other Postretirement Benefit Plans

The investment strategy with respect to other postretirement benefit obligations is to fund VEBA trusts and/or 401(h) accounts with voluntary contributions and to invest in a tax efficient manner. Excluding the 401(h) accounts included in the Master Trust, other postretirement benefit plans are invested in a mix of assets for long-term growth with an objective of earning returns that provide liquidity as required for benefit payments. These plans benefit from diversification of asset types, investment fund strategies and investment fund managers, and therefore, have no significant concentration of risk. Equity securities include investments in domestic large-cap commingled funds. Ownership interests in commingled funds that invest entirely in debt securities are classified as equity securities, but treated as debt securities for asset allocation and target allocation purposes. Ownership interests in money market funds are treated as cash and cash equivalents for asset allocation and target allocation purposes. The asset allocation for the PPL VEBA trusts, excluding LKE, and the target allocation, by asset class, at December 31 are detailed below.

	Percentage of plan assets		Target Asset Allocation
	2014	2013	2014
Asset Class			
U.S. Equity securities	49%	55%	45%
Debt securities (a)	49%	41%	50%
Cash and cash equivalents (b)	2%	4%	5%
Total	100%	100%	100%

(a) Includes commingled debt funds and debt securities.
(b) Includes money market funds.

LKE's other postretirement benefit plan is invested primarily in a 401(h) account, as disclosed in the PPL Services Corporation Master Trust, with insignificant amounts invested in money market funds within VEBA trusts for liquidity.

The fair value of assets in the U.S. other postretirement benefit plans by asset class and level within the fair value hierarchy was:

	December 31, 2014				December 31, 2013			
		Fair Value Measurement Using				Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Money market funds	$ 9	$ 9			$ 12	$ 12		
U.S. Equity securities:								
Large-cap	169		$ 169		182		$ 182	
Commingled debt	136		136		100		100	
Debt securities:								
Municipalities	33		33		36		36	
Total VEBA trust assets, at fair value	347	$ 9	$ 338		330	$ 12	$ 318	
Receivables and payables, net (a)	1				1			
401(h) account assets	136				115			
Total other postretirement benefit plan assets	$ 484				$ 446			

(a) Receivables and payables represent amounts for investments sold/purchased but not yet settled along with interest and dividends earned but not yet received.

Investments in money market funds represent investments in funds that invest primarily in a diversified portfolio of investment grade money market instruments, including, but not limited to, commercial paper, notes, repurchase agreements and other evidences of indebtedness with a maturity not exceeding 13 months from the date of purchase. The primary objective of the fund is a high level of current income consistent with stability of principal and liquidity. Redemptions can be made daily on this fund.

Investments in large-cap equity securities represent investments in a passively managed equity index fund that invests in securities and a combination of other collective funds. Fair value measurements are not obtained from a quoted price in an active market but are based on firm quotes of net asset values per share as provided by the trustee of the fund. Redemptions can be made daily on this fund.

Investments in commingled debt securities represent investments in a fund that invests in a diversified portfolio of investment grade long-duration fixed income securities. Redemptions can be made weekly on these funds.

Investments in municipalities represent investments in a diverse mix of tax-exempt municipal securities. The fair value measurements for these securities are based on recently executed transactions for identical securities or for similar securities.

Plan Assets - U.K. Pension Plans *(PPL)*

The overall investment strategy of WPD's pension plans is developed by each plan's independent trustees in its Statement of Investment Principles in compliance with the U.K. Pensions Act of 1995 and other U.K. legislation. The trustees' primary focus is to ensure that assets are sufficient to meet members' benefits as they fall due with a longer term objective to reduce investment risk. The investment strategy is intended to maximize investment returns while not incurring excessive volatility in the funding position. WPD's plans are invested in a wide diversification of asset types, fund strategies and fund managers; and therefore, have no significant concentration of risk. Commingled funds that consist entirely of debt securities are traded as equity units, but treated by WPD as debt securities for asset allocation and target allocation purposes. These include investments in U.K. corporate bonds and U.K. gilts.

The asset allocation and target allocation at December 31 of WPD's pension plans are detailed below.

	Percentage of plan assets		Target Asset Allocation
	2014	**2013**	**2014**
Asset Class			
Cash and cash equivalents	1%		
Equity securities			
U.K.	3%	7%	3%
European (excluding the U.K.)	3%	5%	3%
Asian-Pacific	2%	3%	2%
North American	3%	5%	3%
Emerging markets	9%	8%	9%
Currency	2%	7%	3%
Global Tactical Asset Allocation	29%	19%	30%
Debt securities (a)	42%	40%	41%
Alternative investments	6%	6%	6%
Total	100%	100%	100%

(a) Includes commingled debt funds.

The fair value of assets in the U.K. pension plans by asset class and level within the fair value hierarchy was:

	December 31, 2014				December 31, 2013			
		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	$ 57	$ 57			$ 10	$ 10		
Equity securities:								
U.K. companies	239		$ 239		523	267	$ 256	
European companies (excluding the U.K.)	198		198		355	275	80	
Asian-Pacific companies	142		142		226	180	46	
North American companies	227		227		352	254	98	
Emerging markets companies	309		309		411	126	285	
Global Equities	397		397		161		161	
Currency	190		190		485		485	
Global Tactical Asset Allocation	2,263		2,263		1,384		1,384	
Commingled debt:								
U.K. corporate bonds	436		436		504		504	
U.K. gilts	2,840		2,840		2,426		2,426	

	December 31, 2014				December 31, 2013			
		Fair Value Measurement Using				Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Alternative investments:								
Real estate	436		436		447		447	
Fair value - U.K. pension plans	$ 7,734	$ 57	$ 7,677		$ 7,284	$ 1,112	$ 6,172	

Except for investments in real estate, the fair value measurements of WPD's pension plan assets are based on the same inputs and measurement techniques used to measure the U.S. pension plan assets described above.

Investments in equity securities represent actively and passively managed funds that are measured against various equity indices. 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.

U.K. corporate bonds include investment grade corporate bonds of companies from diversified U.K. industries.

U.K. gilts include gilts, index-linked gilts and swaps intended to track a portion of the plans' liabilities.

Investments in real estate represent holdings in a U.K. unitized fund that owns and manages U.K. industrial and commercial real estate with a strategy of earning current rental income and achieving capital growth. The fair value measurement of the fund is based upon a net asset value per share, which is based on the value of underlying properties that are independently appraised in accordance with Royal Institution of Chartered Surveyors valuation standards at least annually with quarterly valuation updates based on recent sales of similar properties, leasing levels, property operations and/or market conditions. The fund may be subject to redemption restrictions in the unlikely event of a large forced sale in order to ensure other unit holders are not disadvantaged.

Expected Cash Flows - U.S. Defined Benefit Plans *(PPL)*

PPL's U.S. defined benefit pension plans have the option to utilize available prior year credit balances to meet current and future contribution requirements. However, PPL contributed $175 million to its U.S. pension plans in January 2015.

PPL sponsors various non-qualified supplemental pension plans for which no assets are segregated from corporate assets. PPL expects to make approximately $10 million of benefit payments under these plans in 2015.

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 $17 million to its other postretirement benefit plans in 2015.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the plans and the following federal subsidy payments are expected to be received by PPL.

		Other Postretirement	
	Pension	Benefit Payment	Expected Federal Subsidy
2015	$ 268	$ 54	$ 1
2016	279	56	1
2017	294	58	1
2018	308	60	1
2019	323	62	1
2020-2024	1,749	326	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. However, PPL Montana contributed $32 million to its pension plan in January 2015.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the plans.

	Pension	Other Postretirement
2015	$ 5	$ 1
2016	7	1
2017	7	1
2018	8	2
2019	9	2
2020-2024	58	9

(LKE)

LKE's defined benefit pension plans have the option to utilize available prior year credit balances to meet current and future contribution requirements. However, LKE contributed $49 million to its pension plans in January 2015.

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 2015.

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 $13 million to its other postretirement benefit plan in 2015.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the plans and the following federal subsidy payments are expected to be received by LKE.

		Other Postretirement	
	Pension	Benefit Payment	Expected Federal Subsidy
2015	$ 60	$ 14	
2016	62	14	
2017	67	15	$ 1
2018	72	16	
2019	77	17	
2020-2024	456	88	2

(LG&E)

LG&E's defined benefit pension plan has the option to utilize available prior year credit balances to meet current and future contribution requirements. However, LG&E contributed $13 million to its pension plan in January 2015.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the plan.

	Pension
2015	$ 15
2016	16
2017	17
2018	18
2019	19
2020-2024	105

Expected Cash Flows - U.K. Pension Plans *(PPL)*

The pension plans of WPD are subject to formal actuarial valuations every three years, which are used to determine funding requirements. Contribution requirements for periods after April 1, 2014 were evaluated in accordance with the valuations performed as of March 31, 2013. WPD expects to make contributions of approximately $377 million in 2015. WPD is currently permitted to recover in rates approximately 64% of their pension funding requirements for their primary pension plans, increasing to approximately 80% in 2019.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the plans.

		Pension
2015	$	386
2016		391
2017		395
2018		403
2019		409
2020-2024		2,118

Savings Plans *(All Registrants)*

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:

	2014	2013	2012
PPL	$ 47	$ 41	$ 36
PPL Energy Supply	14	12	12
PPL Electric	6	6	5
LKE	15	13	12
LG&E	5	7	6
KU	4	6	6

(PPL, PPL Energy Supply and PPL Electric)

Employee Stock Ownership Plan

PPL sponsors 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, which is discretionary, 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.

For 2014 and 2013, PPL did not record compensation expense related to the ESOP as no contribution was made. Compensation expense for ESOP contributions was $8 million in 2012. This amount was offset by the dividend-based contribution tax savings and had no impact on PPL's earnings.

PPL shares within the ESOP at December 31, 2014 were 7,053,754, 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.

See Note 8 for a discussion of separation benefits related to the anticipated spinoff of PPL Energy Supply and Note 13 for a discussion of separation benefits related to the one-time voluntary retirement window offered to certain bargaining unit employees as part of the new three-year labor agreement with IBEW local 1600. Separation benefits were not significant in 2013 and 2012.

12. Jointly Owned Facilities

(All Registrants except PPL Electric)

At December 31, 2014 and 2013, 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, 2014					
Generating Plants					
Susquehanna	90.00%	$ 4,746		$ 3,591	$ 117
Conemaugh	16.25%	330		141	2
Keystone	12.34%	213		102	2
Trimble County Units 1 & 2	75.00%	1,311		173	91
Merrill Creek Reservoir	8.37%		$ 22	15	
December 31, 2013					
Generating Plants					
Susquehanna	90.00%	$ 4,686		$ 3,545	$ 76
Conemaugh	16.25%	247		131	63
Keystone	12.34%	207		91	2
Trimble County Units 1 & 2	75.00%	1,288		144	54
Merrill Creek Reservoir	8.37%		$ 22	16	
PPL Energy Supply					
December 31, 2014					
Generating Plants					
Susquehanna	90.00%	$ 4,746		$ 3,591	$ 117
Conemaugh	16.25%	330		141	2
Keystone	12.34%	213		102	2
Merrill Creek Reservoir	8.37%		$ 22	15	
December 31, 2013					
Generating Plants					
Susquehanna	90.00%	$ 4,686		$ 3,545	$ 76
Conemaugh	16.25%	247		131	63
Keystone	12.34%	207		91	2
Merrill Creek Reservoir	8.37%		$ 22	16	
LKE					
December 31, 2014					
Generating Plants					
Trimble County Unit 1	75.00%	$ 309		$ 51	$ 59
Trimble County Unit 2	75.00%	1,002		122	32
December 31, 2013					
Generating Plants					
Trimble County Unit 1	75.00%	$ 308		$ 42	$ 18
Trimble County Unit 2	75.00%	980		102	36
LG&E					
December 31, 2014					
Generating Plants					
E.W. Brown Units 6-7	38.00%	$ 40		$ 10	
Paddy's Run Unit 13 & E.W. Brown Unit 5	53.00%	47		7	
Trimble County Unit 1	75.00%	309		51	$ 59
Trimble County Unit 2	14.25%	205		23	15
Trimble County Units 5-6	29.00%	29		5	
Trimble County Units 7-10	37.00%	70		11	
Cane Run Unit 7	22.00%				113

	Ownership Interest	Electric Plant	Other Property	Accumulated Depreciation	Construction Work in Progress
December 31, 2013					
Generating Plants					
E.W. Brown Units 6-7	38.00%	$ 40		$ 7	$ 1
Paddy's Run Unit 13 & E.W. Brown Unit 5	53.00%	46		5	1
Trimble County Unit 1	75.00%	308		42	18
Trimble County Unit 2	14.25%	200		19	14
Trimble County Units 5-6	29.00%	29		3	
Trimble County Units 7-10	37.00%	69		7	1
Cane Run Unit 7	22.00%				91
KU					
December 31, 2014					
Generating Plants					
E.W. Brown Units 6-7	62.00%	$ 65		$ 15	$ 1
Paddy's Run Unit 13 & E.W. Brown Unit 5	47.00%	42		6	
Trimble County Unit 2	60.75%	797		98	17
Trimble County Units 5-6	71.00%	70		11	
Trimble County Units 7-10	63.00%	120		18	1
Cane Run Unit 7	78.00%				403
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

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, 2014 and 2013, PPL Montana had a 50% ownership interest in Colstrip Units 1 and 2 and a 30% ownership interest in Colstrip Unit 3. The book value of these assets was not significant. At December 31, 2014 and 2013, 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.

13. Commitments 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	2026
Natural Gas Transportation	2032
Power, excluding wind	2021
RECs	2021
Wind Power	2027

(a) 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	2019
Coal Transportation and Fleeting Services	2024
Natural Gas Storage	2024
Natural Gas Transportation	2024

LG&E and KU have a power purchase agreement with OVEC expiring in June 2040. See footnote (h) to the table in "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:

	LG&E	**KU**	**Total**
2015	$ 18	$ 8	$ 26
2016	18	8	26
2017	19	8	27
2018	20	9	29
2019	22	10	32
Thereafter	510	226	736
	$ 607	$ 269	$ 876

In addition, LG&E and KU had total energy purchases under the OVEC power purchase agreement for the years ended December 31 as follows:

	2014	**2013**	**2012**
LG&E	$ 17	$ 18	$ 20
KU	8	8	9
Total	$ 25	$ 26	$ 29

(PPL and PPL Electric)

In January 2013, the PUC approved PPL Electric's procurement plan for the period June 2013 through May 2015. To date, PPL Electric has conducted all of its planned competitive solicitations. The solicitations include layered short-term full requirement products ranging from three months to 12 months for residential and small commercial and industrial PLR customers as well as a recurring 12 month spot market product for large commercial and industrial PLR customers. In April 2014, PPL Electric filed a new DSP with the PUC for the period June 1, 2015 through May 2017. The PUC subsequently approved the plan on January 15, 2015. The approved plan proposes that PPL Electric procure this energy through competitive solicitations conducted twice each plan year beginning in April 2015.

(PPL Electric)

See Note 14 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 2020, excluding long-term renewable energy agreements that extend into 2038.

(PPL Energy Supply)

See Note 14 for information on the power supply agreements between PPL EnergyPlus and PPL Electric.

Legal Matters

(All Registrants)

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

WKE Indemnification *(PPL and LKE)*

See footnote (g) 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)

Sierra Club Litigation

In July 2012, PPL Montana received a Notice of Intent to Sue (Notice) for violations of the Clean Air Act at Colstrip Steam Electric Station (Colstrip) from counsel on behalf of the Sierra Club and the Montana Environmental Information Center (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 PacificCorp. The Notices allege certain violations of the Clean Air Act, including New Source Review, Title V and opacity requirements.

On March 6, 2013, the Sierra Club and MEIC filed a complaint against PPL Montana and the other Colstrip co-owners in the U.S. District Court, District of Montana, Billings Division. PPL Montana operates Colstrip on behalf of the co-owners. The complaint is generally consistent with the prior Notices and lists 39 separate claims for relief. All but three of the claims allege Prevention of Significant Deterioration (PSD)-related violations under the federal Clean Air Act for various plant maintenance projects completed since 1992. For each such project or set of projects, there are separate claims for failure to obtain a PSD permit, for failure to obtain a Montana Air Quality Permit to operate after the project(s) were completed and for operating after completion of such project(s) without "Best Available Control Technology". The remaining three claims relate to the alleged failure to update the Title V operating permit for Colstrip to reflect the alleged major modifications described in the other claims, allege that the previous Title V compliance certifications were incomplete because they did not address the major plant modifications, and that numerous opacity violations have occurred at the plant since 2007. The complaint requests injunctive relief and civil penalties on average of $36,000 per day per violation, including a request that the owners remediate environmental damage and that $100,000 of the civil penalties be used for beneficial mitigation projects.

In July 2013, the Sierra Club and MEIC filed an additional Notice, identifying additional plant projects that are alleged not to be in compliance with the Clean Air Act and, in September 2013, filed an amended complaint. The amended complaint dropped all claims regarding pre-2001 plant projects, as well as the plaintiffs' Title V and opacity claims. It did, however, add claims with respect to a number of post-2000 plant projects, which effectively increased the number of projects subject to the litigation by about 40. PPL Montana and the other Colstrip owners filed a motion to dismiss the amended complaint in October 2013. In May 2014, the court dismissed the plaintiffs' independent Best Available Control Technology claims and their Prevention of Significant Deterioration (PSD) claims for three projects, but denied the owners' motion to dismiss the plaintiffs' other PSD claims on statute of limitation grounds. On August 27, 2014, the Sierra Club and MEIC filed a second amended complaint. This complaint includes the same causes of action articulated in the first amended complaint, but alleges those claims in regard to only eight projects at the plant between 2001 and 2013. On September 26, 2014, the Colstrip owners filed an answer to the second amended complaint. Discovery is ongoing. In January 2015, trial as to liability in this matter was rescheduled to November 16, 2015. A trial date with respect to remedies, if there is a finding of liability, has not been scheduled. PPL Montana believes it and the other co-owners have numerous defenses to the allegations set forth in this complaint and will vigorously assert the same. PPL Montana cannot predict the ultimate outcome of this matter at this time.

Notice of Intent to File Suit

On October 20, 2014, PPL Energy Supply received a notice letter from the Chesapeake Bay Foundation (CBF) alleging violations of the Clean Water Act and Pennsylvania Clean Streams Law at the Brunner Island generation plant. The letter was sent to PPL Brunner Island and the PADEP and is intended to provide notice of the alleged violations and CBF's intent to file suit in Federal court after expiration of the 60 day statutory notice period. Among other things, the letter alleges that PPL Brunner Island failed to comply with the terms of its National Pollutant Discharge Elimination System permit and associated regulations related to the application of nutrient credits to the facility's discharges of nitrogen into the Susquehanna River. The letter also alleges that PADEP has failed to ensure that credits generated from nonpoint source pollution reduction activities that PPL Brunner Island applies to its discharges meet the eligibility and certification requirements under PADEP's nutrient trading program regulations. If a court-approved settlement cannot be reached, CBF plans to seek injunctive relief, monetary penalties, fees and costs of litigation. PPL and PPL Energy Supply cannot predict the outcome of this matter.

Proposed Legislation - Pacific Northwest

In the first quarter of 2015, legislation was proposed in the State of Oregon to eliminate, over time, the sale of electricity in Oregon from coal-fired generating facilities, and in the State of Washington to provide a means of cost recovery to utility owners of coal-fired generating facilities who commit to retire such facilities. Both proposals are in their earliest stages of consideration and PPL and PPL Energy Supply cannot predict whether any legislation seeking to achieve the objectives of the Oregon or Washington legislation will be enacted. Were such legislation to be enacted as proposed, such laws, either individually or collectively, would not be expected to have a material adverse effect on PPL's or PPL Energy Supply's financial condition or results of operation.

(PPL, LKE and LG&E)

Cane Run Environmental Claims

On December 16, 2013, six residents, on behalf of themselves and others similarly situated, filed a class action complaint against LG&E and PPL in the U.S. District Court for the Western District of Kentucky alleging violations of the Clean Air Act and RCRA. In addition, these plaintiffs assert common law claims of nuisance, trespass and negligence. These plaintiffs seek injunctive relief and civil penalties, plus costs and attorney fees, for the alleged statutory violations. Under the common law claims, these plaintiffs seek monetary compensation and punitive damages for property damage and diminished property values for a class consisting of residents within four miles of the plant. In their individual capacities, these plaintiffs seek compensation for alleged adverse health effects. In response to a motion to dismiss filed by PPL and LG&E, on July 17, 2014 the court dismissed the plaintiffs' RCRA claims and all but one of its Clean Air Act claims, but declined to dismiss their common law tort claims. Upon motion of LG&E and PPL, the district court certified for appellate review the issue of whether the state common law claims are preempted by federal statute. In December 2014, the U.S. Court of Appeals for the Sixth Circuit issued an order granting appellate review regarding issues to be presented by both parties. PPL, LKE and LG&E cannot predict the outcome of this matter or the potential impact on operations of the Cane Run plant. LG&E has previously announced that it anticipates retiring the coal-fired units at Cane Run before the end of 2015.

Mill Creek Environmental Claims

In May 2014, the Sierra Club filed a citizen suit against LG&E in the U.S. District Court for the Western District of Kentucky for alleged violations of the Clean Water Act. The Sierra Club alleges that various discharges at the Mill Creek plant constitute violations of the plant's water discharge permit. The Sierra Club seeks civil penalties, injunctive relief, plus costs and attorney's fees. PPL, LKE and LG&E cannot predict the outcome of this matter or the potential impact on the operations of the Mill Creek plant but believe the plant is operating in compliance with the permits.

Regulatory Issues

(All Registrants except PPL Energy Supply)

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

Potential Impact of Financial Reform Legislation *(All Registrants)*

The Dodd-Frank Act amended the Commodity Exchange Act (CEA) to include provisions that impose regulatory reporting requirements for most over-the-counter derivative transactions, and in the future will require many such transactions to be executed through an exchange and to be centrally-cleared. The Dodd-Frank Act amendments to the CEA also provide that the U.S. Commodity Futures Trading Commission (CFTC) may impose collateral (margin) requirements for over-the-counter derivative transactions that are not cleared, as well as establish speculative position limits for nonfinancial commodity derivatives and regulatory capital requirements for certain types of entities that enter into non-cleared swaps. The CFTC and the banking regulators continue to finalize rules implementing the major provisions in the Dodd-Frank Act.

The Registrants are not required to register as either "swap dealers" or "major swap participants" under the new regulatory regime. Consequently, the Registrants are not subject to the extensive regulatory requirements applicable to such registered entities, including Business Conduct Standards and other complex requirements under CFTC regulations. Nonetheless, the Dodd-Frank Act and implementing regulations have imposed on the Registrants additional and costly compliance, recordkeeping, reporting and documentation requirements.

In the future, the Registrants may be required to post additional collateral (margin) for over-the-counter derivatives transactions that are not cleared. In addition, the Registrants could face significantly higher operating costs if they or their counterparties are subject to certain regulations implementing the Dodd-Frank Act which are expected to be finalized during 2015. On January 12, 2015, President Obama signed into law a broad legislative exemption from the margin requirements for non-cleared swaps to which a commercial end-user is a counterparty. While the specifics of this new legislative exemption must be reconciled with proposed but not yet finalized margin regulations, the Registrants do not anticipate being subject to direct regulatory margin requirements associated with their non-cleared swap transactions. Instead, the Registrants' swap counterparties likely will continue to require posting of collateral and other forms of credit support (subject to unsecured thresholds and industry-standard documentation) for certain of the Registrants' non-cleared swap activities.

Additionally, the regulatory burdens and costs that the Dodd-Frank Act regulations impose on market participants could limit the Registrants' non-cleared swap transactions, or could cause decreased liquidity in the over-the-counter swap markets, as the CFTC's speculative position limits rules for nonfinancial commodity derivatives are finalized and implemented, and as financial institutions and other market participants discontinue proprietary trading operations or dealing activity in certain swaps markets. Such increased costs and decreased liquidity could make it more difficult for the Registrants to successfully and cost-efficiently meet commercial risk hedging targets. The Registrants will continue to evaluate the Dodd-Frank Act provisions of the CEA, and implementing regulations, but could incur significant costs related to ongoing compliance with the law and regulations.

(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 (the Act). To create incentives for the development of new, in-state electricity generation facilities, the Act implemented 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 encourage 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 filed appeals of the FERC's order. In February 2014, the U.S. Court of Appeals for the Third Circuit upheld FERC's order, and the decision has become final.

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 and Commerce clauses of the U.S. Constitution and requesting declaratory and injunctive relief barring implementation of the Act by the BPU Commissioners. In October 2013, the U.S. District Court in New Jersey issued a decision finding the Act unconstitutional under the Supremacy Clause on the grounds that it infringes upon the FERC's exclusive authority to regulate the wholesale sale of electricity in interstate commerce. The decision was appealed to the U.S. Court of Appeals for the Third Circuit (Third Circuit) by CPV Power Development, Inc., Hess Newark, LLC and the State of New Jersey (the Appellants). In September 2014, the Third Circuit affirmed the District Court's decision. In December 2014, the Appellants filed a petition for certiorari before the U.S. Supreme Court.

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 electricity 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 (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 and requested declaratory and injunctive relief barring implementation of the order by the MD PSC Commissioners. In September 2013, the District Court issued a decision finding the MD PSC order unconstitutional under the Supremacy Clause on the grounds that it infringes upon the FERC's exclusive authority to regulate the wholesale sale of electricity in interstate commerce. The decision was appealed to the U.S. Court of Appeals for the Fourth Circuit (Fourth Circuit) by CPV Power Development, Inc. and the State of Maryland (the Appellants). In June 2014, the Fourth Circuit affirmed the District Court's opinion and subsequently denied the Appellants' motion for rehearing. In December 2014, the Appellants filed a petition for certiorari before the U.S. Supreme Court.

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. In July 2012, PPL Montana and the City of Tacoma, one of the two parties claiming refunds at FERC, reached a settlement whereby PPL Montana paid $75 thousand to resolve the City of Tacoma's $23 million claim. The settlement does not resolve the remaining claim outstanding at December 31, 2014 by the City of Seattle for approximately $50 million. Hearings before a FERC Administrative Law Judge (ALJ) regarding the City of Seattle's refund claims were completed in October 2013 and briefing was completed in January 2014. In March 2014, the ALJ issued an initial decision denying the City of Seattle's complaint against PPL Montana. The initial decision is pending review by the FERC.

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.

(All Registrants)

FERC Market-Based Rate Authority

In 1998, the FERC authorized LG&E, KU and PPL EnergyPlus to make wholesale sales of electricity 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. In December 2013, PPL and these subsidiaries filed market-based rate updates for the Eastern and Western regions. In June 2014, the FERC accepted PPL's and its subsidiaries' updated market power analysis finding that they qualify for continued market-based rate authority in the Western region. In November 2014, the FERC accepted PPL's and its subsidiaries' updated market power analysis finding that they qualify for continued market-based rate authority in the Eastern region.

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 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.

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 geomagnetically 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. The first type would require certain owners and operators of the nation's electricity infrastructure, such as the Registrants, 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 2014, and was approved on June 19, 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. This proposal was filed by NERC with FERC for approval by January 22, 2015 and is pending consideration by FERC. The Registrants may be required to make significant expenditures in new equipment or modifications to their facilities to comply with the new requirements. The Registrants are 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 - Domestic

(All Registrants)

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

LG&E and KU are entitled to recover, through the ECR mechanism, certain costs of complying with the Clean Air Act, as amended, and those federal, state or local environmental requirements applicable to coal combustion wastes and by-products from facilities that generate electricity from coal in accordance with approved compliance plans. Costs not covered by the ECR mechanism for LG&E and KU and all such costs for PPL Electric are subject to rate recovery before the companies' respective state regulatory authorities, or the FERC, if applicable. Because PPL Electric does not own any generating plants, its exposure to related environmental compliance costs is reduced. As PPL Energy Supply is not a rate-regulated entity, it cannot seek to recover environmental compliance costs through the mechanism of rate recovery. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

(All Registrants except PPL Electric)

Air

CSAPR

The EPA's CSAPR addresses the interstate transport of fine particulates and ozone. In accordance with an October 2014 U.S. Court of Appeals decision, CSAPR establishes interstate allowance trading programs for sulfur dioxide and nitrogen oxide emissions from fossil-fueled plants in two phases: Phase 1 commenced in January 2015 and Phase 2 commences in 2017. Sulfur dioxide emissions are subject to an annual trading program and nitrogen oxide emissions are subject to annual and ozone season programs. Oral arguments pertaining to outstanding challenges to the EPA's CSAPR will be heard before the D.C. Circuit Court on February 25, 2015.

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

National Ambient Air Quality Standards

In 2008, the EPA revised the National Ambient Air Quality Standard for ozone. As a result, states in the ozone transport region (OTR), including Pennsylvania, are required by the Clean Air Act to impose additional reductions in nitrogen oxide emissions based upon reasonably available control technologies. The PADEP is expected to finalize a rule in early 2015 requiring nitrogen oxide reductions for fossil-fueled plants. The EPA proposed to further strengthen the ozone standard in November 2014, which could lead to further nitrogen oxide reductions, particularly for PPL, PPL Energy Supply, LKE, LG&E, and KU fossil-fueled plants within the OTR. The EPA is under court order to finalize the standard by October 1, 2015. States are also obligated to address interstate transport issues associated with new ozone standards through the establishment of "good neighbor" state implementation plans for those states that are found to contribute significantly to another states' non-attainment. The EPA recently sent a policy memo to state agencies to facilitate the development of these plans, including modeling data showing which states are contributing. The implementation of such plans could have an impact on the structure and stringency of CSAPR Phase 2 reductions (discussed above).

In 2010, the EPA finalized a new National Ambient Air Quality 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 parts of the country, including part of Yellowstone County in Montana (Billings area) and part of Jefferson County in Kentucky. Attainment must be achieved by 2018. States are working to finalize designations for other areas and in April 2014, the EPA proposed timeframes for completing these designations. PPL, PPL Energy Supply, LKE, LG&E and KU anticipate that some of the measures required for compliance with the CSAPR (as discussed above), or the MATS, or the Regional Haze Rules (as discussed below), such as upgraded or new sulfur dioxide scrubbers at certain 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 sulfur dioxide standard. If additional reductions were to be required, the financial impact could be significant. The short-term impact on the Corette plant from the EPA's final designation of part of Yellowstone County in Montana as non-attainment (as noted above) is not expected to be significant, as the plant's operations will be suspended by April 2015 and the plant is expected to be retired in August 2015. In addition, MDEQ recently submitted a request to the EPA for a determination that this area is in attainment. If the EPA agrees with this request, then the deadlines associated with non-attainment would be suspended.

In December 2012, the EPA issued final rules that tighten the annual National Ambient Air Quality Standard for fine particulates. The rules were challenged by industry groups, and in May 2014 the D.C. Circuit Court upheld them. On January 15, 2015, the EPA published a final rule establishing area designations under the standard. Non-attainment areas in Pennsylvania and Kentucky were identified. PPL Energy Supply plants in Pennsylvania are not expected to be required to make further reductions towards achieving attainment. In Kentucky, mitigation in Jefferson County is expected to be supported by projects already underway at Cane Run and Mill Creek and in Northern Kentucky by projects at Ghent and Trimble County. States have until 2021 to achieve attainment in non-attainment areas.

Until final rules are promulgated, non-attainment designations are finalized and state compliance plans are developed, PPL, PPL Energy Supply, LKE, LG&E and KU cannot predict the ultimate outcome of the new National Ambient Air Quality standards for ozone, sulfur dioxide and particulate matter.

MATS

In February 2012, the EPA finalized the MATS rule requiring reductions of mercury and other hazardous air pollutants from fossil-fuel fired power plants, known as the MATS, with an effective date of April 16, 2012. The rule was challenged by industry groups and states and was upheld by the D.C. Circuit Court, in April 2014. On November 25, 2014, the U.S. Supreme Court granted a petition for review of the rule. The rule provides for a three-year compliance deadline with the potential for a one-year extension as provided under the statute. LG&E, KU and PPL Energy Supply have received compliance extensions for certain plants.

At the time the MATS rule was proposed, LG&E and KU filed requests with the KPSC for environmental cost recovery based on their 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. LG&E's and KU's anticipated retirement of certain coal-fired electricity generating units located at Cane Run and Green River is in response to MATS and other environmental regulations. The retirement of these units is not expected to have a material impact on the financial condition or results of operations of PPL, LKE, LG&E or KU.

With respect to PPL Energy Supply's Pennsylvania plants, PPL Energy Supply believes that installation of chemical additive systems and other controls may be necessary at certain coal-fired plants, the capital cost of which is not expected to be significant. PPL Energy Supply continues to analyze the potential impact of MATS on operating costs. With respect to PPL Energy Supply's Montana plants, modifications to the air pollution controls installed at Colstrip are required, the cost of which is not expected to be significant. Operations will be suspended at the Corette plant by April 2015 and the plant is expected to be retired in August 2015 due to expected market conditions and the costs to comply with the MATS requirements. The Corette plant asset group was determined to be impaired in December 2013. See Note 16 for additional information.

PPL Energy Supply, LG&E and KU are conducting in-depth reviews of the EPA's recent amendments to the final rule and certain proposed corrections, none of which are currently expected to be significant.

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 make reasonable progress every decade through the application, among other things, 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 regulation has been the western U.S. As for the eastern U.S., the EPA had determined that region-wide reductions under the CSAPR trading program could, in most instances, be utilized under state programs to satisfy BART requirements for sulfur dioxide and nitrogen oxides. However, the EPA's determination is being challenged by environmental groups and others.

LG&E's Mill Creek Units 3 and 4 are required to reduce sulfuric acid mist emissions because they were determined to have a significant regional haze impact. These reductions are required in the regional haze state implementation plan that the Kentucky Division for Air Quality submitted to the EPA. LG&E is currently installing sorbent injection technology to comply with these reductions, the costs of which are not expected to be significant.

In Montana, the EPA Region 8 developed the regional haze plan as the MDEQ declined to do so. The EPA finalized the Federal Implementation Plan (FIP) for Montana in September 2012. The final FIP assumed no additional controls for Corette or Colstrip Units 3 and 4, but proposed stricter limits for Corette and Colstrip Units 1 and 2. PPL Energy Supply is meeting these stricter permit limits at Corette without any significant changes to operations, although other requirements have led to the planned suspension of operations at Corette by April 2015 (see "MATS" discussion above). Under the final FIP, Colstrip Units 1 and 2 may require additional controls, including the possible installation of an SNCR and other technology, to meet more stringent nitrogen oxides and sulfur dioxide limits. The cost of these potential additional controls, if required, could be significant. Both PPL and environmental groups have appealed the final FIP to the U.S. Court of Appeals for the Ninth Circuit, oral argument was heard in May 2014, and the parties are awaiting a decision.

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, but has received no further communications from the EPA since providing its responses. In January 2009, PPL, PPL Energy Supply 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. The companies responded to the EPA and the matter remains open. In May and November 2012, PPL Montana received information requests from the EPA regarding projects undertaken during a Spring 2012 maintenance outage at Colstrip Unit 1. The EPA requests remain an open matter. In September 2012, PPL Montana received an information request from the MDEQ regarding Colstrip Unit 1 and other projects. MDEQ formally suspended this request on June 6, 2014 in consideration of pending litigation (see "Legal Matters - Sierra Club Litigation" above). PPL and PPL Energy Supply 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. See "Legal Matters" above for information on a lawsuit filed by environmental groups in March 2013 against PPL Montana and other owners of Colstrip.

If PPL subsidiaries are found to have violated NSR regulations by significantly increasing pollutants through a major plant modification, PPL, PPL Energy Supply, LKE, LG&E and KU 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 for pollutants not meeting the NAAQS in the area. The costs to meet such limits, including installation of technology at certain units, could be material.

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

Climate Change

(All Registrants)

As a result of the April 2007 U.S. Supreme Court decision that the EPA has authority under the Clean Air Act to regulate carbon dioxide 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 carbon dioxide emissions from stationary sources under the NSR and Title V operating permit provisions of the Clean Air Act. The EPA's rules were challenged in court and on June 23, 2014 the U.S. Supreme Court ruled that the EPA has the authority to regulate carbon dioxide emissions under these provisions of the Clean Air Act but only for stationary sources that would otherwise have been subject to these provisions due to significant increases in emissions of other pollutants. As a result, any new sources or major modifications to an existing GHG source causing a net significant increase in carbon dioxide emissions must comply with BACT permit limits for carbon dioxide if it would otherwise be subject to BACT or lowest achievable emissions rate limits due to significant increases in other pollutants.

In June 2013, President Obama released his Climate Action Plan that reiterates the goal of reducing GHG 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 more restrictive energy efficiency standards. Additionally, the Climate Action Plan calls for the U.S. to prepare for the impacts of climate change. Requirements related to this could affect the Registrants and others in the industry as modifications may be needed to electricity delivery systems to improve the ability to withstand major storms in order to meet those requirements. As further described above, the EPA has proposed rules pursuant to this directive, which it expects to finalize in the second or third quarter of 2015. The EPA has also announced that it will be developing a federal implementation plan which would apply to any states that fail to submit an acceptable state implementation plan. The Administration's increase in its estimate of the "social cost of carbon" (which is used to calculate benefits associated with proposed regulations) from $23.8 to $38 per metric ton for 2015 may also lead to more costly regulatory requirements.

In January 2014, the EPA issued a revised proposal to regulate carbon dioxide emissions from new power plants. The revised proposal calls for 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-fired plants. The standard for NGCC power plants is the same as the EPA proposed in 2012 and is not continuously achievable. The preclusion of new coal-fired plants and the compliance difficulties posed for new gas-fired plants could have a significant industry-wide impact.

The EPA has also issued proposed regulations addressing carbon dioxide emissions from existing power plants. The existing plant proposal contains state-specific rate-based reduction goals and guidelines for the development, submission and implementation of state plans to achieve the state goals. State-specific goals were calculated from 2012 data by applying EPA's broad interpretation and definition of the Best System of Emission Reduction resulting in stringent targets to be met in two phases (2020-2029 and 2030 and beyond). The regulation of carbon dioxide emissions from existing power plants could have a significant industry-wide impact depending on the structure and stringency of the final rule and state implementation plans.

In June 2014, the EPA also proposed a regulation addressing carbon dioxide emissions from existing power plants that are modified or reconstructed. The Registrants, however, do not expect a significant impact from this rulemaking as there are no plans to modify or reconstruct their existing plants in a manner that would trigger the proposed requirements.

(PPL and PPL Energy Supply)

Based on the stringent GHG reduction requirements in the EPA's proposed rule for existing plants, and based on information gained from public input, the PADEP is no longer expecting to achieve all required GHG reductions by solely increasing efficiency at existing fossil-fuel plants and/or reducing their generation as set forth in the PADEP's April 10, 2014 white paper. On October 23, 2014, the Governor of Pennsylvania signed into law Act 175 of 2014, requiring the PADEP to obtain General Assembly approval of any state plan addressing GHG emissions under the EPA's GHG rules for existing plants. The law includes provisions to minimize the exposure to a federal implementation plan due to legislative delay.

The MDEQ, at the request of the Governor of Montana, has issued a white paper outlining possible regulatory scenarios to implement the EPA's proposed GHG rule for existing plants, including a combination of increasing energy efficiency at coal-fired plants, adding more low- and zero-carbon generation, and carbon sequestration at Colstrip. The white paper was made public in September 2014 and the MDEQ has held public meetings to present the white paper and gather comments. Legislation is also being drafted which would require legislative approval of any related plan formulated by MDEQ. PPL and PPL Energy Supply cannot predict the outcome of this legislation.

(PPL, LKE, LG&E and KU)

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

(All Registrants except PPL Electric)

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 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 U.S. 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. The Registrants cannot predict the outcome of these lawsuits or estimate a range of reasonably possible losses, if any.

In 2014 and 2013, PPL's power plants emitted approximately 62 million tons of carbon dioxide. The 2014 totals reflect 26 million tons from PPL Energy Supply's plants, and 18 million tons each from LG&E's and KU's generating fleets. All tons are U.S. short tons (2,000 pounds/ton).

Renewable Energy Legislation

(PPL, PPL Energy Supply and PPL Electric)

In Pennsylvania, a co-sponsorship memo is being circulated with the stated intent of introducing legislation increasing AEPS solar and Tier 1 targets. PPL, PPL Energy Supply and PPL Electric cannot predict the outcome of this legislative effort.

(PPL and PPL Energy Supply)

In New Jersey, a bill (S-1475) has been introduced to increase the current Renewable Portfolio Standard (RPS) to 30% from Class I sources by 2020. The chairman of the Senate Environmental Committee convened a workgroup to look at further changes to New Jersey's RPS law to enable New Jersey to meet emissions goals established in the state's Global Warming Response Act. A bill (S-2444) was subsequently introduced to mandate that 80% of New Jersey's electricity be generated from renewable resources by 2050. PPL and PPL Energy Supply cannot predict the outcome of this legislation.

(All Registrants)

The Registrants believe there are financial, regulatory and operational 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. PPL and PPL Energy Supply cannot predict the effect on their competitive 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.

Water/Waste

Coal Combustion Residuals (CCRs) (All Registrants except PPL Electric)

In June 2010, the EPA proposed two approaches to regulating the disposal and management of CCRs (as either hazardous or non-hazardous) under the RCRA. CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. On December 19, 2014, the EPA issued its pre-publication version of the rule regulating coal combustion residuals (CCRs), imposing extensive new requirements, including location restrictions, design and operating standards, groundwater monitoring and corrective action requirements and closure and post-closure care requirements on CCR impoundments and landfills that are located on active power plants and are not closed. Under the rule the EPA will regulate CCRs as non-hazardous under Subtitle D of RCRA and allow beneficial use of CCRs, with some restrictions. The CCR Rule will become effective six months after publication in the Federal Register with publication expected in early 2015. This self-implementing rule requires posting of compliance documentation on a publically accessible website and is enforced through citizen suits. This new separate federal rule is expected to create conflicts with the existing state rules, permits, and compliance orders from the individual states. PPL expects that its plants using surface impoundments for management and disposal of CCRs or the past management of CCRs and continued use to manage waste waters will be most impacted by this rule. The rule's specific closure requirements for CCR impoundments and landfills may require increases to AROs for these facilities at the Registrants' coal-fired plants.

PPL, PPL Energy Supply, LKE, LG&E and KU cannot predict how this rule will impact their facilities, but the financial and operational impact could be significant.

Trimble County Landfill (PPL, LKE, LG&E and KU)

In May 2011, LG&E submitted an application for a special waste landfill permit to handle CCRs 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. LG&E has also applied for other necessary regulatory approvals including a dredge and fill permit from the U.S. Army Corps of Engineers, in which proceeding the EPA has submitted certain comments or data requests to which LG&E and KU are responding. PPL, LKE, LG&E and KU are unable to determine the potential impact of this matter until all permits are issued and any resulting legal challenges are concluded.

Seepages and Groundwater Infiltration - Pennsylvania, Montana and Kentucky

(All Registrants except PPL Electric)

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 respond to notices of violations and implement assessment or abatement measures, where required or applicable. A range of reasonably possible losses cannot currently be estimated.

(PPL and PPL Energy Supply)

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. 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. This matter was stayed in December 2012. In April 2014, Earthjustice filed a motion for leave to amend the petition for review and to lift the stay which was granted by the court in May 2014. PPL Montana and the MDEQ responded to the amended petition and filed partial motions to dismiss in July 2014, which were both denied in October 2014. Discovery is ongoing, and a bench trial is set for April 2016.

(All Registrants except PPL Electric)

Clean Water Act 316(b)

The EPA's final 316(b) rule for existing facilities became effective on October 14, 2014, and regulates cooling water intake structures and their impact on aquatic organisms. States are allowed considerable authority to make site-specific determinations under the rule. The rule requires existing facilities to choose between several options to reduce the impact to aquatic organisms that become trapped against water intake screens (impingement) and to determine the intake structure's impact on aquatic organisms pulled through a plant's cooling water system (entrainment). Plants already equipped with closed-cycle cooling, an acceptable option, would likely not incur substantial costs. Once-through systems would likely require additional technology to comply with the rule. Mill Creek Unit 1 and Brunner Island (all units) are the only units expected to be impacted. PPL, PPL Energy Supply, LKE, LG&E and KU are evaluating compliance strategies but do not presently expect the compliance costs to be material.

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 as proposed. 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 PPL's coal-fired plants. The final regulation is expected to be issued by the third or fourth quarter of 2015. At the present time, 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. Pending finalization of the ELGs, certain states (including Pennsylvania and Kentucky) and environmental groups 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.

(All Registrants)

Waters of the United States (WOTUS)

On April 21, 2014, the EPA and the U.S. Army Corps of Engineers (Army Corps) published a proposed rule defining WOTUS that could greatly expand the federal government's interpretation of what constitutes WOTUS subject to regulation under the Clean Water Act. If the definition is expanded as proposed by the EPA and the Army Corps, permits and other regulatory requirements may be imposed for many matters presently not covered (including vegetation management for transmission lines and activities affecting storm water conveyances and wetlands), the implications of which could be significant. The EPA plans to make certain changes to the proposed regulation based on comments received. The U.S. House and Senate are considering legislation to block this regulation. Until a final rule is issued, the Registrants cannot predict the outcome of the pending rulemaking.

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 2015. 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.

(PPL and PPL Energy Supply)

A subsidiary of PPL Energy Supply has investigated alternatives to exclude fish from the discharge channel at its Brunner Island plant. In June 2012, a Consent Order and Agreement (COA) with the PADEP was signed, allowing the subsidiary to study a change in a cooling tower operational method that may keep fish from entering the channel. The COA required a retrofit of impingement control technology at the intakes to the cooling towers, at a cost that would have been significant. Based on the results of the first year of study, the PADEP has suggested closing the COA and writing a new COA to resolve the issue. PPL is in negotiations with the agency at this time. PPL and PPL Energy Supply cannot predict at this time the outcome of the proposed new COA and what impact, if any, it would have on their facilities, but the costs could be significant.

(PPL, LKE, LG&E and KU)

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. 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.

Superfund and Other Remediation *(All Registrants)*

PPL Electric is potentially responsible for costs at several sites listed by the EPA under the federal Superfund program, including the Columbia Gas Plant site, the Metal Bank site and the 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 was pumping mine water at two former 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. In December 2013, PPL Generation subsidiaries reached an agreement of sale for one of the two pumping mine sites and the passive wetlands treatment system at the third site. These sales were finalized in the fourth quarter of 2014 and responsibilities were transferred to the new owner. PPL Generation subsidiaries will no longer be responsible for operating and maintaining these two sites. At December 31, 2014, PPL Energy Supply had accrued a discounted liability of $19 million to cover the costs of pumping and treating groundwater at the remaining mine site for 50 years. PPL Energy Supply discounted this liability based on a risk-free rate of 8.41% at the time of the mine closure. Expected undiscounted payments are estimated to be insignificant for each of the years 2015 through 2019 and $93 million for work after 2019.

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

Other

Nuclear Insurance *(PPL and PPL Energy Supply)*

The Price-Anderson Act is a United States Federal law governing liability-related issues and ensures the availability of funds for public liability claims arising from an incident at any U.S.-licensed nuclear facility. It also seeks to limit the liability of nuclear reactor owners for such claims from any single incident. At December 31, 2014, the liability limit per incident is $13.6 billion for such claims which is funded by insurance coverage from American Nuclear Insurers and an industry assessment program.

Under the 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 $255 million per incident, payable at $38 million per year.

Additionally, PPL Susquehanna purchases property insurance programs from NEIL, an industry mutual insurance company of which PPL Susquehanna is a member. At December 31, 2014, facilities at the Susquehanna plant are insured against property damage losses up to $2.0 billion. PPL Susquehanna also purchases an insurance program that provides coverage for the cost of replacement power during prolonged outages of nuclear units caused by certain specified conditions.

Under the NEIL property and replacement power insurance programs, PPL Susquehanna could be assessed retrospective premiums in the event of the insurers' adverse loss experience. This maximum assessment is $46 million.

Labor Union Agreements

(PPL, PPL Energy Supply and PPL Electric)

In May 2014, PPL's, PPL Energy Supply's and PPL Electric's bargaining agreement with its largest IBEW local expired. PPL, PPL Energy Supply and PPL Electric finalized a new three-year labor agreement with IBEW local 1600 in May 2014 and the agreement was ratified in early June 2014.

As part of efforts to reduce operations and maintenance expenses, the new agreement offered a one-time voluntary retirement window to certain bargaining unit employees. The benefits offered under this provision are consistent with the standard separation program benefits for bargaining unit employees. At December 31, 2014, the following total separation benefits were recorded.

	PPL	PPL Energy Supply	PPL Electric
Pension Benefits	$ 13	$ 11	$ 2
Severance Compensation	7	6	1
Total Separation Benefits	$ 20	$ 17	$ 3
Number of Employees	123	105	17

The separation benefits are included in "Other operation and maintenance" on the Statement of Income. The liability for pension benefits is included in "Accrued pension obligations" on the Balance Sheet at December 31, 2014. All of the severance compensation was paid in 2014. The remaining terms of the new labor agreement are not expected to have a significant impact on the financial results of PPL, PPL Energy Supply or PPL Electric.

Guarantees and Other Assurances

(All Registrants)

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

(PPL)

PPL fully and unconditionally guarantees all of the debt securities of PPL Capital Funding, a wholly owned finance subsidiary of PPL.

(All Registrants)

The table below details guarantees provided as of December 31, 2014. "Exposure" represents the estimated maximum potential amount of future payments that could be required to be made under the guarantee. The probability of expected payment/performance under each of these guarantees is remote except for "WPD guarantee of pension and other obligations of unconsolidated entities", "Indemnifications for sales of assets" and "Indemnification of lease termination and other divestitures." The total recorded liability at December 31, 2014 was $38 million for PPL, $13 million for PPL Energy Supply and $19 million for LKE. The total recorded liability at December 31, 2013 was $26 million for PPL and $19 million for LKE. 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, 2014	Expiration Date
PPL			
Indemnifications related to the WPD Midlands acquisition		(a)	
WPD indemnifications for entities in liquidation and sales of assets	$	12(b)	2018
WPD guarantee of pension and other obligations of unconsolidated entities		119(c)	
PPL Energy Supply			
Letters of credit issued on behalf of affiliates		25(d)	2015 - 2016
Indemnifications for sales of assets		1,150(e)	2016 - 2025
PPL Electric			
Guarantee of inventory value		34(f)	2017
LKE			
Indemnification of lease termination and other divestitures		301(g)	2021 - 2023
LG&E and KU			
LG&E and KU guarantee of shortfall related to OVEC		(h)	

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

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

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

(c) Relates to certain obligations of discontinued or modified electric associations that were guaranteed at the time of privatization by the participating members. Costs are allocated to the members and can be reallocated if an existing member becomes insolvent. At December 31, 2014, WPD has recorded an estimated discounted liability for which the expected payment/performance is probable. Neither the expiration date nor the maximum amount of potential payments for certain obligations is explicitly stated in the related agreements, and as a result, the exposure has been estimated.

(d) 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.

(e) Indemnifications are governed by the specific sales agreement and include breach of the representations, warranties and covenants, and liabilities for certain other matters. PPL Energy Supply's maximum exposure with respect to certain indemnifications and the expiration of the indemnifications cannot be estimated because the maximum potential liability is not capped by the transaction documents and the expiration date is based on the applicable statute of limitations. The exposure and expiration date noted is based on those cases in which the agreements provide for specific limits. The exposure at December 31, 2014 includes amounts related to the sale of the Montana Hydroelectric facilities. See Note 8 for additional information related to the sale.

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

(g) LKE provides certain indemnifications, the most significant of which relate to the termination of the WKE lease in July 2009. 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 WKE-related 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. Another WKE-related LKE guarantee covers other indemnifications, has a term expiring in 2023 and a maximum exposure of $100 million. In May 2012, LKE's indemnitee received an unfavorable arbitration panel's decision interpreting this matter, 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. In May 2014, the Court of Appeals issued an opinion affirming the lower court decision. LKE's indemnitee filed a Motion for Discretionary Review with the Kentucky Supreme Court on October 2, 2014. LKE believes its indemnification obligations in this matter remain subject to various uncertainties, including 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. In the second quarter of 2012, LKE adjusted its estimated liability for the WKE-related 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. Additionally, LKE has indemnified various third parties related to historical obligations for other divested subsidiaries and affiliates. The indemnifications vary by entity and the maximum exposures range from being capped at the sale price to no specified maximum; LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. However, LKE is not aware of formal claims under such indemnities made by any party at this time. LKE cannot predict the ultimate outcomes of indemnification circumstances, but does not currently expect such outcomes to result in significant losses above the amounts recorded.

(h) Pursuant to the OVEC power purchase contract, LG&E and KU are obligated to pay for their share of OVEC's excess debt service, post-retirement and decommissioning costs, as well as any shortfall from amounts currently included within a demand charge designed and currently expected to cover these costs over the term of the contract. LKE's proportionate share of OVEC's outstanding debt was $125 million at December 31, 2014, consisting of LG&E's share of $87 million and KU's share of $38 million. The maximum exposure and the expiration date of these potential obligations are not presently determinable. See "Energy Purchase Commitments" above for additional information on the OVEC power purchase contract.

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

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

14. Related Party Transactions

PLR Contracts/Purchase of Accounts Receivable *(PPL Energy Supply and PPL Electric)*

PPL Electric holds competitive solicitations for PLR generation supply. PPL EnergyPlus has been awarded a portion of the PLR generation supply through these competitive solicitations. The sales and purchases between PPL EnergyPlus and PPL Electric are included in the Statements of Income as "Unregulated wholesale energy to affiliate" by PPL Energy Supply and as "Energy purchases from affiliate" by PPL Electric.

Under the standard Default Service 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 when: (a) 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. During the second quarter of 2014, PPL Energy Supply experienced a downgrade in its corporate credit ratings to below investment grade. As a result of the downgrade of PPL Energy Supply, as guarantor, PPL EnergyPlus no longer has an established credit limit. At December 31, 2014, PPL EnergyPlus was not required to post collateral. 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, 2014, PPL Energy Supply had a net credit exposure of $25 million from 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 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 *(All Registrants except PPL)*

Both PPL Services and LKS provide the respective PPL and LKE subsidiaries with administrative, management and support services. Where applicable, the costs of these services are charged to the respective subsidiaries as direct support costs. General costs that cannot be directly attributed to a specific subsidiary are allocated and charged to the respective subsidiaries as indirect support costs. PPL Services uses a three-factor methodology that includes the subsidiaries' invested capital, operation and maintenance expenses and number of employees to allocate indirect costs. LKS bases its indirect allocations on the subsidiaries' number of employees, total assets, revenues, number of customers and/or other statistical information.

PPL Services and 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.

	2014	2013	2012
PPL Energy Supply from PPL Services	$ 218	$ 218	$ 212
PPL Electric from PPL Services	151	146	157
LKE from PPL Services	15	15	15
LG&E from LKS	203	216	186
KU from LKS	225	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 LG&E and KU are reimbursed through LKS.

As a result of the anticipated spinoff of PPL Energy Supply, a centralized services company has been formed, PPL EU Services. Beginning in 2015, it will provide the majority of corporate functions such as financial, supply chain, human resources and information technology services to PPL Electric. Most of PPL EU Services' costs will be charged directly to PPL Electric, with limited amounts charged back to PPL Services and its affiliates. PPL Services will continue to provide certain limited corporate functions.

Intercompany Borrowings

(PPL Electric)

A PPL Electric subsidiary periodically holds revolving demand notes from certain affiliates. No balance was outstanding at December 31, 2014. At December 31, 2013, $150 million was outstanding and was reflected in "Notes receivable from affiliate" on the Balance Sheet. The interest rates on borrowings are equal to one-month LIBOR plus a spread. The interest rate on the outstanding borrowing at December 31, 2013, was 1.92%. Interest earned on these revolving facilities was not significant for 2014, 2013 and 2012.

(LKE)

LKE maintains a revolving line of credit with a PPL Energy Funding subsidiary whereby LKE can borrow funds on a short-term basis at market-based rates. In October 2013, the revolving line of credit was reduced by $75 million and the limit as of December 31, 2013 was $225 million. The interest rates on borrowings are equal to one-month LIBOR plus a spread. At December 31, 2014, $41 million was outstanding and was reflected in "Notes payable with affiliates" on the Balance Sheet. No balance was outstanding at December 31, 2013. The interest rate on the outstanding borrowing at December 31, 2014 was 1.65%. Interest on the revolving line of credit was not significant for 2014, 2013 or 2012.

LKE maintains an agreement with a PPL affiliate that has a $300 million borrowing limit whereby LKE can loan funds on a short-term basis at market-based rates. No balance was outstanding at December 31, 2014. At December 31, 2013, $70 million was outstanding and was reflected in "Notes receivable from affiliates" on the Balance Sheet. The interest rate on the loan based on the PPL affiliate's credit rating is currently equal to one-month LIBOR plus a spread. The interest rate on the outstanding borrowing at December 31, 2013 was 2.17%. Interest income on this note was not significant for 2014, 2013 or 2012.

Intercompany Derivatives *(LKE, LG&E and KU)*

Periodically, LG&E and KU enter 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 17 for additional information on intercompany derivatives.

Other *(All Registrants except PPL)*

See Note 1 for discussions regarding the intercompany tax sharing agreement (for PPL Energy Supply, PPL Electric, LKE, LG&E and KU) and intercompany allocations of stock-based compensation expense (for PPL Energy Supply, PPL Electric and LKE). For PPL Energy Supply, PPL Electric, LG&E and KU, see Note 11 for discussions regarding intercompany allocations associated with defined benefits.

15. Other Income (Expense) - net

(PPL)

The breakdown of "Other Income (Expense) - net" for the years ended December 31 was:

	PPL		
	2014	2013	2012
Other Income			
Earnings on securities in NDT funds	$ 28	$ 23	$ 22
Interest income	5	3	5
AFUDC - equity component	11	10	10
Miscellaneous	12	18	5
Total Other Income	56	54	42
Other Expense			
Economic foreign currency exchange contracts (Note 17)	(121)	38	52
Charitable contributions	30	25	10
Transaction costs related to spinoff of PPL Energy Supply (Note 8)	19		
Miscellaneous	10	14	19
Total Other Expense	(62)	77	81
Other Income (Expense) - net	$ 118	$ (23)	$ (39)

(PPL Energy Supply)

"Other Income (Expense) - net" for 2014, 2013 and 2012 for PPL Energy Supply was primarily earnings on securities in NDT funds.

(PPL Electric)

"Other Income (Expense) - net" for 2014, 2013 and 2012 for PPL Electric was primarily the equity component of AFUDC.

(LKE, LG&E and KU)

"Other Income (Expense) - net" for 2014 and 2013 for LKE, LG&E and KU was not significant. "Other Income (Expense) - net" for 2012 for LKE and KU was primarily losses from an equity method investment and for LG&E was not significant.

16. Fair Value Measurements and Credit Concentration

(All Registrants)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models), and/or a cost approach (generally, replacement cost) are used to measure the fair value of an asset or liability, as appropriate. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk. The fair value of a group of financial assets and liabilities is measured on a net basis. Transfers between levels are recognized at end-of-reporting-period values. During 2014 and 2013, 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, 2014				December 31, 2013			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	$ 1,751	$ 1,751			$ 1,102	$ 1,102		
Short-term investments	120	120						
Restricted cash and cash equivalents (a)	224	224			134	134		
Price risk management assets:								
Energy commodities	1,318	6	$ 1,171	$ 141	1,188	3	$ 1,123	$ 62
Interest rate swaps					91		91	
Foreign currency contracts	130		130					
Cross-currency swaps	29		28	1				
Total price risk management assets	1,477	6	1,329	142	1,279	3	1,214	62
NDT funds:								
Cash and cash equivalents	19	19			14	14		
Equity securities								
U.S. large-cap	611	454	157		547	409	138	
U.S. mid/small-cap	89	37	52		81	33	48	
Debt securities								
U.S. Treasury	99	99			95	95		
U.S. government sponsored agency	9		9		6		6	
Municipality	76		76		77		77	
Investment-grade corporate	42		42		38		38	
Other	3		3		5		5	
Receivables (payables), net	2		2		1	(1)	2	
Total NDT funds	950	609	341		864	550	314	
Auction rate securities (b)	10			10	19			19
Total assets	$ 4,532	$ 2,710	$ 1,670	$ 152	$ 3,398	$ 1,789	$ 1,528	$ 81
Liabilities								
Price risk management liabilities:								
Energy commodities	$ 1,217	$ 5	$ 1,182	$ 30	$ 1,070	$ 4	$ 1,028	$ 38
Interest rate swaps	156		156		36		36	
Foreign currency contracts	2		2		106		106	
Cross-currency swaps	3		3		32		32	
Total price risk management liabilities	$ 1,378	$ 5	$ 1,343	$ 30	$ 1,244	$ 4	$ 1,202	$ 38

	December 31, 2014				December 31, 2013			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL Energy Supply								
Assets								
Cash and cash equivalents	$ 352	$ 352			$ 239	$ 239		
Restricted cash and cash equivalents (a)	193	193			85	85		
Price risk management assets:								
Energy commodities	1,318	6	$ 1,171	$ 141	1,188	3	$ 1,123	$ 62
Total price risk management assets	1,318	6	1,171	141	1,188	3	1,123	62
NDT funds:								
Cash and cash equivalents	19	19			14	14		
Equity securities								
U.S. large-cap	611	454	157		547	409	138	
U.S. mid/small-cap	89	37	52		81	33	48	
Debt securities								
U.S. Treasury	99	99			95	95		
U.S. government sponsored agency	9		9		6		6	
Municipality	76		76		77		77	
Investment-grade corporate	42		42		38		38	
Other	3		3		5		5	
Receivables (payables), net	2		2		1	(1)	2	
Total NDT funds	950	609	341		864	550	314	
Auction rate securities (b)	8			8	16			16
Total assets	$ 2,821	$ 1,160	$ 1,512	$ 149	$ 2,392	$ 877	$ 1,437	$ 78
Liabilities								
Price risk management liabilities:								
Energy commodities	$ 1,217	$ 5	$ 1,182	$ 30	$ 1,070	$ 4	$ 1,028	$ 38
Total price risk management liabilities	$ 1,217	$ 5	$ 1,182	$ 30	$ 1,070	$ 4	$ 1,028	$ 38
PPL Electric								
Assets								
Cash and cash equivalents	$ 214	$ 214			$ 25	$ 25		
Restricted cash and cash equivalents (c)	3	3			12	12		
Total assets	$ 217	$ 217			$ 37	$ 37		
LKE								
Assets								
Cash and cash equivalents	$ 21	$ 21			$ 35	$ 35		
Cash collateral posted to counterparties (d)	21	21			22	22		
Total assets	$ 42	$ 42			$ 57	$ 57		
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 114		$ 114		$ 36		$ 36	
Total price risk management liabilities	$ 114		$ 114		$ 36		$ 36	
LG&E								
Assets								
Cash and cash equivalents	$ 10	$ 10			$ 8	$ 8		
Cash collateral posted to counterparties (d)	21	21			22	22		
Total assets	$ 31	$ 31			$ 30	$ 30		
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 81		$ 81		$ 36		$ 36	
Total price risk management liabilities	$ 81		$ 81		$ 36		$ 36	
KU								
Assets								
Cash and cash equivalents	$ 11	$ 11			$ 21	$ 21		
Total assets	$ 11	$ 11			$ 21	$ 21		
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 33		$ 33					
Total price risk management liabilities	$ 33		$ 33					

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

A reconciliation of net assets and liabilities classified as Level 3 for the years ended December 31 is as follows:

	PPL			
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Energy Commodities, net	Auction Rate Securities	Cross-Currency Swaps	Total
2014				
Balance at beginning of period	$ 24	$ 19		$ 43
Total realized/unrealized gains (losses)				
Included in earnings	(32)			(32)
Included in OCI (a)			$ (2)	(2)
Purchases	(6)			(6)
Sales	67	(9)		58
Settlements	50			50
Transfers into Level 3	7		1	8
Transfers out of Level 3	1		2	3
Balance at end of period	$ 111	$ 10	$ 1	$ 122
2013				
Balance at beginning of period	$ 22	$ 16	$ 1	$ 39
Total realized/unrealized gains (losses)				
Included in earnings	(5)			(5)
Included in OCI (a)			1	1
Sales	(2)			(2)
Settlements	(3)			(3)
Transfers into Level 3	10	3	3	16
Transfers out of Level 3	2		(5)	(3)
Balance at end of period	$ 24	$ 19	$	$ 43

(a) "Energy Commodities, net" 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 December 31 is as follows:

	PPL Energy Supply		
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Energy Commodities, net	Auction Rate Securities	Total
2014			
Balance at beginning of period	$ 24	$ 16	$ 40
Total realized/unrealized gains (losses)			
Included in earnings	(32)		(32)
Included in OCI (a)		1	1
Purchases	(6)		(6)
Sales	67	(9)	58
Settlements	50		50
Transfers into Level 3	7		7
Transfers out of Level 3	1		1
Balance at end of period	$ 111	$ 8	$ 119
2013			
Balance at beginning of period	$ 22	$ 13	$ 35
Total realized/unrealized gains (losses)			
Included in earnings	(5)		(5)
Sales	(2)		(2)
Settlements	(3)		(3)
Transfers into Level 3	10	3	13
Transfers out of Level 3	2		2
Balance at end of period	$ 24	$ 16	$ 40

(a) "Energy Commodities, net" 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 and quantitative information about the fair value measurement of assets and liabilities classified as Level 3 are as follows:

	December 31, 2014				
	Fair Value, net Asset (Liability)		Valuation Technique	Significant Unobservable Input(s)	Range (Weighted Average) (a)
PPL					
Energy commodities					
Natural gas contracts (b)	$	59	Discounted cash flow	Proprietary model used to calculate forward prices	11% - 100% (52%)
Power sales contracts (c)		(1)	Discounted cash flow	Proprietary model used to calculate forward prices	9% - 100% (59%)
FTR purchase contracts (d)		3	Discounted cash flow	Historical settled prices used to model forward prices	100% (100%)
Heat Rate Options (e)		50	Discounted cash flow	Proprietary model used to calculate forward prices	23% - 51% (45%)
Auction rate securities (f)		10	Discounted cash flow	Modeled from SIFMA Index	44% - 69% (63%)
Cross-currency swaps (g)		1	Discounted cash flow	Credit valuation adjustment	15% (15%)
PPL Energy Supply					
Energy commodities					
Natural gas contracts (b)	$	59	Discounted cash flow	Proprietary model used to calculate forward prices	11% - 100% (52%)
Power sales contracts (c)		(1)	Discounted cash flow	Proprietary model used to calculate forward prices	9% - 100% (59%)
FTR purchase contracts (d)		3	Discounted cash flow	Historical settled prices used to model forward prices	100% (100%)
Heat Rate Options (e)		50	Discounted cash flow	Proprietary model used to calculate forward prices	23% - 51% (45%)
Auction rate securities (f)		8	Discounted cash flow	Modeled from SIFMA Index	51% - 69% (63%)

	December 31, 2013				
	Fair Value, net Asset (Liability)		Valuation Technique	Significant Unobservable Input(s)	Range (Weighted Average) (a)
PPL					
Energy commodities					
Natural gas contracts (b)	$	36	Discounted cash flow	Proprietary model used to calculate forward prices	10% - 100% (86%)
Power sales contracts (c)		(12)	Discounted cash flow	Proprietary model used to calculate forward prices	100% (100%)
Auction rate securities (f)		19	Discounted cash flow	Modeled from SIFMA Index	10% - 80% (63%)
PPL Energy Supply					
Energy commodities					
Natural gas contracts (b)	$	36	Discounted cash flow	Proprietary model used to calculate forward prices	10% - 100% (86%)
Power sales contracts (c)		(12)	Discounted cash flow	Proprietary model used to calculate forward prices	100% (100%)
Auction rate securities (f)		16	Discounted cash flow	Modeled from SIFMA Index	10% - 80% (63%)

(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 change in fair value due to the unobservable inputs used in the model to calculate the credit valuation adjustment.
(b) As the forward price of natural gas increases/(decreases), the fair value of purchase contracts increases/(decreases). As the forward price of natural gas increases/(decreases), the fair value of sales contracts (decreases)/increases.

(c) As forward market prices increase/(decrease), the fair value of contracts (decreases)/increases. As volumetric assumptions for contracts in a gain position increase/(decrease), the fair value of contracts increases/(decreases). As volumetric assumptions for contracts in a loss position increase/(decrease), the fair value of the contracts (decreases)/increases.
(d) As the forward implied spread increases/(decreases), the fair value of the contracts increases/(decreases).
(e) The proprietary model used to calculate fair value incorporates market heat rates, correlations and volatilities. As the market implied heat rate increases/(decreases), the fair value of the contracts increases/(decreases).
(f) 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).
(g) 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							
	Unregulated Wholesale Energy		Unregulated Retail Energy		Fuel		Energy Purchases	
	2014	2013	2014	2013	2014	2013	2014	2013
PPL and PPL Energy Supply								
Total gains (losses) included in earnings	$ (77)	$ (36)	$ 23	$ 25		$ 3	$ 22	$ 3
Change in unrealized gains (losses) relating to positions still held at the reporting date	50	(23)	37	24			(4)	1

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 contracts, which are valued using the market approach and are classified as Level 1. 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. Energy commodity contracts include forwards, futures, swaps, options and structured transactions 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 other standard industry models. 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.

When unobservable inputs are significant to the fair value measurement, a contract is classified as Level 3. Level 3 contracts are valued using PPL proprietary models which may include significant unobservable inputs such as delivery at a location where pricing is unobservable, delivery dates that are beyond the dates for which independent quotes are available, volumetric assumptions, implied volatilities, implied correlations, and market implied heat rates. 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 2014 and 2013 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 Contracts/Cross-Currency Swaps *(PPL, LKE, LG&E and KU)*

To manage interest rate risk, PPL, LKE, LG&E and KU use interest rate contracts such as forward-starting swaps, floating-to-fixed swaps and fixed-to-floating swaps. To manage foreign currency exchange risk, PPL uses foreign currency contracts such as forwards, options, and cross-currency swaps that contain characteristics of both interest rate and foreign currency contracts. An income approach is used to measure the fair value of these contracts, utilizing readily observable inputs, such as forward interest rates (e.g., LIBOR and government security rates) and forward foreign currency exchange rates (e.g., GBP), as well as inputs that may not be observable, such as credit valuation adjustments. In certain cases, market information cannot practicably be obtained to value credit risk and therefore internal models are relied upon. These models use projected probabilities of default and estimated recovery rates based on historical observances. When the credit valuation adjustment is significant to the overall valuation, the contracts are classified as Level 3. For PPL, the primary reason for the transfers between Level 2 and Level 3 during 2014 and 2013 was the change in the significance of the credit valuation adjustment. Cross-currency swaps are valued by PPL's Treasury department, which reports to the CFO. Accounting personnel, who also report to the CFO, interpret analysis quarterly to 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.

- The fair value measurements of investments in commingled equity funds are classified as Level 2. 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.

The fair value of debt securities is generally measured using a market approach, including the use of pricing models, which incorporate observable inputs. Common inputs include benchmark yields, relevant trade data, broker/dealer bid/ask prices, benchmark securities and credit valuation adjustments. When necessary, the fair value of debt securities is measured using the income approach, which incorporates similar observable inputs as well as payment data, future predicted cash flows, collateral performance and new issue data.

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 probability of realizing 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 transfers during 2013 was the change in discount rates and SIFMA Index.

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 classify the contracts in the fair value hierarchy. Valuation techniques are evaluated periodically.

Nonrecurring Fair Value Measurements *(All Registrants except PPL Electric and LG&E)*

The following nonrecurring fair value measurements occurred during the reporting periods, resulting in asset impairments.

	Carrying Amount (a)	Level 3 Fair Value	Loss (b)
PPL and PPL Energy Supply			
Kerr Dam Project (c):			
March 31, 2014	$ 47	$ 29	$ 18
Corette plant and emission allowances:			
December 31, 2013	65		65
PPL, LKE and KU			
Equity investment in EEI:			
December 31, 2012	25		25

(a) Represents carrying value before fair value measurement.
(b) The loss on the Kerr Dam Project was recorded in the Supply segment and included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statement of Income. The loss on the Corette plant and emission allowances was recorded in the Supply segment and included in "Other operation and maintenance" on the Statement of Income. 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.
(c) The Kerr Dam Project was included in the sale of the Montana Hydroelectric facilities and the assets were removed from the Balance Sheet. See Note 8 for additional information.

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:

	Fair Value, net Asset (Liability)	Valuation Technique	Significant Unobservable Input(s)	Range (Weighted Average) (a)
PPL and PPL Energy Supply				
Kerr Dam Project:				
March 31, 2014	$ 29	Discounted cash flow	Proprietary model used to calculate plant value	38% (38%)
Corette plant and emission allowances:				
December 31, 2013		Discounted cash flow	Long-term forward price curves and capital expenditure projections	100% (100%)
PPL, LKE and KU				
Equity investment in EEI:				
December 31, 2012		Discounted cash flow	Long-term forward price curves and capital expenditure projections	100% (100%)

(a) The range and weighted average represent the percentage of fair value derived from the unobservable inputs.

(PPL and PPL Energy Supply)

Kerr Dam Project

PPL Montana previously held a joint operating license issued for the Kerr Dam Project. The license extends until 2035 and, between 2015 and 2025, the Confederated Salish and Kootenai Tribes of the Flathead Nation (the Tribes) have the option to purchase, hold and operate the Kerr Dam Project. The parties submitted the issue of the appropriate amount of the conveyance price to arbitration in February 2013. In March 2014, the arbitration panel issued its final decision holding that the conveyance price payable by the Tribes for the Kerr Dam Project is $18 million. As a result of the decision, PPL Energy Supply performed a recoverability test on the Kerr Dam Project and recorded an impairment charge. PPL Energy Supply performed an internal analysis using an income approach based on discounted cash flows (a PPL proprietary model) to assess the fair value of the Kerr Dam Project. Assumptions used in the PPL proprietary model were the conveyance price, forward energy price curves, forecasted generation, and forecasted operation and maintenance expenditures that were consistent with assumptions used in the business planning process and a market participant discount rate. Through this analysis, PPL Energy Supply determined the fair value of the Kerr Dam Project to be $29 million at March 31, 2014. The Kerr Dam Project was included in the sale of the Montana Hydroelectric facilities and the assets were removed from the Balance Sheet. See Note 8 for additional information.

The assets were valued by the PPL Energy Supply Financial Department, which reports to the President of PPL Energy Supply. Accounting personnel, who report to the CFO, interpreted the analysis to appropriately classify the assets in the fair value hierarchy.

Corette Plant and Emission Allowances

During the fourth quarter 2013, PPL Montana recorded an impairment loss on the Corette plant and related emission allowances. In connection with the completion of its 2013 annual business planning process that included revised long-term power and gas price assumptions and other factors, PPL Energy Supply altered its expectations regarding the probability that the Corette plant would operate subsequent to initially placing it in long-term reserve status and determined the carrying amount for Corette was no longer recoverable. As a result, PPL Energy Supply performed an internal analysis using an income approach based on discounted cash flows to assess the fair value of the Corette asset group. Assumptions used in the fair value assessment were forward energy prices, expectations for demand for energy in Corette's market and expected operation and maintenance and capital expenditures that were consistent with assumptions used in the business planning process and a market participant discount rate. Through this analysis, PPL Energy Supply determined the fair value of the asset group to be negligible. PPL Energy Supply now expects to retire the Corette plant in August 2015.

The assets were valued by the PPL Energy Supply Financial Department, which reports to the President of PPL Energy Supply. Accounting personnel, who report to the CFO, interpreted the analysis to appropriately classify the assets in the fair value hierarchy.

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.

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

The carrying amounts of long-term debt on the Balance Sheets and their estimated fair values are set forth below. The fair values 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, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
PPL	$ 20,391	$ 22,670	$ 20,907	$ 22,177
PPL Energy Supply	2,218	2,204	2,525	2,658
PPL Electric	2,602	2,990	2,315	2,483
LKE	4,567	4,946	4,565	4,672
LG&E	1,353	1,455	1,353	1,372
KU	2,091	2,313	2,091	2,155

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

(All Registrants)

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 17 for information on credit policies used to manage credit risk, including master netting arrangements and collateral requirements.

(PPL and PPL Energy Supply)

At December 31, 2014, PPL and PPL Energy Supply had credit exposure of $708 million from energy trading partners, excluding exposure from related parties (PPL Energy Supply only) and the effects of netting arrangements, reserves and collateral. As a result of netting arrangements, reserves and collateral, PPL and PPL Energy Supply's credit exposure was reduced to $374 million. The top ten counterparties including their affiliates accounted for $164 million, or 44%, of these exposures. Nine of these counterparties had an investment grade credit rating from S&P or Moody's and accounted for 95% of the top ten exposures. The remaining counterparty is rated below investment grade, but is current on its obligation. See Note 14 for information regarding PPL Energy Supply's related party credit exposure.

(PPL Electric)

PPL Electric is exposed to credit risk under energy supply contracts (including its supply contracts with PPL EnergyPlus); however, its PUC-approved recovery mechanism is anticipated to substantially mitigate this exposure.

(LKE, LG&E and KU)

At December 31, 2014, LKE's, LG&E's and KU's credit exposure was not significant.

17. Derivative Instruments and Hedging Activities

Risk Management Objectives

(All Registrants)

PPL has a risk management policy approved by the Board of Directors to manage market risk associated with commodities, interest rates on debt issuances and foreign exchange (including price, liquidity and volumetric risk) and credit risk (including non-performance risk and payment default risk). The 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 market liquidity and volumetric risks. Forward contracts, futures contracts, options, swaps and structured transactions are utilized as part of risk management strategies to minimize unanticipated fluctuations in earnings caused by changes in commodity prices, volumes of full-requirement sales contracts, basis exposure, interest rates and foreign currency exchange rates. Many of the contracts meet the definition of a derivative. All derivatives are recognized on the Balance Sheets at their fair value, unless NPNS is elected.

The table below summarizes the market risks that affect PPL and its Subsidiary Registrants.

	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 and earnings	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 risk

- PPL is exposed to commodity price risk through its domestic subsidiaries as described below. WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K.

- PPL Energy Supply is exposed to commodity price risk for energy and energy-related products associated with the sale of electricity from its generating assets and other electricity and gas marketing activities 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 risk from its obligation as PLR; however, its PUC-approved cost recovery mechanism substantially eliminates its exposure to this risk. PPL Electric also mitigates its exposure to 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.

- LG&E's and KU's rates include certain mechanisms for fuel and environmental expenses. In addition, LG&E's rates include certain mechanisms for gas supply. 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 changes in foreign currency exchange rates and interest 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, when appropriate, in connection with future debt issuances.

- PPL and its subsidiaries are exposed to interest rate risk associated with debt securities held by defined benefit plans. This risk is significantly mitigated to the extent that the plans are sponsored at, or sponsored on behalf of, the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place. 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 defined benefit plans. This risk is significantly mitigated at the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place. Additionally, PPL and PPL Energy Supply are 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 and earnings of U.K. affiliates.

Credit Risk

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

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

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, financial institutions, other wholesale customers and retail customers.

The majority of PPL and PPL Energy Supply's 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, subject to regulatory review or other processes, appropriate incremental costs incurred by these entities would be recoverable from customers through applicable rate mechanisms, thus mitigating the financial risk for these entities.

PPL and its subsidiaries have credit policies in place to manage credit risk, including the use of an established credit approval process, daily monitoring of counterparty positions and the use of master netting agreements or provisions. These agreements generally include credit mitigation provisions, such as margin, prepayment or collateral requirements. PPL and its subsidiaries may request additional credit assurance, in certain circumstances, in the event that the counterparties' credit ratings fall below investment grade, their tangible net worth falls below specified percentages or their exposures exceed an established credit limit. See Note 16 for credit concentration associated with energy trading partners.

Master Netting Arrangements

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

PPL's and PPL Energy Supply's obligation to return counterparty cash collateral under master netting arrangements was $11 million and $9 million at December 31, 2014 and 2013.

PPL Electric, LKE and LG&E had no obligation to return cash collateral under master netting arrangements at December 31, 2014 and 2013.

PPL, LKE and LG&E had posted cash collateral under master netting arrangements of $21 million and $22 million at December 31, 2014 and 2013.

PPL Energy Supply, PPL Electric and KU did not post any cash collateral under master netting arrangements at December 31, 2014 and 2013.

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.

(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 unregulated wholesale and unregulated 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 6,644 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 3,252 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 are non-derivatives or NPNS is elected and therefore they are 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 as discussed below.

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. Certain cash flow hedge positions were dedesignated during 2013 and the unamortized portion remained in AOCI because the original forecasted transaction is still expected to occur. There were no active cash flow hedges at December 31, 2014 and 2013. At December 31, 2014, the accumulated net unrecognized after-tax gains (losses) that are expected to be reclassified into earnings during the next 12 months were $19 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 2014 and 2013, there were no reclassifications, while in 2012, such reclassifications were insignificant.

For 2014, 2013 and 2012, hedge ineffectiveness associated with energy derivatives was insignificant.

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 because 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 also 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, 2014 range in maturity through 2019.

Examples of economic activity may 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 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 capped at the price at which the generating unit would be dispatched and therefore does not expose PPL Energy Supply to uncovered market price risk.

The unrealized gains (losses) for economic activity for the years ended December 31 were as follows.

	2014	2013	2012
Operating Revenues			
Unregulated wholesale energy	$ 325	$ (721)	$ (311)
Unregulated retail energy	29	12	(17)
Operating Expenses			
Fuel	(27)	(4)	(14)
Energy purchases	(327)	586	442

Commodity Price Risk (Trading)

PPL Energy Supply has a proprietary trading strategy which is utilized to take advantage of market opportunities primarily in its geographic footprint. As a result, PPL Energy Supply may at times create a net open position in its portfolio that could result in losses if prices do not move in the manner or direction anticipated. Net energy trading margins, which are included in "Unregulated wholesale energy" on the Statements of Income, were $75 million for 2014 and insignificant for 2013 and 2012.

Commodity Volumes

At December 31, 2014, the net volumes of derivative (sales)/purchase contracts used in support of the various strategies discussed above were as follows.

Commodity	Unit of Measure	Volumes (a) 2015	2016	2017	Thereafter
Power	MWh	(39,946,543)	(4,999,532)	741,005	3,426,579
Capacity	MW-Month	(6,604)	(249)	6	3
Gas	MMBtu	136,349,655	42,144,483	5,804,511	8,969,760
FTRs	MW-Month	2,803			
Oil	Barrels	421,019	374,334	251,670	60,000

(a) Volumes for option contracts factor in the probability of an option being exercised and may be less than the notional amount of the option.

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 debt portfolio due to changes in benchmark interest rates.

Cash Flow Hedges

(PPL)

Interest rate risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financings. Financial interest rate swap contracts that qualify as cash flow hedges may be entered into to hedge floating interest rate risk associated with both existing and anticipated debt issuances. At December 31, 2014, PPL held an aggregate notional value in interest rate swap contracts of $1.6 billion that range in maturity through 2045. The amount outstanding includes swaps entered into by PPL on behalf of LG&E and KU. Realized gains and losses on the LG&E and KU swaps are probable of recovery through regulated rates; as such, any gains and losses on these derivatives are included in regulatory assets or liabilities and will be recognized in "Interest Expense" on the Statements of Income over the life of the underlying debt at the time the underlying hedged interest expense is recorded.

At December 31, 2014, PPL held an aggregate notional value in cross-currency interest rate swap contracts of $1.3 billion that range in maturity through 2028 to hedge the interest payments and principal of WPD's U.S. dollar-denominated senior notes.

For 2014, 2013 and 2012, hedge ineffectiveness associated with interest rate derivatives was insignificant.

Cash flow hedges are discontinued if it is no longer probable that the original forecasted transaction will occur by the end of the originally specified time period and any amounts previously recorded in AOCI are reclassified into earnings once it is determined that the hedged transaction is probable of not occurring. PPL had an insignificant amount for 2014 and no such reclassifications in 2013 and 2012.

At December 31, 2014, 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 $(10) million. Amounts are reclassified as the hedged interest expense is recorded.

(LKE, LG&E and KU)

Periodically, LG&E and KU enter into forward-starting interest rate swaps with PPL that have terms identical to forward-starting swaps entered into by PPL with third parties. Realized gains and losses on all of these swaps are probable of recovery through regulated rates; as such, any gains and losses on these derivatives are included in regulatory assets or liabilities and will be recognized in "Interest Expense" on the Statements of Income over the life of the underlying debt at the time the underlying hedged interest expense is recorded. At December 31, 2014, the total notional amount of forward starting interest rate swaps outstanding was $1 billion (LG&E and KU each held contracts of $500 million). The swaps range in maturity through 2045. There were no forward starting interest rate swaps outstanding at December 31, 2013. Net cash settlements of $86 million were received on swaps that were terminated in 2013 (LG&E and KU each received $43 million). The settlements are included in "Regulatory liabilities" (noncurrent) on the Balance Sheets and "Cash Flows from Operating Activities" on the Statement of Cash Flows.

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

LG&E enters into interest rate swap contracts that economically hedge interest payments on variable rate debt. Because realized gains and losses from the swaps, including a terminated swap contract, are recoverable through regulated rates, any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities until they are realized as interest expense. Realized gains and losses are recognized in "Interest Expense" on the Statements of Income at the time the underlying hedged interest expense is recorded. At December 31, 2014, LG&E held contracts with a notional amount of $179 million that range in maturity through 2033.

Foreign Currency Risk

(PPL)

PPL is exposed to foreign currency risk, primarily through investments in and earnings of U.K. affiliates. PPL has adopted a foreign currency risk management program designed to hedge certain foreign currency exposures, including firm commitments, recognized assets or liabilities, anticipated transactions and net investments. In addition, PPL enters into financial instruments to protect against foreign currency translation risk of expected 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, 2014 had a notional amount of £217 million (approximately $355 million based on contracted rates). The settlement dates of these contracts range from May 2015 through June 2016.

Additionally, a PPL Global subsidiary that has a U.S. dollar functional currency entered into GBP intercompany loans payable with WPD subsidiaries that have GBP functional currency. The loans qualify as a net investment hedge for the PPL Global subsidiary. As such, the foreign currency gains and losses on the intercompany loans for the PPL Global subsidiary are recorded to the foreign currency translation adjustment component of OCI. For 2014 and 2013, PPL recognized insignificant amounts of net investment hedge gains (losses) on the intercompany loans in the foreign currency translation adjustment component of OCI. At December 31, 2014, there were no outstanding loan balances.

At December 31, 2014 and 2013, PPL had $14 million and an insignificant amount of accumulated net investment hedge after tax gains (losses) that were included in the foreign currency translation adjustment component of AOCI.

Economic Activity

PPL enters into foreign currency contracts on behalf of a subsidiary to economically hedge GBP-denominated anticipated earnings. At December 31, 2014, the total exposure hedged by PPL was approximately £1.4 billion (approximately $2.2 billion based on contracted rates). These contracts had termination dates ranging from January 2015 through December 2016.

Accounting and Reporting

(All Registrants)

All derivative instruments are recorded at fair value on the Balance Sheet as an asset or liability unless NPNS is elected. NPNS contracts for PPL and PPL Energy Supply include certain full-requirement sales contracts, other physical purchase and sales contracts and certain retail energy and physical capacity contracts, and for PPL Electric include certain full-requirement purchase contracts and other physical purchase contracts. Changes in the fair value of derivatives not designated as NPNS are recognized currently in earnings unless specific hedge accounting criteria are met and designated as such, except for the changes in fair values of LG&E's and KU's interest rate swaps that are recognized as regulatory assets or regulatory liabilities. See Note 6 for amounts recorded in regulatory assets and regulatory liabilities at December 31, 2014 and 2013. PPL and PPL Energy Supply have many physical and financial commodity purchases and sales contracts that economically hedge commodity price risk but do not receive hedge accounting treatment. As such, realized and unrealized gains (losses) on these contracts are recorded currently in earnings. Generally each contract is considered a unit of account and PPL and PPL Energy Supply present gains (losses) on physical and financial commodity sales contracts in "Unregulated wholesale energy" or "Unregulated retail energy" and (gains) losses on physical and financial commodity purchase contracts in "Fuel" or "Energy purchases" on the Statements of Income. Certain of the economic hedging strategies employed by PPL Energy

Supply utilize a combination of financial purchases and sales contracts which are similarly reported gross as an expense and revenue, respectively, on the Statements of Income. PPL Energy Supply records realized hourly net sales or purchases of physical power with PJM in its Statements of Income as "Unregulated wholesale energy" if in a net sales position and "Energy purchases" if in a net purchase position.

See Note 1 for additional information on accounting policies related to derivative instruments.

(PPL)

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

	December 31, 2014				December 31, 2013			
	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments		Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current:								
Price Risk Management Assets/Liabilities (a):								
Interest rate swaps (b)		$ 94		$ 5	$ 82			$ 4
Cross-currency swaps (b)		3				$ 4		
Foreign currency contracts	$ 12		$ 67			16		55
Commodity contracts			1,079	1,024			$ 860	750
Total current	12	97	1,146	1,029	82	20	860	809
Noncurrent:								
Price Risk Management Assets/Liabilities (a):								
Interest rate swaps (b)		14		43	9			32
Cross-currency swaps (b)	29					28		
Foreign currency contracts	5		46	2		4		31
Commodity contracts			239	193			328	320
Total noncurrent	34	14	285	238	9	32	328	383
Total derivatives	$ 46	$ 111	$ 1,431	$ 1,267	$ 91	$ 52	$ 1,188	$ 1,192

(a) Represents the location on the Balance Sheets.
(b) Excludes accrued interest, if applicable.

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities.

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

Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
2014				
Cash Flow Hedges:				
Interest rate swaps	$ (91)	Interest Expense	$ (18)	$ 2
Cross-currency swaps	58	Other Income (Expense) - net	57	
		Interest Expense	4	
Commodity contracts		Unregulated wholesale energy	1	
		Energy purchases	31	
		Depreciation	2	
		Discontinued operations	8	
Total	$ (33)		$ 85	$ 2
Net Investment Hedges:				
Foreign currency contracts	$ 23			

Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
2013				
Cash Flow Hedges:				
Interest rate swaps	$ 127	Interest Expense	$ (20)	
Cross-currency swaps	(41)	Other Income (Expense) - net	(28)	
		Interest Expense	1	
Commodity contracts		Unregulated wholesale energy	240	$ 1
		Energy purchases	(58)	
		Depreciation	2	
		Other	3	
		Discontinued operations	23	
Total	$ 86		$ 163	$ 1
Net Investment Hedges:				
Foreign currency contracts	$ (14)			
2012				
Cash Flow Hedges:				
Interest rate swaps	$ (28)	Interest Expense	$ (18)	
		Other Income (Expense) - net	1	
Cross-currency swaps	(15)	Other Income (Expense) - net	(23)	
		Interest Expense	(2)	
Commodity contracts	114	Unregulated wholesale energy	838	$ (1)
		Energy purchases	(136)	(2)
		Depreciation	2	
		Discontinued operations	50	
Total	$ 71		$ 712	$ (3)
Net Investment Hedges:				
Foreign currency contracts	$ (7)			

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	2014	2013	2012
Foreign currency contracts	Other Income (Expense) - net	$ 121	$ (38)	$ (52)
Interest rate swaps	Interest Expense	(8)	(8)	(8)
Commodity contracts	Unregulated wholesale energy	(1,353)	(99)	1,182
	Unregulated retail energy	30	25	30
	Fuel	(30)	2	
	Energy purchases	1,013	130	(965)
	Discontinued operations	6	14	17
	Total	$ (221)	$ 26	$ 204

Derivatives Designated as Cash Flow Hedges	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	2014	2013	2012
Interest rate swaps	Regulatory assets - noncurrent	$ (66)		
	Regulatory liabilities - noncurrent		$ 72	$ 14

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	2014	2013	2012
Interest rate swaps	Regulatory assets - noncurrent	$ (12)	$ 22	$ 1

(PPL Energy Supply)

The following tables present the fair value and location of derivative instruments recorded on the Balance Sheets.

	December 31, 2014		December 31, 2013	
	Derivatives not designated as hedging instruments		Derivatives not designated as hedging instruments	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management Assets/Liabilities (a):				
Commodity contracts	$ 1,079	$ 1,024	$ 860	$ 750
Total current	1,079	1,024	860	750
Noncurrent:				
Price Risk Management Assets/Liabilities (a):				
Commodity contracts	239	193	328	320
Total noncurrent	239	193	328	320
Total derivatives	$ 1,318	$ 1,217	$ 1,188	$ 1,070

(a) Represents the location on the Balance Sheets.

The following tables present the pre-tax effect of derivative instruments recognized in income or OCI.

Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
2014				
Cash Flow Hedges:				
Commodity contracts		Unregulated wholesale energy	$ 1	
		Energy purchases	31	
		Depreciation	2	
		Discontinued operations	8	
Total			$ 42	
2013				
Cash Flow Hedges:				
Commodity contracts		Unregulated wholesale energy	$ 240	$ 1
		Energy purchases	(58)	
		Depreciation	2	
		Discontinued operations	23	
Total			$ 207	$ 1
2012				
Cash Flow Hedges:				
Commodity contracts	$ 114	Unregulated wholesale energy	$ 838	$ (1)
		Energy purchases	(136)	(2)
		Depreciation	2	
		Discontinued operations	50	
Total	$ 114		$ 754	$ (3)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	2014	2013	2012
Commodity contracts	Unregulated wholesale energy	$ (1,353)	$ (99)	$ 1,182
	Unregulated retail energy	30	25	30
	Fuel	(30)	2	
	Energy purchases	1,013	130	(965)
	Discontinued operations	6	14	17
	Total	$ (334)	$ 72	$ 264

(LKE)

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	December 31, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps		$ 66		

(a) Represents the location on the Balance Sheet.

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets and liabilities.

Derivative Instruments	Location of Gain (Loss)	2014	2013	2012
Interest rate swaps	Regulatory assets - noncurrent	$ (66)		
	Regulatory liabilities - noncurrent		$ 72	$ 14

(LG&E)

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	December 31, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps		$ 33		

(a) Represents the location on the balance sheet.

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets and liabilities.

Derivative Instruments	Location of Gain (Loss)	2014	2013	2012
Interest rate swaps	Regulatory asset - noncurrent	$ (33)		
	Regulatory liabilities - noncurrent		$ 36	$ 7

(KU)

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	December 31, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps		$ 33		

(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 assets and liabilities.

Derivative Instruments	Location of Gain (Loss)	2014	2013	2012
Interest rate swaps	Regulatory assets - noncurrent	$ (33)		
	Regulatory liabilities - noncurrent		$ 36	$ 7

(LKE and LG&E)

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

	December 31, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps		$ 5		$ 4
Total current		5		4
Noncurrent:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps		43		32
Total noncurrent		43		32
Total derivatives		$ 48		$ 36

(a) Represents the location on the Balance Sheets.

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets.

Derivative Instruments	Location of Gain (Loss)	2014	2013	2012
Interest rate swaps	Interest Expense	$ (8)	$ (8)	$ (8)

Derivative Instruments	Location of Gain (Loss)	2014	2013	2012
Interest rate swaps	Regulatory assets - noncurrent	$ (12)	$ 22	$ 1

(All Registrants except PPL Electric)

Offsetting Derivative Instruments

PPL, PPL Energy Supply, LKE, LG&E and KU or certain of their subsidiaries have 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. PPL, PPL Energy Supply, LKE, LG&E and KU and their subsidiaries also enter into agreements pursuant to which they trade 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.

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

	Assets				Liabilities			
		Eligible for Offset				Eligible for Offset		
	Gross	Derivative Instruments	Cash Collateral Received	Net	Gross	Derivative Instruments	Cash Collateral Pledged	Net
December 31, 2014								
PPL								
Energy Commodities	$ 1,318	$ 1,060	$ 10	$ 248	$ 1,217	$ 1,060	$ 58	$ 99
Treasury Derivatives	159	65		94	161	65	21	75
Total	$ 1,477	$ 1,125	$ 10	$ 342	$ 1,378	$ 1,125	$ 79	$ 174

	Assets				Liabilities			
		Eligible for Offset				Eligible for Offset		
	Gross	Derivative Instruments	Cash Collateral Received	Net	Gross	Derivative Instruments	Cash Collateral Pledged	Net
PPL Energy Supply								
Energy Commodities	$ 1,318	$ 1,060	$ 10	$ 248	$ 1,217	$ 1,060	$ 58	$ 99
LKE								
Treasury Derivatives					$ 114		$ 20	$ 94
LG&E								
Treasury Derivatives					$ 81		$ 20	$ 61
KU								
Treasury Derivatives					$ 33			$ 33
December 31, 2013								
PPL								
Energy Commodities	$ 1,188	$ 912	$ 7	$ 269	$ 1,070	$ 912	$ 1	$ 157
Treasury Derivatives	91	61		30	174	61	23	90
Total	$ 1,279	$ 973	$ 7	$ 299	$ 1,244	$ 973	$ 24	$ 247
PPL Energy Supply								
Energy Commodities	$ 1,188	$ 912	$ 7	$ 269	$ 1,070	$ 912	$ 1	$ 157
LKE								
Treasury Derivatives					$ 36		$ 20	$ 16
LG&E								
Treasury Derivatives					$ 36		$ 20	$ 16

Credit Risk-Related Contingent Features

Certain derivative contracts contain credit risk-related contingent features which, when in a net liability position, would permit the counterparties to require the transfer of additional collateral upon a decrease in the credit ratings of PPL, PPL Energy Supply, LKE, LG&E and KU or certain of their subsidiaries. Most of these features would require the transfer of additional collateral or permit the counterparty to terminate the contract if the applicable credit rating were to fall below investment grade. Some of these features also would allow the counterparty to require additional collateral upon each downgrade in the credit rating at levels that remain above investment grade. In either case, if the applicable credit rating were to fall below investment grade, and assuming no assignment to an investment grade affiliate were allowed, most of these credit contingent features require either immediate payment of the net liability as a termination payment or immediate and ongoing full collateralization on derivative instruments in net liability positions.

Additionally, certain derivative contracts contain credit risk-related contingent features that require adequate assurance of performance be provided if the other party has reasonable concerns regarding the performance of PPL's 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" features.

(All Registrants except PPL Electric and KU)

At December 31, 2014, derivative contracts in a net liability position that contain credit risk-related contingent features, collateral posted on those positions and the related effect of a decrease in credit ratings below investment grade are summarized as follows:

	PPL	PPL Energy Supply	LKE	LG&E
Aggregate fair value of derivative instruments in a net liability position with credit risk-related contingent features	$ 162	$ 98	$ 30	$ 30
Aggregate fair value of collateral posted on these derivative instruments	127	106	21	21
Aggregate fair value of additional collateral requirements in the event of a credit downgrade below investment grade (a)	71 (b)	26 (b)	10	10

(a) Includes the effect of net receivables and payables already recorded on the Balance Sheet.
(b) During the second quarter of 2014, PPL Energy Supply experienced a downgrade in its corporate credit ratings to below investment grade. Amounts related to PPL Energy Supply represent net liability positions subject to further adequate assurance features.

18. Goodwill and Other Intangible Assets

Goodwill

(PPL)

The changes in the carrying amount of goodwill by segment were:

	U.K. Regulated		Kentucky Regulated		Supply		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Balance at beginning of period (a)	$ 3,143	$ 3,076	$ 662	$ 662	$ 420	$ 420	$ 4,225	$ 4,158
Allocation to discontinued operations (b)					(82)		(82)	
Effect of foreign currency exchange rates	(138)	67					(138)	67
Balance at end of period (a)	$ 3,005	$ 3,143	$ 662	$ 662	$ 338	$ 420	$ 4,005	$ 4,225

(a) There were no accumulated impairment losses related to goodwill.
(b) Represents goodwill allocated to the Montana hydroelectric generating facilities that were sold in November 2014. See Note 8 for additional information.

(PPL Energy Supply)

For PPL Energy Supply, the change in carrying amount of goodwill for the year ended December 31, 2014 was due to goodwill allocated to the Montana hydroelectric generating facilities which were sold in November 2014. See Note 8 for additional information.

Other Intangible Assets

(PPL)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2014		December 31, 2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Contracts (a)	$ 408	$ 250	$ 408	$ 202
Land and transmission rights	359	121	331	117
Emission allowances/RECs (b)	15		16	
Licenses and other (c)	280	25	305	45
Total subject to amortization	1,062	396	1,060	364
Not subject to amortization due to indefinite life:				
Land and transmission rights	16		16	
Easements	250		239	
Total not subject to amortization due to indefinite life	266		255	
Total	$ 1,328	$ 396	$ 1,315	$ 364

(a) Gross carrying amount includes the fair value at the acquisition date of the OVEC power purchase contract and coal contracts with terms favorable to market recognized as a result of the 2010 acquisition of LKE by PPL. Offsetting regulatory liabilities were recorded related to these contracts, which are being amortized over the same period as the intangible assets, eliminating any income statement impact. This is referred to as "regulatory offset" in the tables below. See Note 6 for additional information.
(b) Emission allowances/RECs are expensed when consumed or sold; therefore, there is no accumulated amortization.

(c) "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 included in "Other intangibles" on the Balance Sheets.

Amortization expense for the years ended December 31, excluding consumption of emission allowances/RECs of $24 million, $23 million and $12 million in 2014, 2013 and 2012, was as follows:

	2014	2013	2012
Intangible assets with no regulatory offset	$ 10	$ 10	$ 14
Intangible assets with regulatory offset	47	51	47
Total	$ 57	$ 61	$ 61

Amortization expense for each of the next five years, excluding insignificant amounts for consumption of emission allowances/RECs, is estimated to be:

	2015	2016	2017	2018	2019
Intangible assets with no regulatory offset	$ 8	$ 8	$ 8	$ 8	$ 8
Intangible assets with regulatory offset	50	26	9	9	9
Total	$ 58	$ 34	$ 17	$ 17	$ 17

(PPL Energy Supply)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2014		December 31, 2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Land and transmission rights	$ 17	$ 14	$ 17	$ 14
Emission allowances/RECs (a)	10		11	
Licenses and other (b)	270	19	295	39
Total subject to amortization	$ 297	$ 33	$ 323	$ 53

(a) Emission allowances/RECs are expensed when consumed or sold; therefore, there is no accumulated amortization.
(b) "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" on the Balance Sheets.

Amortization expense for the years ended December 31, excluding consumption of emission allowances/RECs of $24 million, $23 million and $12 million in 2014, 2013, and 2012 was as follows:

	2014	2013	2012
Amortization expense	$ 4	$ 5	$ 9

Amortization expense and consumption of emission allowances/RECs is expected to be insignificant in future years.

(PPL Electric)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2014		December 31, 2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Land and transmission rights	$ 321	$ 105	$ 293	$ 102
Licenses and other	4	1	5	1
Total subject to amortization	325	106	298	103

	December 31, 2014		December 31, 2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Not subject to amortization due to indefinite life:				
Land and transmission rights	16		16	
Total	$ 341	$ 106	$ 314	$ 103

Intangible assets are shown as "Intangibles" on the Balance Sheets.

Amortization expense was insignificant in 2014, 2013 and 2012 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, 2014		December 31, 2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Coal contracts (a)	$ 269	$ 210	$ 269	$ 171
Land and transmission rights	21	2	20	2
Emission allowances (b)	3		4	
OVEC power purchase agreement (c)	126	33	126	25
Total subject to amortization	$ 419	$ 245	$ 419	$ 198

(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 6 for additional information.

(b) Emission allowances/RECs are expensed when consumed or sold; therefore, there is no accumulated amortization.

(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. An offsetting regulatory liability was recorded related to this contract, which is being amortized over the same period as the intangible asset, eliminating any income statement impact. See Note 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 was as follows:

	2014	2013	2012
Intangible assets with no regulatory offset		$ 1	
Intangible assets with regulatory offset	$ 47	51	$ 47
Total	$ 47	$ 52	$ 47

Amortization expense for each of the next five years, excluding consumption of emission allowances, is estimated to be:

	2015	2016	2017	2018	2019
Intangible assets with regulatory offset	$ 50	$ 26	$ 9	$ 9	$ 9

(LG&E)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2014		December 31, 2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Coal contracts (a)	$ 124	$ 98	$ 124	$ 81
Land and transmission rights	7	1	7	1
Emission allowances (b)	1		1	
OVEC power purchase agreement (c)	87	23	87	17
Total subject to amortization	$ 219	$ 122	$ 219	$ 99

(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 6 for additional information.
(b) Emission allowances/RECs are expensed when consumed or sold; therefore, there is no accumulated amortization.
(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. An offsetting regulatory liability was recorded related to this contract, which is being amortized over the same period as the intangible asset, eliminating any income statement impact. See Note 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 was as follows:

	2014	2013	2012
Intangible assets with regulatory offset	$ 23	$ 23	$ 23

Amortization expense for each of the next five years, excluding consumption of emission allowances, is estimated to be:

	2015	2016	2017	2018	2019
Intangible assets with regulatory offset	$ 24	$ 13	$ 6	$ 6	$ 6

(KU)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2014		December 31, 2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Coal contracts (a)	$ 145	$ 112	$ 145	$ 90
Land and transmission rights	14	1	13	1
Emission allowances (b)	2		3	
OVEC power purchase agreement (c)	39	10	39	8
Total subject to amortization	$ 200	$ 123	$ 200	$ 99

(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 6 for additional information.
(b) Emission allowances/RECs are expensed when consumed or sold; therefore, there is no accumulated amortization.
(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. An offsetting regulatory liability was recorded related to this contract, which is being amortized over the same period as the intangible asset, eliminating any income statement impact. See Note 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 was as follows:

	2014	2013	2012
Intangible assets with no regulatory offset		$ 1	
Intangible assets with regulatory offset	$ 24	28	$ 24
Total	$ 24	$ 29	$ 24

Amortization expense for each of the next five years, excluding consumption of emission allowances, is estimated to be:

	2015	2016	2017	2018	2019
Intangible assets with regulatory offset	$ 26	$ 13	$ 3	$ 3	$ 3

19. 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 AROs 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. Assets in the NDT funds are legally restricted for the purpose of settling this ARO. See Notes 16 and 20 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 is 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, LG&E's and KU's accretion and depreciation expense are recorded as a regulatory asset, such that there is no earnings impact. In 2014, AROs were revalued primarily due to updates in the estimated cash flows for ash ponds based on updated cost estimates. 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.

(All Registrants except PPL Electric)

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

	PPL		PPL Energy Supply	
	2014	2013	2014	2013
ARO at beginning of period	$ 705	$ 552	$ 404	$ 375
Accretion	48	38	32	29
Obligations incurred	14	6	13	6
Changes in estimated cash flow or settlement date	9	123	(16)	1
Effect of foreign currency exchange rates	(2)	1		
Obligations settled	(13)	(15)	(8)	(7)
ARO at end of period	$ 761	$ 705	$ 425	$ 404

	LKE		LG&E		KU	
	2014	2013	2014	2013	2014	2013
ARO at beginning of period	$ 252	$ 131	$ 74	$ 62	$ 178	$ 69
Accretion	14	7	4	3	10	4
Obligations incurred	1				1	
Changes in estimated cash flow or settlement date	23	122	1	17	22	105
Obligations settled	(5)	(8)	(5)	(8)		
ARO at end of period	$ 285	$ 252	$ 74	$ 74	$ 211	$ 178

Substantially all of the ARO balances are classified as noncurrent at December 31, 2014 and 2013.

See Note 13 for information on CCRs regulation that could require the recording of additional AROs in 2015.

20. Available-for-Sale Securities

(PPL and PPL Energy Supply)

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, 2014				December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
NDT funds:								
PPL and PPL Energy Supply								
Cash and cash equivalents	$ 19			$ 19	$ 14			$ 14
Equity securities	283	$ 417		700	265	$ 363		628
Debt securities	218	11		229	217	7	$ 3	221
Receivables/payables, net	2			2	1			1
Total NDT funds	$ 522	$ 428		$ 950	$ 497	$ 370	$ 3	$ 864
Auction rate securities:								
PPL	$ 11		$ 1	$ 10	$ 20		$ 1	$ 19
PPL Energy Supply	8			8	17		1	16

See Note 16 for details on the securities held by the NDT funds.

There were no securities with credit losses at December 31, 2014 and 2013.

The following table shows the scheduled maturity dates of debt securities held at December 31, 2014.

	Maturity Less Than 1 Year	Maturity 1-5 Years	Maturity 6-10 Years	Maturity in Excess of 10 Years	Total
PPL					
Amortized cost	$ 10	$ 87	$ 64	$ 68	$ 229
Fair value	10	89	67	73	239
PPL Energy Supply					
Amortized cost	$ 10	$ 87	$ 64	$ 65	$ 226
Fair value	10	89	67	71	237

The following table shows proceeds from and realized gains and losses on sales of available-for-sale securities.

	2014	2013	2012
PPL			
Proceeds from sales of NDT securities (a)	$ 154	$ 144	$ 139
Other proceeds from sales	9		5
Gross realized gains (b)	23	17	29
Gross realized losses (b)	10	7	21
PPL Energy Supply			
Proceeds from sales of NDT securities (a)	$ 154	$ 144	$ 139
Other proceeds from sales	9		3
Gross realized gains (b)	23	17	29
Gross realized losses (b)	10	7	21

(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.

NDT Funds

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.

21. Accumulated Other Comprehensive Income (Loss)

(PPL, PPL Energy Supply and LKE)

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

		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, 2011	$ (243)	$ 90	$ 527	$ (1)	$ (25)	$ (1,137)	$ 1	$ (788)
OCI	94	22	(395)	2	11	(886)		(1,152)
December 31, 2012	$ (149)	$ 112	$ 132	$ 1	$ (14)	$ (2,023)	$ 1	$ (1,940)
Amounts arising during the year	138	67	45		2	71		323
Reclassifications from AOCI		(6)	(83)		6	135		52
Net OCI during the year	138	61	(38)		8	206		375
December 31, 2013	$ (11)	$ 173	$ 94	$ 1	$ (6)	$ (1,817)	$ 1	$ (1,565)
Amounts arising during the year	(275)	35	(10)		5	(509)		(754)
Reclassifications from AOCI		(6)	(64)		4	111		45
Net OCI during the year	(275)	29	(74)		9	(398)		(709)
December 31, 2014	$ (286)	$ 202	$ 20	$ 1	$ 3	$ (2,215)	$ 1	$ (2,274)
PPL Energy Supply								
December 31, 2011		$ 90	$ 606		$ (16)	$ (193)		$ 487
OCI		22	(395)		6	(72)		(439)
December 31, 2012		$ 112	$ 211		$ (10)	$ (265)		$ 48
Amounts arising during the year		67			2	71		140
Reclassifications from AOCI		(6)	(123)		4	14		(111)
Net OCI during the year		61	(123)		6	85		29
December 31, 2013		$ 173	$ 88		$ (4)	$ (180)		$ 77
Amounts arising during the year		35			8	(120)		(77)
Reclassifications from AOCI		(6)	(25)		3	5		(23)
Net OCI during the year		29	(25)		11	(115)		(100)
December 31, 2014		$ 202	$ 63		$ 7	$ (295)		$ (23)

LKE	Foreign currency translation adjustments	Unrealized gains (losses): Available-for-sale securities	Unrealized gains (losses): Qualifying derivatives	Equity investees' AOCI	Defined benefit plans: Prior service costs	Defined benefit plans: Actuarial gain (loss)	Defined benefit plans: Transition asset (obligation)	Total
December 31, 2011					$ (2)	$ 6		$ 4
OCI				$ 1		(20)		(19)
December 31, 2012				$ 1	$ (2)	$ (14)		$ (15)
Amounts arising during the year						28		28
Net OCI during the year						28		28
December 31, 2013				$ 1	$ (2)	$ 14		$ 13
Amounts arising during the year					(7)	(50)		(57)
Reclassifications from AOCI				(1)	1	(1)		(1)
Net OCI during the year				(1)	(6)	(51)		(58)
December 31, 2014				$	$ (8)	$ (37)		$ (45)

The following table presents the gains (losses) and related income taxes for reclassifications from AOCI for the years ended December 31, 2014 and 2013. The defined benefit plan components of AOCI are not reflected in their entirety in the statement of income; rather, they are included in the computation of net periodic defined benefit costs (credits). See Note 11 for additional information.

Details about AOCI	PPL 2014	PPL 2013	PPL Energy Supply 2014	PPL Energy Supply 2013	Affected Line Item on the Statements of Income
Available-for-sale securities	$ 13	$ 10	$ 13	$ 10	Other Income (Expense) - net
Total Pre-tax	13	10	13	10	
Income Taxes	(7)	(4)	(7)	(4)	
Total After-tax	6	6	6	6	
Qualifying derivatives					
Interest rate swaps	(16)	(20)			Interest Expense
Cross-currency swaps	57	(28)			Other Income (Expense) - net
	4	1			Interest Expense
Energy commodities	1	240	1	240	Unregulated wholesale energy
	31	(58)	31	(58)	Energy purchases
	8	23	8	23	Discontinued operations
	2	5	2	2	Other
Total Pre-tax	87	163	42	207	
Income Taxes	(23)	(80)	(17)	(84)	
Total After-tax	64	83	25	123	
Defined benefit plans					
Prior service costs	(7)	(10)	(4)	(7)	
Net actuarial loss	(145)	(184)	(9)	(24)	
Total Pre-tax	(152)	(194)	(13)	(31)	
Income Taxes	37	53	5	13	
Total After-tax	(115)	(141)	(8)	(18)	
Total reclassifications during the year	$ (45)	$ (52)	$ 23	$ 111	

22. New Accounting Guidance Pending Adoption

(All Registrants)

Reporting of Discontinued Operations

In April 2014, the Financial Accounting Standards Board (FASB) issued accounting guidance that changes the criteria for determining what should be classified as a discontinued operation and also changes the related presentation and disclosure requirements. A discontinued operation may include a component of an entity or a group of components of an entity, or a business activity.

A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on the entity's operations and financial results when any of the following occurs: (1) The components of an entity or group of components of an entity meets the criteria to be classified as held for sale, (2) The component of an entity or group of components of an entity is disposed of by sale, or (3) The component of an entity or group of components of an entity is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spinoff).

For public business entities, this guidance should be applied prospectively to all disposals (or classifications as held for sale) of components of an entity that occur within the annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted.

The Registrants adopted this guidance effective January 1, 2015. The new guidance will impact the amounts presented as discontinued operations on the Statements of Income and will enhance the related disclosure requirements.

Accounting for Revenue from Contracts with Customers

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

For public business entities, this guidance can be applied using either a full retrospective or modified retrospective transition method, beginning in annual reporting periods beginning after December 15, 2016 and interim periods within those years. Early adoption is not permitted. The Registrants will adopt this guidance effective January 1, 2017.

The Registrants are currently assessing the impact of adopting this guidance, as well as the transition method they will use.

Reporting Uncertainties about an Entity's Ability to Continue as a Going Concern

In August 2014, the FASB issued accounting guidance which will require management to assess, for each interim and annual period, whether there are conditions or events that raise substantial doubt about an entity's ability to continue as a going concern. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date the financial statements are issued.

When management identifies conditions or events that raise substantial doubt about an entity's ability to continue as a going concern, management is required to disclose information that enables users of the financial statements to understand the principal conditions or events that raised substantial doubt about the entity's ability to continue as a going concern and management's evaluation of the significance of those conditions or events. If substantial doubt about the entity's ability to continue as a going concern has been alleviated as a result of management's plan, the entity should disclose information that allows the users of the financial statements to understand those plans. If the substantial doubt about the entity's ability to continue as a going concern is not alleviated by management's plans, management's plans to mitigate the conditions or events that gave rise to the substantial doubt about the entity's ability to continue as a going concern should be disclosed, as well as a statement that there is substantial doubt the entity's ability to continue as a going concern within one year after the date the financial statements are issued.

For all entities, this guidance should be applied prospectively within the annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted.

The Registrants will adopt this guidance for the annual period ending December 31, 2016. The adoption of this guidance is not expected to have a significant impact on the Registrants.

Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity

In November 2014, the FASB issued guidance that clarifies how current accounting guidance should be interpreted when evaluating the economic characteristics and risks of a host contract of a hybrid financial instrument issued in the form of a share. This guidance does not change the current criteria for determining whether separation of an embedded derivative feature from a hybrid financial instrument is required. Entities are still required to evaluate whether the economic risks of the embedded derivative feature are clearly and closely related to those of the host contract, among other relevant criteria.

An entity should consider the substantive terms and features of the entire hybrid financial instrument, including the embedded derivative feature being evaluated for bifurcation, in evaluating the nature of the host contract to determine whether the host contract is more akin to a debt instrument or more akin to an equity instrument. An entity should assess the relative strength of the debt-like and equity-like terms and features when determining how to weight those terms and features.

For public business entities, this guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 and should be applied using a modified retrospective method for existing hybrid financial instruments issued in the form of a share as of the beginning of the fiscal year the guidance is adopted. Early adoption is permitted. Retrospective application is permitted but not required.

The Registrants will adopt this guidance on January 1, 2016. The Registrants are currently assessing this guidance, which is not expected to have a significant impact on the Registrants.

Income Statement Presentation of Extraordinary and Unusual Items

In January 2015, the FASB issued accounting guidance that eliminates the concept of extraordinary items, which requires an entity to separately classify, present in the income statement and disclose material events and transactions that are both unusual and occur infrequently. The requirement to report material events or transactions that are unusual or infrequent as a separate component of income from continuing operations has been retained, as has the requirement to separately present the nature and financial effects of each event or transaction in the income statement as a separate component of continuing operations or disclose them within the notes to the financial statements. The scope of these requirements has been expanded to include items that are both unusual and occur infrequently.

For all entities, this guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted provided that an entity applies the guidance from the beginning of the fiscal year of adoption. The guidance may be applied either retrospectively or prospectively.

The Registrants will adopt this guidance on January 1, 2016. The adoption of this guidance is not expected to have a significant impact on the Registrants.

SCHEDULE I - PPL CORPORATION
CONDENSED UNCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,
(Millions of Dollars, except share data)

	2014	2013	2012
Operating Revenues			
Operating Expenses			
Other operation and maintenance	**$ 16**	$ 1	$ 11
Total Operating Expenses	**16**	1	11
Operating Loss	**(16)**	(1)	(11)
Other Income (Expense) - net			
Equity in earnings of subsidiaries	**1,776**	1,171	1,580
Other income (expense)	**(18)**	(13)	1
Total	**1,758**	1,158	1,581
Interest Expense	**15**	21	22
Interest Expense with Affiliates	**10**	29	43
Income Before Income Taxes	**1,717**	1,107	1,505
Income Taxes	**(20)**	(23)	(21)
Net Income Attributable to PPL Shareowners	**$ 1,737**	$ 1,130	$ 1,526
Comprehensive Income (Loss) Attributable to PPL Shareowners	**$ 1,028**	$ 1,505	$ 374
Earnings Per Share of Common Stock:			
Net Income Available to PPL Common Shareowners:			
Basic	**$ 2.64**	$ 1.85	$ 2.61
Diluted	**$ 2.61**	$ 1.76	$ 2.60
Weighted-Average Shares of Common Stock Outstanding (in thousands)			
Basic	**653,504**	608,983	580,276
Diluted	**665,973**	663,073	581,626

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

SCHEDULE I - PPL CORPORATION
CONDENSED UNCONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(Millions of Dollars)

	2014	2013	2012
Cash Flows from Operating Activities			
Net cash provided by (used in) operating activities	**$ 1,633**	$ 968	$ 937
Cash Flows from Investing Activities			
Capital contributions to affiliated subsidiaries	**(1,045)**	(496)	(221)
Return of capital from affiliated subsidiaries	**247**	213	
Net cash provided by (used in) investing activities	**(798)**	(283)	(221)
Cash Flows from Financing Activities			
Issuance of equity, net of issuance costs	**1,074**	1,411	72
Net increase (decrease) in short-term debt with affiliates	**(913)**	(1,057)	149
Payment of common stock dividends	**(967)**	(878)	(833)
Contract adjustment payments on Equity Units	**(22)**	(82)	(94)
Repurchase of common stock		(74)	
Other	**(7)**	(5)	(10)
Net cash provided by (used in) financing activities	**(835)**	(685)	(716)
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at Beginning of Period			
Cash and Cash Equivalents at End of Period	**$**	$	$
Supplemental Disclosures of Cash Flow Information:			
Cash Dividends Received from Affiliated Subsidiaries	**$ 1,388**	$ 960	$ 720

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

SCHEDULE I - PPL CORPORATION
CONDENSED UNCONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
(Millions of Dollars, shares in thousands)

	2014	2013
Assets		
Current Assets		
Accounts Receivable		
Other	$ 53	$ 28
Affiliates	149	24
Prepayments		2
Deferred income taxes	34	
Price risk management assets	148	190
Total Current Assets	384	244
Investments		
Affiliated companies at equity	15,426	14,892
Other Noncurrent Assets	88	73
Total Assets	$ 15,898	$ 15,209
Liabilities and Equity		
Current Liabilities		
Short-term debt with affiliates	$ 170	$ 1,083
Accounts payable with affiliates	1,513	1,251
Dividends	249	233
Price risk management liabilities	227	75
Other current liabilities	70	46
Total Current Liabilities	2,229	2,688
Deferred Credits and Other Noncurrent Liabilities	41	55
Equity		
Common stock - $0.01 par value (a)	7	6
Additional paid-in capital	9,433	8,316
Earnings reinvested	6,462	5,709
Accumulated other comprehensive loss	(2,274)	(1,565)
Total Equity	13,628	12,466
Total Liabilities and Equity	$ 15,898	$ 15,209

(a) 780,000 shares authorized; 665,849 and 630,321 shares issued and outstanding at December 31, 2014 and 2013.

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

SCHEDULE I - PPL CORPORATION
NOTES TO CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

PPL Corporation 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, loans or advances or repayment of loans and advances from it. 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 PPL Corporation.

PPL Corporation indirectly or directly owns all of the ownership interests of its significant subsidiaries. PPL Corporation relies on dividends or loans from its subsidiaries to fund PPL Corporation's dividends to its common shareholders and to meet its other cash requirements. See Note 7 to PPL Corporation's consolidated financial statements for discussions related to restricted net assets of its subsidiaries for the purposes of transferring funds to PPL in the form of distributions, loans or advances.

2. Commitments and Contingencies

See Note 13 to PPL Corporation's consolidated financial statements for commitments and contingencies of its subsidiaries.

Guarantees and Other Assurances

PPL Corporation's subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts that may become due under PPL Corporation's guarantees or other assurances or to make any funds available for such payment.

PPL Corporation fully and unconditionally guarantees the payment of principal, premium and interest on all of the debt securities of PPL Capital Funding. The estimated maximum potential amount of future payments that could be required under the guarantees at December 31, 2014 was $8.1 billion. These guarantees will expire in 2073. The probability of expected payment under these guarantees is remote.

SCHEDULE I- LG&E and KU Energy LLC
CONDENSED UNCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,
(Millions of Dollars)

	2014	2013	2012
Operating Expenses			
Other operation and maintenance			$ 3
Total Operating Expenses			3
Operating Income (Loss)			(3)
Equity in Earnings of Subsidiaries	**$ 368**	$ 376	234
Interest Income with Affiliate	**5**	5	10
Interest Expense	**41**	39	39
Interest Expense with Affiliate	**3**	3	2
Income (Loss) Before Income Taxes	**329**	339	200
Income Tax Expense (Benefit)	**(15)**	(8)	(19)
Net Income (Loss) Attributable to Member	**$ 344**	$ 347	$ 219
Comprehensive Income (Loss) Attributable to Member	**$ 286**	$ 375	$ 200

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

SCHEDULE I - LG&E and KU Energy LLC
CONDENSED UNCONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(Millions of Dollars)

	2014	2013	2012
Cash Flows from Operating Activities			
Net cash provided by (used in) operating activities	**$ (183)**	$ 136	$ 364
Cash Flows from Investing Activities			
Capital contributions to affiliated subsidiaries	**(248)**	(243)	
Net decrease (increase) in notes receivable from affiliates	**555**	(122)	(15)
Net cash provided by (used in) investing activities	**307**	(365)	(15)
Cash Flows from Financing Activities			
Net increase (decrease) in notes payable with affiliates	**58**	171	(196)
Net increase (decrease) in short-term debt		75	
Contribution from member	**248**	243	
Distribution to member	**(436)**	(254)	(155)
Net cash provided by (used in) financing activities	**(130)**	235	(351)
Net Increase (Decrease) in Cash and Cash Equivalents	**(6)**	6	(2)
Cash and Cash Equivalents at Beginning of Period	**6**		2
Cash and Cash Equivalents at End of Period	**$**	$ 6	$
Supplemental disclosures of cash flow information:			
Cash Dividends Received from Affiliated Subsidiaries	**$ 260**	$ 223	$ 175

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)

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents		$ 6
Accounts receivable	**$ 8**	2
Accounts receivable from affiliates		11
Notes receivable from affiliates	**1,127**	1,682
Deferred income taxes	**2**	10
Total Current Assets	**1,137**	1,711
Investments		
Affiliated companies at equity	**4,818**	4,519
Other Noncurrent Assets		
Deferred income taxes	**203**	170
Other noncurrent assets	**5**	6
Total Other Noncurrent Assets	**208**	176
Total Assets	**$ 6,163**	$ 6,406
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 75**	$ 75
Notes payable to affiliates	**58**	
Long-term debt due within one year	**400**	
Accounts payable to affiliates	**451**	843
Taxes	**2**	12
Other current liabilities	**8**	6
Total Current Liabilities	**994**	936
Long-term Debt		
Long-term debt	**722**	1,121
Notes payable to affiliates	**196**	196
Total Long-term Debt	**918**	1,317
Deferred Credits and Other Noncurrent Liabilities	**3**	3
Equity	**4,248**	4,150
Total Liabilities and Equity	**$ 6,163**	$ 6,406

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

Schedule I - LG&E and KU Energy LLC
Notes to Condensed Unconsolidated Financial Statements

1. Basis of Presentation

LG&E and KU Energy LLC (LKE) is a holding company and conducts substantially all of its business operations through its subsidiaries. Substantially all of its consolidated assets are held by such subsidiaries. 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. See Note 7 to LKE's consolidated financial statements for discussions related to restricted net assets of its subsidiaries for the purposes of transferring funds to LKE in the form of distributions, loans or advances.

2. Commitments and Contingencies

See Note 13 to LKE's consolidated financial statements for commitments and contingencies of its subsidiaries.

<u>Guarantees</u>

LKE provides certain indemnifications, the most significant of which relate to the termination of the WKE lease in July 2009. 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 WKE-related 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. Another WKE-related LKE guarantee covers other indemnifications, has a term expiring in 2023 and a maximum exposure of $100 million. In May 2012, LKE's indemnitee received an unfavorable arbitration panel's decision interpreting this matter, 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. In May 2014, the Court of Appeals issued an opinion affirming the lower court decision. LKE's indemnitee filed a Motion for Discretionary Review with the Kentucky Supreme Court on October 2, 2014. LKE believes its indemnification obligations in this matter remain subject to various uncertainties, including 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. In the second quarter of 2012, LKE adjusted its estimated liability for the WKE-related indemnifications by $9 million ($5 million after-tax), which is reflected in "Equity in Earnings of Subsidiaries" on the Statement of Income. Additionally, LKE has indemnified various third parties related to historical obligations for other divested subsidiaries and affiliates. The indemnifications vary by entity and the maximum exposures range from being capped at the sale price to no specified maximum; LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. However, LKE is not aware of formal claims under such indemnities made by any party at this time. LKE cannot predict the ultimate outcomes of indemnification circumstances, but does not currently expect such outcomes to result in significant losses above the amounts recorded.

3. Long-Term Debt

See Note 7 to LKE's consolidated financial statements for the terms of LKE's outstanding senior unsecured notes outstanding. Of the total outstanding, $400 million matures in 2015 and $722 million matures after 2019. These maturities are based on stated maturities.

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**
2014				
Operating revenues as previously reported	**$ 1,223**	**$ 2,874**		
Reclassification of discontinued operations (f)	**(29)**	**(41)**		
Operating revenues	**1,194**	**2,833**	**$ 3,449**	**$ 4,023**
Operating income as previously reported	**715**	**718**		
Reclassification of discontinued operations (f)	**8**	**(21)**		
Operating income	**723**	**697**	**869**	**983**
Income from continuing operations after income taxes as previously reported	**316**	**229**		
Reclassification of discontinued operations (f)	**8**	**(11)**		
Income from continuing operations after income taxes	**324**	**218**	**490**	**551**
Income from discontinued operations as previously reported				
Reclassification of discontinued operations (f)	**(8)**	**11**		
Income (loss) from discontinued operations (g)	**(8)**	**11**	**7**	**144**
Net income (g)	**316**	**229**	**497**	**695**
Net income attributable to PPL	**316**	**229**	**497**	**695**
Income from continuing operations after income taxes available to PPL common shareowners: (b)				
Basic EPS	**0.51**	**0.33**	**0.73**	**0.82**
Diluted EPS	**0.50**	**0.32**	**0.73**	**0.82**
Net income available to PPL common shareowners: (b)				
Basic EPS	**0.50**	**0.35**	**0.74**	**1.04**
Diluted EPS	**0.49**	**0.34**	**0.74**	**1.04**
Dividends declared per share of common stock (c)	**0.3725**	**0.3725**	**0.3725**	**0.3725**
Price per common share:				
High	**$ 33.24**	**$ 35.56**	**$ 35.52**	**$ 38.14**
Low	**29.40**	**32.32**	**31.79**	**32.09**
2013				
Operating revenues as previously reported	$ 2,457	$ 3,450	$ 3,105	$ 2,848
Reclassification of discontinued operations (f)	(32)	(47)	(31)	(29)
Operating revenues	2,425	3,403	3,074	2,819
Operating income as previously reported	693	758	857	31
Reclassification of discontinued operations (f)	(14)	(26)	(11)	(10)
Operating income (e)	679	732	846	21
Income (loss) from continuing operations after income taxes as previously reported	413	404	410	(98)
Reclassification of discontinued operations (f)	(8)	(14)	(6)	(4)
Income (loss) from continuing operations after income taxes (e)	405	390	404	(102)
Income from discontinued operations as previously reported		1	1	
Reclassification of discontinued operations (f)	8	14	6	4
Income (loss) from discontinued operations	8	15	7	4
Net income (loss) (e)	413	405	411	(98)
Net income (loss) attributable to PPL (e)	413	405	410	(98)
Income (loss) from continuing operations after income taxes available to PPL common shareowners: (b) (e)				
Basic EPS	0.69	0.66	0.64	(0.16)
Diluted EPS (d)	0.64	0.61	0.61	(0.16)
Net income (loss) available to PPL common shareowners: (b) (e)				
Basic EPS	0.70	0.68	0.65	(0.16)
Diluted EPS (d)	0.65	0.63	0.62	(0.16)
Dividends declared per share of common stock (c)	0.3675	0.3675	0.3675	0.3675
Price per common share:				
High	$ 31.35	$ 33.55	$ 32.09	$ 31.79
Low	28.64	28.44	29.03	28.95

(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.
(d) As a result of a reported loss, diluted earnings per share for the three months ended December 31, 2013 exclude incremental shares as they were anti-dilutive.
(e) Fourth quarter of 2013 includes a charge for the termination of the lease of the Colstrip coal-fired electric generating facility in Montana. See Note 8 to the Financial Statements for additional information.
(f) In the third quarter of 2014, the hydroelectric generation facilities of PPL Montana met the criteria as held for sale. Accordingly, the previously reported operating results for these facilities have been reclassified as discontinued operations. See Note 8 to the Financial Statements for additional information.
(g) Fourth quarter of 2014 includes a gain of $137 million (after tax) from the sale of hydroelectric generating facilities of PPL Montana. See Note 8 to the Financial Statements for additional information.

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**
2014				
Operating revenues	**$ 592**	**$ 449**	**$ 477**	**$ 526**
Operating income	**165**	**111**	**124**	**138**
Net income	**85**	**52**	**57**	**69**
Net income available to PPL	**85**	**52**	**57**	**69**
2013				
Operating revenues	$ 513	$ 414	$ 464	$ 479
Operating income	121	92	105	101
Net income	64	45	51	49
Net income available to PPL	64	45	51	49

(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, 2014, the Registrants' disclosure controls and procedures are effective to ensure that material information relating to the Registrants and their consolidated subsidiaries is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, particularly during the period for which this annual report has been prepared. The aforementioned principal officers have concluded that the disclosure controls and procedures are also effective to ensure that information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive officers and principal financial officers, to allow for timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting.

PPL Corporation, PPL 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" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in "Internal Control - Integrated Framework" (2013), our management concluded that our internal control over financial reporting was effective as of December 31, 2014. 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 116.

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" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in "Internal Control - Integrated Framework" (2013), management of these companies concluded that our internal control over financial reporting was effective as of December 31, 2014. 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 2015 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2014, 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 2014 Notice of Annual Meeting and Proxy Statement.

PPL has adopted a code of ethics entitled "Standards of Integrity" that applies to all directors, managers, trustees, officers (including the principal executive officers, principal financial officers and principal accounting officers (each, a "principal officer")), employees and agents of PPL and PPL's subsidiaries for which it has operating control (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/Standards-of-Integrity. 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/Guidelines.

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, 2014.

PPL Corporation

Name	Age	Positions Held During the Past Five Years	Dates
William H. Spence	57	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
Robert J. Grey	64	Executive Vice President, General Counsel and Secretary	November 2012 - present
		Senior Vice President, General Counsel and Secretary	March 1996 - November 2012
Vincent Sorgi	43	Senior Vice President and Chief Financial Officer	June 2014 - present
		Vice President and Controller	March 2010 - June 2014
		Controller-Supply Accounting	June 2008 - March 2010
Gregory N. Dudkin (a)	57	President-PPL Electric	March 2012 - present
		Senior Vice President-Operations-PPL Electric	June 2009 - March 2012
		Independent Consultant	February 2009 - June 2009
Paul A. Farr (a)	47	President-PPL Energy Supply	June 2014 - present
		Executive Vice President and Chief Financial Officer	April 2007 - June 2014
Robert D. Gabbard, Jr. (a)	55	President-PPL EnergyPlus	June 2008 - present
Victor A. Staffieri (a)	59	Chairman of the Board, Chief Executive Officer and President-LKE	May 2001 - present
Robert A. Symons (a)	61	Chief Executive-WPD	January 2000 - present
Mark F. Wilten	47	Vice President, Treasurer and Chief Risk Officer	October 2014 - present
		Vice President-Finance and Treasurer	June 2012 - October 2014
		Treasurer-Nissan North America and Nissan Motor Acceptance Corporation	August 2010 - May 2012
		Assistant Treasurer-Nissan Motor Acceptance Corporation	August 2008 - August 2010
Stephen K. Breininger (b)	41	Controller	June 2014 - present
		Assistant Controller-Business Lines	March 2013 - June 2014
		Controller-Supply Accounting	April 2010 - March 2013
		Director-Supply Accounting & Reporting	June 2008 - April 2010

(a) Designated an executive officer of PPL by virtue of their respective positions at a PPL subsidiary.
(b) Mr. Breininger was elected Vice President and Controller of PPL Corporation effective January 23, 2015.

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 2015 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2014, 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 2015 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2014, and which information is incorporated herein by reference. In addition, provided below in tabular format is information as of December 31, 2014, 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)	2,889,761- ICP	$32.48- ICP	1,824,239- DDCP
	2,069,185- SIP	$29.26- SIP	7,225,988- SIP
	4,084,016- ICPKE	$30.68- ICPKE	2,325,308- ICPKE
	9,042,962- Total	$30.93- Combined	11,375,535- 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 were awarded to executive officers of PPL and no securities remain for issuance under this plan; (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 10 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, 2014. In addition, as of December 31, 2014, the following other securities had been awarded and are outstanding under the ICP, SIP, ICPKE and DDCP: 30,400 shares of restricted stock, 198,450 restricted stock units and 162,115 performance units under the ICP; 40,000 shares of restricted stock, 528,328 restricted stock units and 446,500 performance units under the SIP; 24,600 shares of restricted stock, 2,663,742 restricted stock units and 563,101 performance units under the ICPKE; and 569,407 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 2015 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2014, 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 2014 and 2013" in PPL's 2015 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2014, 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, 2014 and 2013, 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.

	2014	2013
	(in thousands)	
Audit fees (a)	$ 1,483	$ 1,612
Audit-related fees		9
Tax fees (b)	49	70

(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) Includes fees for tax advice for capital expenditures on certain hydro-electric plant upgrades and various state and local tax issues.

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, 2014 and 2013, for professional services rendered for the audit of PPL Electric's annual financial statements and for fees billed for other services rendered by EY.

	2014	2013
	(in thousands)	
Audit fees (a)	$ 954	$ 953
Audit-related fees		10
Tax fees (b)	18	72

(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) Includes fees for tax advice for various state and local tax issues.

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, 2014 and 2013, for professional services rendered for the audits of LKE's annual financial statements and for fees billed for other services rendered by EY.

	2014	2013
	(in thousands)	
Audit fees (a)	$ 1,636	$ 1,646

(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, 2014 and 2013, for professional services rendered for the audits of LG&E's annual financial statements and for fees billed for other services rendered by EY.

	2014	2013
	(in thousands)	
Audit fees (a)	$ 699	$ 691

(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, 2014 and 2013, for professional services rendered for the audits of KU's annual financial statements and for fees billed for other services rendered by EY.

	2014	2013
	(in thousands)	
Audit fees (a)	$ 625	$ 646

(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 2014 and 2013 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 - PPL Corporation Condensed Unconsolidated Financial Statements.

   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 2015 annual meeting of shareowners of PPL will be held on Wednesday, May 20, 2015, at the PPL Center, 701 Hamilton Street, Allentown, Pennsylvania, in Lehigh County.

Proxy and Information Statement Material: A proxy statement and notice of PPL's annual meeting is provided to all shareowners of record as of February 27, 2015. The latest proxy statement can be accessed at www.pplweb.com.

PPL Annual Report: The report is published in the beginning of April and provided to all shareowners of record as of February 27, 2015. The latest annual report can be accessed at www.pplweb.com.

Dividends: Subject to the declaration of dividends on PPL common stock by the PPL Board of Directors or its Executive Committee, dividends are paid on the first business day of April, July, October and January. The 2015 record dates for dividends are expected to be March 10, June 10, September 10 and December 10.

PPL's Website (www.pplweb.com): Shareowners can access PPL publications such as annual and quarterly reports to the Securities and Exchange Commission (SEC Forms 10-K and 10-Q), other PPL filings, corporate governance materials, news releases, stock quotes and historical performance. Visitors to our website can subscribe to receive automated email alerts for SEC filings, earnings releases, daily stock prices or other financial news.

Financial reports which are available at www.pplweb.com will be mailed without charge upon request by writing to:
PPL Treasury Dept.
Two North Ninth Street
Allentown, PA 18101
Via email: invserv@pplweb.com
or by calling:
Shareowner Services, toll-free at 1-800-345-3085; or
PPL Corporate Offices at 610-774-5151.

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 electronic funds transfer. Participants in the Plan may choose to have their common stock certificates deposited into their Plan account.

Direct Registration System: PPL participates in the Direct Registration System (DRS). Shareowners may choose to have their common stock certificates converted to book entry form within the DRS by submitting their certificates to PPL's transfer agent.

Listed Securities:

New York Stock Exchange

PPL Corporation:
Common Stock (Code: PPL)

PPL Capital Funding, Inc.:
2007 Series A Junior Subordinated Notes due 2067 (Code: PPL/67)
2013 Series B Junior Subordinated Notes due 2073 (Code: PPX)

Fiscal Agents:

Transfer Agent and Registrar; Dividend Disbursing Agent; Plan Administrator
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
Website: shareowneronline.com

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/ Vincent Sorgi
Vincent Sorgi -
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

By /s/ Stephen K. Breininger
Stephen K. Breininger -
Vice President and Controller
(Principal Accounting Officer)

Directors:

Rodney C. Adkins	Stuart Heydt
Frederick M. Bernthal	Venkata Rajamannar Madabhushi
John W. Conway	Craig A. Rogerson
Philip G. Cox	William H. Spence
Steven G. Elliott	Natica von Althann
Louise K. Goeser	Keith H. Williamson
Stuart E. Graham	Armando Zagalo de Lima

By /s/ William H. Spence
William H. Spence, Attorney-in-fact

Date: February 23, 2015

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/ Paul A. Farr
Paul A. Farr -
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/ Paul A. Farr
Paul A. Farr -
President
(Principal Executive Officer)

By /s/ Vincent Sorgi
Vincent Sorgi -
Senior Vice President
(Principal Financial Officer)

By /s/ Stephen K. Breininger
Stephen K. Breininger -
Controller
(Principal Accounting Officer)

Managers:

/s/ Paul A. Farr
Paul A. Farr

/s/ Robert J. Grey
Robert J. Grey

/s/ Vincent Sorgi
Vincent Sorgi

/s/ William H. Spence
William H. Spence

Date: February 23, 2015

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/ Dennis A. Urban, Jr.
Dennis A. Urban, Jr. -
Controller
(Principal Financial Officer and Principal Accounting Officer)

Directors:

/s/ Gregory N. Dudkin	/s/ Vincent Sorgi
Gregory N. Dudkin	Vincent Sorgi
/s/ Robert J. Grey	/s/ William H. Spence
Robert J. Grey	William H. Spence

Date: February 23, 2015

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/ S. Bradford Rives	/s/ Victor A. Staffieri
S. Bradford Rives	Victor A. Staffieri
/s/ Vincent Sorgi	/s/ Paul W. Thompson
Vincent Sorgi	Paul W. Thompson
/s/ William H. Spence	
William H. Spence	

Date: February 23, 2015

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/ S. Bradford Rives	/s/ Victor A. Staffieri
S. Bradford Rives	Victor A. Staffieri
/s/ Vincent Sorgi	/s/ Paul W. Thompson
Vincent Sorgi	Paul W. Thompson
/s/ William H. Spence	
William H. Spence	

Date: February 23, 2015

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/ S. Bradford Rives	/s/ Victor A. Staffieri
S. Bradford Rives	Victor A. Staffieri
/s/ Vincent Sorgi	/s/ Paul W. Thompson
Vincent Sorgi	Paul W. Thompson
/s/ William H. Spence	
William H. Spence	

Date: February 23, 2015

EXHIBIT INDEX

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

1(a)	-	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)
1(b)	-	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)
1(c)	-	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)
1(d)	-	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)
1(e)	-	Final Terms of the WPD West Midlands £400 million 3.875% Senior Unsecured Notes due October 17, 2024 (Exhibit 1.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 18, 2013)
1(f)	-	Final Terms of the WPD East Midlands £40 million 1.676% Notes due 2052 (Exhibit 1.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 18, 2013)
1(g)	-	Final Terms of the WPD East Midlands £25 million 1.676% Notes due 2052 (Exhibit 1.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 18, 2013)
1(h)	-	Securities Purchase and Registration Rights Agreement, dated March 5, 2014, among PPL Capital Funding, Inc., PPL Corporation, and the several purchasers named in Schedule B thereto (Exhibit 1.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 10, 2014)
2(a)	-	Purchase and Sale Agreement by and between PPL Montana, LLC and NorthWestern Corporation, dated as of September 26, 2013 (Exhibit 2.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 27, 2013)
2(b)	-	Lease Termination Agreement by and between PPL Montana, LLC, Montana OL3 LLC and Montana OP3 LLC, dated as of September 26, 2013 (Exhibit 2.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 27, 2013)
2(c)	-	Lease Termination Agreement by and between PPL Montana, LLC, Montana OL4 LLC and Montana OP4 LLC, dated as of September 26, 2013 (Exhibit 2.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 27, 2013)
2(d)	-	Lease Termination Agreement by and between PPL Montana, LLC, Montana OL1 LLC and Montana OP1 LLC, dated as of September 26, 2013 (Exhibit 2.4 to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 27, 2013)
2(e)	-	Lease Termination Agreement by and between PPL Montana, LLC, Montana OL1 LLC and Montana OP1 LLC, dated as of September 26, 2013 (Exhibit 2.5 to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 27, 2013)
2(f)	-	Separation Agreement among PPL Corporation, Talen Energy Holdings, Inc., Talen Energy Corporation, PPL Energy Supply, LLC, Raven Power Holdings LLC, C/R Energy Jade, LLC and Sapphire Power Holdings LLC., dated as of June 9, 2014 (Exhibit 2.1 to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated June 12, 2014)

2(g)	-	Transaction Agreement among PPL Corporation, Talen Energy Holdings, Inc., Talen Energy Corporation, PPL Energy Supply, LLC, Talen Energy Merger Sub, Inc., C/R Energy Jade, LLC, Sapphire Power Holdings LLC. and Raven Power Holdings LLC, dated as of June 9, 2014 (Exhibit 2.2 to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated June 12, 2014)
3(a)	-	Amended and Restated Articles of Incorporation of PPL Corporation, effective as of May 15, 2013 (Exhibit 3(i) to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 20, 2013)
3(b)	-	Amended and Restated Articles of Incorporation of PPL Electric Utilities Corporation, effective as of October 31, 2013 (Exhibit 3(a) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended September 30, 2013)
3(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 15, 2013 (Exhibit 3(ii) to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 20, 2013)
3(e)	-	Amended and Restated Bylaws of PPL Electric Utilities Corporation, effective as of October 31, 2013 (Exhibit 3(b) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended September 30, 2013)
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)-1	-	Amended and Restated Operating Agreement of LG&E and KU Energy LLC, effective as of November 1, 2010 (Exhibit 3(b) to Registration Statement filed on Form S-4 (File No. 333-173665))
3(h)-2	-	Amendment to Amended and Restated Operating Agreement of LG&E and KU Energy LLC, effective as of November 25, 2013 (Exhibit 3(h)-2) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2013)
3(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 (Exhibit 4(b)-10 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
4(b)-11	-	Amendment No. 10 to said Employee Stock Ownership Plan, dated September 16, 2013 (Exhibit 4(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2013)
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. 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)-3	-	Supplemental Indenture No. 9, dated as of October 15, 2012, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 15, 2012)
4(d)-4	-	Supplemental Indenture No. 10, dated as of May 24, 2013, to said Indenture (Exhibit 4.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 24, 2013)

4(d)-5	-	Supplemental Indenture No. 11, dated as of May 24, 2013, to said Indenture (Exhibit 4.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 24, 2013)
4(d)-6	-	Supplemental Indenture No. 12, dated as of May 24, 2013, to said Indenture (Exhibit 4.4 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 24, 2013)
4(d)-7	-	Supplemental Indenture No. 13, dated as of March 10, 2014, to said Indenture (Exhibit 4.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 10, 2014)
4(d)-8	-	Supplemental Indenture No. 14, dated as of March 10, 2014, to said Indenture (Exhibit 4.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 10, 2014)
4(e)-1	-	Indenture, dated as of March 16, 2001, among WPD Holdings UK, Bankers Trust Company, as Trustee, Principal Paying Agent, and Transfer Agent and Deutsche Bank Luxembourg, S.A., as Paying and Transfer Agent (Exhibit 4(g) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2009)
4(e)-2	-	First Supplemental Indenture, dated as of March 16, 2001, to said Indenture (Exhibit 4(n)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2004)
4(e)-3	-	Second Supplemental Indenture, dated as of January 30, 2003, to said Indenture (Exhibit 4(n)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2004)
4(e)-4	-	Third Supplemental Indenture, dated as of October 31, 2014, to said Indenture (Exhibit 4(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2014)
4(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(f)-12	-	Supplemental Indenture No. 15, dated as of July 1, 2013, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated July 11, 2013)
4(f)-13	-	Supplemental Indenture No. 16, dated as of June 1, 2014, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated June 5, 2014)
4(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 Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated December 16, 2011)
4(g)-12	-	Supplemental Indenture No. 12, dated as of February 12, 2013, to said Indenture (Exhibit 4.1 to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated February 13, 2013)
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(m)-5	-	Supplemental Indenture No. 4, dated as of March 15, 2013, to said Subordinated Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 15, 2013)
4(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(q)-4	-	Supplemental Indenture No. 3, dated as of November 1, 2013, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 13, 2013)
4(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(r)-4	-	Supplemental Indenture No. 3, dated as of November 1, 2013, to said Indenture (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 13, 2013)
4(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(rr)-3	-	Second Supplemental Indenture, dated as of October 30, 2014, to said Indenture (Exhibit 4(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2014)
4(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	-	Amended and Restated Trust Deed, dated September 10, 2013, by and among Western Power Distribution (East Midlands) plc, Western Power Distribution (West Midlands) plc, Western Power Distribution (South West) plc and Western Power Distribution (South Wales) plc as Issuers, and HSBC Corporate Trustee Company (UK) Limited as Note Trustee (Exhibit 4.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 18, 2013)

4(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 (Exhibit 10(k)-12 to PPL Energy Supply, LLC Form 10-K Report (File No. 1-32944) for the year ended December 31, 2012)
10(k)-13	-	Twelfth Amendment, dated as of March 19, 2014, to said Reimbursement Agreement (Exhibit 10.2 to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated April 1, 2014)
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)-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(s)-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(t)-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(t)-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(u)	-	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(v)-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(v)-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(v)-3	-	First Amendment, dated as of August 30, 2013, to said Uncommitted Line of Credit Letter Agreement (Exhibit 10(z)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2013)
10(w)-1	-	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(w)-2	-	Amended and Restated Letter of Credit Issuance and Reimbursement Agreement, dated as of August 30, 2013, between PPL Energy Supply, LLC and Canadian Imperial Bank of Commerce, New York Agency (Exhibit 10(aa)-2 to PPL Energy Supply, LLC Form 10-K Report (File No. 1-32944) for the year ended December 31, 2013)

10(w)-3	-	First Amendment, dated as of July 22, 2014, to said Amended and Restated Letter of Credit Issuance and Reimbursement Agreement, between PPL Energy Supply, LLC and Canadian Imperial Bank of Commerce, New York Agency (Exhibit 10(c) to PPL Energy Supply, LLC Form 10-Q Report (File No. 1-32944) for the quarter ended June 30, 2014)
10(x)	-	$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 (Exhibit 10(cc) to PPL Energy Supply, LLC Form 10-K Report (File No. 1-32944) for the year ended December 31, 2012)
10(y)-1	-	£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 (Exhibit 10(ff) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
10(y)-2	-	Transfer Deed, dated as of October 31, 2014, between PPL WW Holdings Limited, Western Power Distribution Limited and Mizuho Bank, Ltd., as Facility Agent (Exhibit 4(c) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2014)
10(z)	-	Amended and Restated Collateral Agency Agreement, dated as of February 12, 2013, among PPL Ironwood, LLC, The Bank of New York Mellon, as Trustee, The Bank of New York Mellon, as Collateral Agent and The Bank of New York Mellon, as Depositary Bank (Exhibit 10(gg) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2013)
10(aa)	-	Third Supplemental Indenture, dated as of February 12, 2013, to Trust Indenture dated as of June 1, 1999, among PPL Ironwood, LLC, The Bank of New York Mellon, as Trustee and The Bank of New York Mellon, as Depositary Bank (Exhibit 10(hh) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2013)
10(bb)	-	$75,000,000 Revolving Credit Agreement, dated as of October 30, 2013, among LG&E and KU Energy LLC, the Lenders from time to time party thereto, and PNC Bank, National Association, as the Administrative Agent and the Issuing Lender, PNC Capital Markets LLC, as Sole Lead Arranger and Sole Bookrunner, Fifth Third Bank, as Syndication Agent, and Central Bank & Trust Company, as Documentation Agent (Exhibit 10(ii) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2013)
10(cc)	-	$150,000,000 Revolving Credit Agreement, dated as of March 26, 2014, among PPL Capital Funding, Inc., as Borrower, PPL Corporation, as Guarantor and The Bank of Nova Scotia, as Administrative Agent, Issuing Lender and Lender (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 1, 2014)
10(dd)	-	Employee Matters Agreement, among PPL Corporation, Talen Energy Corporation, C/R Energy Jade, LLC, Sapphire Power Holdings LLC. and Raven Power Holdings LLC, dated as of June 9, 2014 (Exhibit 10.1 to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated June 12, 2014)
10(ee)-1	-	$300,000,000 Amended and Restated Revolving Credit Agreement, dated as of July 28, 2014, among PPL Electric Utilities Corporation, as the Borrower, the Lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender (Exhibit 10(e) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended June 30, 2014)

10(ee)-2	-	Notice of Automatic Extension, dated as of September 29, 2014, to said Amended and Restated Credit Agreement (Exhibit 10(b) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended September 30, 2014)
10(ff)	-	$300,000,000 Revolving Credit Agreement, dated as of July 28, 2014, among PPL Capital Funding, Inc., as the Borrower, PPL Corporation, as the Guarantor, the Lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender (Exhibit 10(d) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
10(gg)	-	$400,000,000 Amended and Restated Revolving Credit Agreement, dated as of July 28, 2014, among Kentucky Utilities Company, as the Borrower, the Lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender (Exhibit 10(f) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
10(hh)	-	$500,000,000 Amended and Restated Revolving Credit Agreement, dated as of July 28, 2014, among Louisville Gas and Electric Company, as the Borrower, the Lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender (Exhibit 10(g) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
10(ii)	-	Amendment and Restatement Agreement, dated July 29, 2014, between Western Power Distribution (South West) plc and the banks party thereto, as Bookrunners and Mandated Lead Arrangers, HSBC Bank plc and Mizuho Bank, Ltd., as Joint Coordinators, and Mizuho Bank, Ltd., as Facility Agent, relating to the £245,000,000 Multicurrency Revolving Credit Facility Agreement originally dated January 12, 2012 (Exhibit 10(h) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
10(jj)	-	Amendment and Restatement Agreement, dated July 29, 2014, between Western Power Distribution (East Midlands) plc and the banks party thereto, as Bookrunners and Mandated Lead Arrangers, HSBC Bank plc and Mizuho Bank Ltd., as Joint Coordinators, and Bank of America Merrill Lynch International Limited, as Facility Agent, relating to the £300,000,000 Multicurrency Revolving Credit Facility Agreement originally dated April 4, 2011(Exhibit 10(i) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
10(kk)	-	Amendment and Restatement Agreement, dated July 29, 2014, between Western Power Distribution (West Midlands) plc and the banks party thereto, as Bookrunners and Mandated Lead Arrangers, HSBC Bank plc and Mizuho Bank Ltd., as Joint Coordinators, and Bank of America Merrill Lynch International Limited, as Facility Agent, relating to the £300,000,000 Multicurrency Revolving Credit Facility Agreement originally dated April 4, 2011(Exhibit 10(j) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
10(ll)	-	$65,000,000 Revolving Credit Agreement, dated as of August 20, 2014, among PPL Capital Funding, Inc., as the Borrower, PPL Corporation, as the Guarantor, the Lenders from time to time party thereto and Canadian Imperial Bank of Commerce, New York Branch, as Administrative Agent and Issuing Lender (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2014)
10(mm)	-	$198,309,583.05 Letter of Credit Agreement dated as of October 1, 2014 among Kentucky Utilities Company, as the Borrower, the Lenders from time to time party hereto and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as Administrative Agent (Exhibit 10.1 to Kentucky Utilities Company Form 8-K Report (File No. 1-3464) dated October 2, 2014)

[_]10(nn)-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(nn)-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(nn)-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(nn)-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(nn)-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(nn)-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(oo)-1	-	PPL Corporation Directors Deferred Compensation Plan Trust Agreement, dated as of April 1, 2001, between PPL Corporation and Wachovia Bank, N.A. (as successor to First Union National Bank), as Trustee (Exhibit 10(hh)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
[_]10(oo)-2	-	PPL Officers Deferred Compensation Plan, PPL Supplemental Executive Retirement Plan and PPL Supplemental Compensation Pension Plan Trust Agreement, dated as of April 1, 2001, between PPL Corporation and Wachovia Bank, N.A. (as successor to First Union National Bank), as Trustee (Exhibit 10(hh)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
[_]10(oo)-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(oo)-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(oo)-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(pp)-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(pp)-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(pp)-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(pp)-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(pp)-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(pp)-6	-	Amendment No. 5 to said Executive Deferred Compensation Plan, dated as of May 8, 2014 (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
[_]10(qq)-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(qq)-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(qq)-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(qq)-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(qq)-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(qq)-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(rr)-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(rr)-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(rr)-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(rr)-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(rr)-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(rr)-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(rr)-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(rr)-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(rr)-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(ss)-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(ss)-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(ss)-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(ss)-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(ss)-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(ss)-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(tt)	-	Short-term Incentive Plan (Schedule A to Proxy Statement of PPL Corporation, dated April 6, 2011)
[_]10(uu)	-	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(vv)	-	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(ww)-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(ww)-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(xx)	-	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(yy)-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(yy)-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(zz)-1	-	PPL Corporation 2012 Stock Incentive Plan (Annex A to Proxy Statement of PPL Corporation, dated April 3, 2012)
[_]10(zz)-2	-	Form of Performance Unit Agreement for performance unit awards under the Stock Incentive Plan (Exhibit 10(tt)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
[_]10(zz)-3	-	Form of Performance Contingent Restricted Stock Unit Agreement for restricted stock unit awards under the Stock Incentive Plan (Exhibit 10(tt)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
[_]10(zz)-4	-	Form of Nonqualified Stock Option Agreement for stock option awards under the Stock Incentive Plan (Exhibit 10(tt)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
[_]10(aaa)	-	PPL Corporation Executive Severance Plan, effective as of July 26, 2012 (Exhibit 10(d) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2012)
*[_]10(bbb)-1	-	Form of Western Power Distribution Phantom Stock Option Award Agreement for stock option awards under the Western Power Distribution Long-Term Incentive Plan
*[_]10(bbb)-2	-	Phantom Stock Option Award Agreement, dated February 12, 2012, between Western Power Distribution and Robert A. Symons
*[_]10(bbb)-3	-	Phantom Stock Option Award Agreement, dated February 15, 2013, between Western Power Distribution and Robert A. Symons
*12(a)	-	PPLCorporation 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 Ernst & Young LLP - LG&E and KU Energy LLC
*23(e)	-	Consent of Ernst & Young LLP - Louisville Gas and Electric Company
*23(f)	-	Consent of Ernst & Young LLP - Kentucky Utilities Company
*24	-	Power of Attorney
*31(a)	-	Certificateof 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)	-	Certificateof 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
*99(a)	-	PPLCorporation and Subsidiaries Long-term Debt Schedule
101.INS	-	XBRL Instance Document for PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company
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 10(bbb)-1

Western Power Distribution Long-Term Incentive Plan

WPD Phantom Stock Options

About This Material

This material represents detailed administrative specifications for the Long-Term Incentive Plan at Western Power Distribution (“WPD”).

This is not a legal document and does not convey, in any way, rights to the participants. It is a handbook for management’s internal use in the administration of the plan. This document may be amended at any time.

Contents

Phantom Stock Options
Board of Director's Briefing

Phantom stock options have been chosen as WPD's long-term incentive vehicle for the following reasons:-

- They are phantom and therefore do not require the issuance of stock and the corresponding governance issues;
- Employees value them like stock options, because of their unlimited upside potential.
- They are similar to the long-term incentives provided by WPD's parent company, PPL Corp.

WPD uses phantom stock options as the same proportionate part of the pay package as other companies of similar size and industry.

Phantom Stock Options
Design Details

Phantom stock options are the right to receive the appreciation in the value of PPL stock over a fixed price for a specified period of time. Unless a participant's award agreement specifies otherwise, following are the terms of WPD phantom stock options. NOTE: Phantom stock options are identical to (and sometimes referred to as) Stock Appreciation Rights ("SARs").

WPD Phantom Stock Option Price Methodology
WPD's stock option price is equivalent to the price of PPL's stock on any given day (NYSE: "PPL")

Grant Approval
The Board of Directors of WPD must approve all grants. This includes both participants and amounts.

Eligibility
- *In general.* Phantom stock options are granted only to employees.
- *Specifics.* Although any employee can be eligible for the plan, in practice WPD will consider the grant of phantom stock options to full-time employees who are designated Personal Contract Managers.
- *Independent contractors.* Independent contractors are not eligible for this plan since only employees may participate.
- *Covered employees.* Covered employees are eligible only if participation is negotiated into their contract.

Exercise Price
The exercise price of the phantom stock options is equal to the WPD phantom stock option price on the date of grant.

Term
Phantom stock options have a 10-year term. This term may be shortened through termination of employment (see that section, below).

Vesting
Phantom stock options vest one third per year. Vesting occurs on the first, second and third anniversaries of the grant date.

Transferability
Phantom stock options are non-transferable, except through death.

Termination of Employment
The following table shows the treatment on termination of employment.

Employment Event	Treatment of Unvested Options	Exercise Period for Vested Options [1]
Death	Vest fully	3 years
Disability [2]	Continue vesting	3 years
Retirement [3]	Continue vesting	5 years
Voluntary resignation	Forfeited	90 days
Involuntary termination other than for cause	Forfeited	90 days
Involuntary termination for cause	Forfeited	Forfeited
Leave of absence < 90 days	No change	No change
Leave of absence > 90 days	***Refer to appropriate termination event, above***	

[1] In no event may exercise extend beyond the original term of the option
[2] Disability is defined as medical retirement in accordance with the rules of the Electricity Electricity Supply Pension Scheme
[3] Retirement means termination of employment on or after the first date on which the participant is both 55 years old or older, and has 10 years or more of service

Impact of Change in Control
The respective stock option grant will vest upon a Change in Control ("CIC") of PPL if one of the following also occurs:

- PPL's stock ceases to be traded; or
- PPL no longer have a holding in WPD; or
- The plan is terminated and not replaced with a plan of equivalent value.

Phantom Stock Options
Administrative Details

1. Governing Legal Plan Document
There is no legal plan document at WPD. Rather, there is an understanding between management and the Board of Directors that phantom stock options will be used in a certain way. These administrative specifications are the embodiment of that understanding, and may be amended with approval of the Board of Directors.

The Board of Directors approved this plan on ________________. Subsequent amendments will be documented in the "History of Plan Changes" section of this document.

2. Timing of Grants
Two types of phantom stock options are available to be granted by WPD:
- *Normal grants.* These are granted on a regular basis, typically annually, to eligible employees. This is done in order to remain competitive with market practice. Typical grant date: February.

- *Ad hoc grants.* These may be granted for promotions, new hire grants, excellent performance, etc. The Board of Directors must approve such grants before the fact.

Dates of Grants: Following is a table showing the date of each grant. Note: Due to holidays, meeting times, etc. the actual grant date may vary slightly year-to-year.

Grant Date	Grant Type	Employees Receiving Grant
15 February	Normal	All eligible employees
15 February	Ad hoc	Employees recommended by WPD Management

3. Award Agreements
Award agreements represent a legal contract with the recipient, and must be written carefully. Whether they are drafted correctly or incorrectly, award agreements will control the employee's rights and the employer's responsibilities.

All of the following details must be included in award agreements for WPD phantom stock options.

- *Number of phantom stock options.* The number of shares covered by the award agreement.

- *Exercise price.* The price above which appreciation on stock will be paid at exercise.

- *Term.* The number of years the phantom stock option is effective. Phantom stock options will expire the day after the 10th anniversary of the grant.
- *Vesting.* Vesting dates of the phantom stock options. Typically they will vest 33% per year, on the anniversary date of the grant.

- *Change in Control:* See "Change in Control" section for information.

- *Treatment on termination of employment.* The award agreement must specify treatment on termination of employment. See the "Design Details" section for this information.

- *Transferability.* The phantom stock options are non-transferable except in case of death.

4. Administration of the Plan
The Board of Directors administers the plan. The Board has tacitly delegated day-to-day administration of phantom stock option grants to WPD management, however, so long as these administrative guidelines are followed. Within WPD, the Human Resources Department makes day-to-day decisions about phantom stock options.

5. Grant Details
- *Number of phantom stock options:* The number of phantom stock options granted is determined as follows

- Total face value of phantom stock option grant is determined by taking the participants base salary, as of the day of grant, multiplied by the long-term incentive market level.

- The face value is then divided by the corresponding exercise price resulting in the number of phantom stock options granted.

- An example of this calculation is found in Examples section of this document.

▪ *Exercise Price:* The exercise price will be the closing price on the day immediately prior to grant.

6. Communications
General
Individual accounts will be maintained for each phantom stock option holder. The administrator will issue statements at least once a year to each participant. The statement will list all existing phantom stock option grants by date of grant, and indicated exercise price, percent vested as of the report date, and expiration date.

At Grant

▪ *In general.* At grant, WPD Human Resources will issue a cover letter, the option award agreement, and a current account statement. Content for award agreements is discussed above. They require participant signatures (award agreements must be signed before the individual will be allowed to exercise an award).

▪ *Beneficiary designations*. For all first-time recipients of awards, and periodically for all participants, Human Resources will circulate a beneficiary designation. Subsequently, Human Resources will keep on file beneficiary designations for phantom stock option benefits from all participants.

At Exercise

▪ *WPD Human Resources.* At exercise, WPD Human Resources will issue an exercise confirmation and an updated current account statement.

Upon Death of a Participant
Upon a participant's death, Human Resources will contact the beneficiary to determine how to exercise the phantom stock options. If there is no beneficiary designation, Human Resources will contact the next of kin to obtain the executor's name.

Upon Disability, Retirement, or Termination of a Participant
Upon a participant's disability, retirement, or termination, Human Resources is not required to contact the participant regarding changes to the exercise period, or vesting of their phantom stock options.

7. Impact of Transactions
In the event of a divestiture of business operations or layoff, management may request that the Board of Directors vest options for terminated employees. Doing so will probably create accelerate an accounting charge, however, so such actions should be undertaken carefully.

Unless it were changed at the same time, the exercise term in such an event would remain at 90 days, the same as if the individual had been involuntarily terminated under regular circumstances.

8. Exercise Procedures
The Human Resources Department is responsible for handling all phantom stock options exercises.

To exercise a phantom stock option, the participant must notify Human Resources in writing, by 12 noon UK time on the day they wish to exercise, stating the following:

▪ The date of the grant they wish to exercise;
▪ The number of phantom stock options they wish to exercise; and
▪ The exercise prices of the phantom stock options.

The gain per exercised phantom stock option will be calculated as the difference between the WPD stock price on the day before notification of exercise, minus the exercise price. The stock price for this purpose is defined as PPL's stock closing price as reported in the Financial Times.

9. Change in Control
The respective stock option grant will vest upon a Change in Control ("CIC") of PPL if one of the following also occurs:-

▪ PPL's stock ceases to be traded; or

▪ PPL no longer has a holding in WPD; or

- The plan is terminated and not replaced with a plan of equivalent value.

10. Accounting Consequences to the Employer

- *Accounting Expense*. See 'monthly' below.

- *Balance sheet impact.*

  – *At grant:* No impact

  – *Monthly:* The difference between the value of outstanding options at date of grant and the current value is to be assessed. Those options where the current value is below the grant value are to be ignored. For the remainder which are 'in-the-money', the total difference between the current value and value at date of grant is to be determined. To this is to be added the employer's National Insurance ("NI") contribution due on these payments when made. The total value including NI should be compared to the value at the previous month end and the movement in the liability recorded. The opposite entry is an accounting expense to be charged to Executive O&M. For practical purposes, the entries booked in any month will reflect the closing position at the end of the previous month.

  – *At vesting:* No further impact from that included in 'monthly' above.

  – *At exercise:* The gross cost including NI is booked against the balance sheet accrual. This is matched by the cash payment to the employee (net of income tax) and sums due to the Inland Revenue for the tax deducted and NI.

11. Tax Consequences to the Employer

- The employer receives a tax deduction at the time of exercise, equal to the spread at exercise.

- The appreciation value, when exercised, will be paid through WPD's payroll and will be subject to usual UK tax deductions as well as employers' National Insurance contributions.

12. Tax Consequences to the Employee

UK Tax Consequences

Following are the UK tax consequences of phantom stock options to the employee.

- *On grant:* No impact.

- *On vesting:* No impact

- *On exercise:* The appreciation value, when exercised, will be paid through WPD's payroll and will be subject to usual UK tax deduction.

13. Currency Conversion

Phantom stock options are denominated in U.S. currency. Any conversions necessary under this plan (eg. at the date of grant or exercise) will be done using the closing US$ / GB£ exchange rate that applied on the date of determining the exercise price (ie. the closing exchange rate on the day immediately prior to the respective grant).

History of Grant Matrices

Following are the matrices used to determine the number of phantom stock options to be granted. A new matrix is determined annually based on market data for companies similar to WPD in the UK and Europe. The intent of this program is to provide long-term incentive compensation at the median of market.

2001 Matrix
This matrix was determined by using market data for Europe provided by Watson Wyatt and W.M. Mercer. For the purposes of this exercise, all phantom stock options were assumed to have an economic value (Black-Scholes) of 40% of face value. The percentages in the table are expressed in *face value* terms.

Base Salary Range Pounds (£)	**Face Value of Grant (as a percent of base salary)**
£84,000 - £95,999	62.5%
£74,000 - £83,999	50.0%
£71,000 - £73,999	30.0%
£65,000 - £70,999	25.0%
£59,000 - £64,999	20.0%
£52,600 - £58,999	15.0%
£46,400 - £52,599	10.0%
£ 0 - £46,399	5.0%

(1) Grants below £46,400 are only made to Personal Contract Managers and with approval of the Board of Directors

Example: Grant and Exercise Calculations

All of the examples assume an employee of WPD is a manager and the following:

Item	Assumption	Reference
Base Salary	£50,000	A
Grant Date	15 February 2003	
WPD Price on 15/02/03	$34,00	B
US$ to GB£ Conversion Rate on 15/02/03	1.60	C
Grant Percentage (From 2001 Table)	10.0%	D
Exercise Date	18 August 2004	
WPD Price on 18/8/04	$40.00	E
US$ to GB£ Conversion Rate on 18/8/04	1.60	F

Phantom Stock Option Grant Example
Following is an example of the calculations for determining the grant for the assumed employee.

Item	Assumption	Reference
Total Face Value of Grant (GB£)	£5,000	G = A * D
Total Face Value of Grant (US$)	£8,000	H = C * G
Number of WPD Phantom Stock Options Granted (1)	236	I = H / B

(1) These will vest 33% per year; 79 on 15/2/04, 79on 15/2/05, and 78 on 15/2/06.

Phantom Stock Option Exercise Example

Following is an example of the calculations for determining the value to the assumed employee if some of his phantom stock options are exercised.

Item	Assumption	Reference
Number of WPD Phantom Stock Options Exercised	79	J
Gain on WPD Phantom Stock Options Exercised	$474	K = (E-B) * J
Gain on GB£	£296.25	L = K / F

Example: Calculation of WPD Phantom Stock Price

The current price of WPD phantom stock options is equivalent to the current PPL stock price.

	PPL Corporation	WPD
Date	Actual Price	Phantom Stock Price
17/02/03	$34.00	$34.00
18/02/03	$34.21	$34.21
19/02/03	$34.17	$34.17
20/02/03	$33.98	$33.98
21/02/03	$34.08	$34.08
24/02/03	$34.34	$34.34
25/02/03	$34.45	$34.45
26/02/03	$34.68	$34.68
27/02/03	$34.97	$34.97
28/02/03	$35.23	$35.23

Phantom Option Agreement

On the following pages is the phantom stock option agreement to be used when a participant is granted phantom stock options. The agreement must be signed and returned to Human Resources.

Western Power Distribution
Phantom Stock Option Award Agreement

Participant Name:	
Participant ID:	

Congratulations on your selection as a recipient of Western Power Distribution phantom stock options. This Agreement governs your rights and sets forth all of the conditions and limitations affecting such rights.

Phantom stock options' holders have the right to receive the appreciation in the value of the WPD phantom stock over a fixed price for a specified period of time, on or before the expiration date, as such expiration date may change based on events described in Section 3 of this Agreement. The change in value of the WPD phantom stock will be based on the change in value of the PPL stock price.

1. **Terms**: Following are terms of this Phantom Stock Option grant.

Date of Grant	15 February 2003
Number of Phantom Stock Options Granted	236
Exercise Price	$
Exchange Rate	US$ = £
Expiration Date	15 February 2013

2. **Vesting and Exercise**: Phantom Stock Options do not provide you with any rights or interests until they vest and become exercisable as shown below:

Date on Which Phantom Stock Options Vest, Assuming You Remain Employed On The Applicable Date	**Number of Phantom Stock Options That Vest**
15 February 2004	79
15 February 2005	79
15 February 2006	78

3. **Impact of Termination of Employment**: The vesting and expiration date of your Phantom Stock Options will change as a result of employment termination, according to the following table.

Employment Event	Treatment of Unvested Phantom Stock Options	Expiration of Phantom Stock Options (Period is Measured from Date of Termination of Employment) [1]
Death	Vest fully	3 years
Disability [2]	Continue vesting	5 years
Retirement [3]	Continue vesting	5 years
Voluntary resignation	Forfeited	90 days
Involuntary termination other than for cause[4]	Forfeited	90 days
Involuntary termination for cause[4]	Forfeited	Forfeited
Leave of absence < 90 days	No change	No change
Leave of absence > 90 days	***Refer to appropriate termination event, above***	

[1] In no event may the term extend beyond the original expiration date of the Phantom Stock Option.

[2] Disability is defined as medical retirement in accordance with the rules of the Electricity Supply Pension Scheme

[3] Retirement means termination of employment other than for Cause on or after the date when you are at least 55 years old and have at least 10 years of service.

[4] For purposes of this Plan, "Cause" means:

(i) Your wilful and continued failure to substantially perform your duties with the Company (other than any such failure resulting from Disability), after a written demand for substantial performance is delivered that specifically identifies the manner in which the Company believes you have failed to substantially perform your duties;

(ii) Wilfully engaging in conduct (other than conduct covered under (i) above) which is demonstrably and materially injurious to the Company, monetarily or otherwise, including but not limited to conviction of a felony.

4. **How to Exercise:** The Phantom Stock Options hereby granted may be exercised by contacting WPD Employee Relations.

   To exercise a phantom stock option, you must notify Employee Relations in writing by 12 noon UK time on the day you wish to exercise, stating the following:

   - The date of the grant you wish to exercise
   - The number of phantom stock options you wish to exercise; and
   - The exercise price of the phantom stock options.

   The gain per exercised phantom stock option will be the difference between the WPD stock price on the day before the notification of exercise and the exercise price, by reference to the stock prices of PPL stock as reported in the Financial Times. The gain will be converted from US dollars to UK sterling using the exchange rate as at the date of grant. In this regard, for any <2003> grants exercised, the exchange rate will be US$ = £<>.

5. **Who Can Exercise**: During your lifetime the Phantom Stock Options will be exercisable only by you. No assignment or transfer of the Phantom Stock Options, whether voluntary or involuntary, by operation of law or otherwise, except by will or the laws of descent and distribution or as otherwise required by applicable law, will vest in the assignee or transferee any interest whatsoever.

6. **Change in Control**: The respective stock option grant will vest upon a Change in Control ("CIC") of PPL if one of the following also occurs:-

- PPL's stock ceases to be traded; or
- PPL no longer have a holding in WPD; or
- The plan is terminated and not replaced with a plan of equivalent value.

7. **Re-capitalisation**: In the event that there is any change in corporate capitalisation the number of Phantom Stock Options subject to this Agreement shall be equitably adjusted by the Board of Directors to prevent dilution or enlargement of rights.

8. **Tax Withholding**: The appreciation value, when exercised, will be paid through WPD's payroll and will be subject to usual UK tax deductions.

9. **Requirements of Law**: The granting of Phantom Stock Options will be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

Please acknowledge your agreement to participate in the Plan and this Agreement and to abide by all of the governing terms and provisions by signing the following representation. You may not exercise this option until you have signed the agreement below.

Agreement to Participate

By signing a copy of this Agreement and returning it to WPD Employee Relations, I acknowledge that I have read this Agreement and fully understand all of my rights under the Plan, as well as all of the terms and conditions which may limit my eligibility to exercise these Phantom Stock Options. Without limiting the generality of the preceding sentence, I understand that my right to exercise these Phantom Stock Options is conditioned upon my continued employment with the Company or its Subsidiaries.

____

Participant

Robert Symons
Chief Executive

History of Plan Changes

Exhibit 10(bbb)-2

Western Power Distribution
Phantom Stock Option Award Agreement

Participant Name:	**Robert Symons**
Participant ID:	**858445**

Congratulations on your selection as a recipient of Western Power Distribution phantom stock options. This Agreement governs your rights and sets forth all of the conditions and limitations affecting such rights.

Phantom stock options' holders have the right to receive the appreciation in the value of the WPD phantom stock over a fixed price for a specified period of time, on or before the expiration date, as such expiration date may change based on events described in Section 3 of this Agreement. The change in value of the WPD phantom stock will be based on the change in value of the PPL stock price.

1. **Terms**: Following are terms of this Phantom Stock Option grant.

Date of Grant	15 February 2012
Number of Phantom Stock Options Granted	49,420
Exercise Price	US$27.85
Exchange Rate	US$ = £0.638
Expiration Date	15 February 2022

2. **Vesting and Exercise**: Phantom Stock Options do not provide you with any rights or interests until they vest and become exercisable as shown below:

Date on Which Phantom Stock Options Vest, Assuming You Remain Employed On The Applicable Date	Number of Phantom Stock Options That Vest
15 February 2013	16,473
15 February 2014	16,473
15 February 2015	16,474

3. **Impact of Termination of Employment**: The vesting and expiration date of your Phantom Stock Options will change as a result of employment termination, according to the following table.

Employment Event	Treatment of Unvested Phantom Stock Options	Expiration of Phantom Stock Options (Period is Measured from Date of Termination of Employment) [1]
Death	Vest fully	3 years
Disability [2]	Continue vesting	5 years
Retirement [3]	Continue vesting	5 years
Voluntary resignation	Forfeited	90 days
Involuntary termination other than for cause[4]	Forfeited	90 days
Involuntary termination for cause[4]	Forfeited	Forfeited
Leave of absence < 90 days	No change	No change
Leave of absence > 90 days	***Refer to appropriate termination event, above***	

[1] In no event may the term extend beyond the original expiration date of the Phantom Stock Option.

[2] Disability is defined as medical retirement in accordance with the rules of the Electricity Supply Pension Scheme

[3] Retirement means termination of employment other than for Cause on or after the date when you are at least 55 years old and have at least 10 years of service.

[4] For purposes of this Plan, "Cause" means:

(i) Your wilful and continued failure to substantially perform your duties with the Company (other than any such failure resulting from Disability), after a written demand for substantial performance is delivered that specifically identifies the manner in which the Company believes you have failed to substantially perform your duties;

(ii) Wilfully engaging in conduct (other than conduct covered under (i) above) which is demonstrably and materially injurious to the Company, monetarily or otherwise, including but not limited to conviction of a felony.

4. **How to Exercise:** The Phantom Stock Options hereby granted may be exercised by contacting WPD Employee Relations.

To exercise a phantom stock option, you must notify Employee Relations in writing by 12 noon UK time on the day you wish to exercise, stating the following:

- The date of the grant you wish to exercise

- The number of phantom stock options you wish to exercise; and
- The exercise price of the phantom stock options.

The gain per exercised phantom stock option will be the difference between the WPD stock price on the day before the notification of exercise and the exercise price, by reference to the stock prices of PPL stock as reported in the Financial Times. The gain will be converted from US dollars to UK sterling using the exchange rate as at the date of grant. In this regard, for any 2012 grants exercised, the exchange rate will be US$ = £0.638.

5. **Who Can Exercise**: During your lifetime the Phantom Stock Options will be exercisable only by you. No assignment or transfer of the Phantom Stock Options, whether voluntary or involuntary, by operation of law or otherwise, except by will or the laws of descent and distribution or as otherwise required by applicable law, will vest in the assignee or transferee any interest whatsoever.
6. **Change in Control**: The respective stock option grant will vest upon a Change in Control ("CIC") of PPL if one of the following also occurs:-
   - PPL's stock ceases to be traded; or
   - PPL no longer have a holding in WPD; or
   - The plan is terminated and not replaced with a plan of equivalent value.
7. **Re-capitalisation**: In the event that there is any change in corporate capitalisation the number of Phantom Stock Options subject to this Agreement shall be equitably adjusted by the Board of Directors to prevent dilution or enlargement of rights.
8. **Tax Withholding**: The appreciation value, when exercised, will be paid through WPD's payroll and will be subject to usual UK tax deductions.
9. **Requirements of Law**: The granting of Phantom Stock Options will be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

Please acknowledge your agreement to participate in the Plan and this Agreement and to abide by all of the governing terms and provisions by signing the following representation. You may not exercise this option until you have signed the agreement below.

Agreement to Participate

By signing a copy of this Agreement and returning it to WPD Employee Relations, I acknowledge that I have read this Agreement and fully understand all of my rights under the Plan, as well as all of the terms and conditions which may limit my eligibility to exercise these Phantom Stock Options. Without limiting the generality of the preceding sentence, I understand that my right to exercise these Phantom Stock Options is conditioned upon my continued employment with the Company or its Subsidiaries.

Participant

Date

Rick Klingensmith
Chairman, PPL WW Holdings Limited and PPL WEM Holdings plc

Exhibit 10(bbb)-3

Western Power Distribution
Phantom Stock Option Award Agreement

Participant Name:	**Robert Symons**
Participant ID:	**858445**

Congratulations on your selection as a recipient of Western Power Distribution phantom stock options. This Agreement governs your rights and sets forth all of the conditions and limitations affecting such rights.

Phantom stock options' holders have the right to receive the appreciation in the value of the WPD phantom stock over a fixed price for a specified period of time, on or before the expiration date, as such expiration date may change based on events described in Section 3 of this Agreement. The change in value of the WPD phantom stock will be based on the change in value of the PPL stock price.

1. **Terms**: Following are terms of this Phantom Stock Option grant.

Date of Grant	15 February 2013
Number of Phantom Stock Options Granted	83,260
Exercise Price	US$30.53
Exchange Rate	US$ = £0.644
Expiration Date	15 February 2023

2. **Vesting and Exercise**: Phantom Stock Options do not provide you with any rights or interests until they vest and become exercisable as shown below:

Date on Which Phantom Stock Options Vest, Assuming You Remain Employed On The Applicable Date	Number of Phantom Stock Options That Vest
15 February 2014	27,754
15 February 2015	27,753
15 February 2016	27,753

3. **Impact of Termination of Employment**: The vesting and expiration date of your Phantom Stock Options will change as a result of employment termination, according to the following table.

Employment Event	Treatment of Unvested Phantom Stock Options	Expiration of Phantom Stock Options (Period is Measured from Date of Termination of Employment) [1]
Death	Vest fully	3 years
Disability [2]	Continue vesting	5 years
Retirement [3]	Continue vesting	5 years
Voluntary resignation	Forfeited	90 days
Involuntary termination other than for cause[4]	Forfeited	90 days
Involuntary termination for cause[4]	Forfeited	Forfeited
Leave of absence < 90 days	No change	No change
Leave of absence > 90 days	***Refer to appropriate termination event, above***	

1 In no event may the term extend beyond the original expiration date of the Phantom Stock Option.

2 Disability is defined as medical retirement in accordance with the rules of the Electricity Supply Pension Scheme

3 Retirement means termination of employment other than for Cause on or after the date when you are at least 55 years old and have at least 10 years of service.

4 For purposes of this Plan, "Cause" means:

(i) Your wilful and continued failure to substantially perform your duties with the Company (other than any such failure resulting from Disability), after a written demand for substantial performance is delivered that specifically identifies the manner in which the Company believes you have failed to substantially perform your duties;

(ii) Wilfully engaging in conduct (other than conduct covered under (i) above) which is demonstrably and materially injurious to the Company, monetarily or otherwise, including but not limited to conviction of a felony.

4. **How to Exercise:** The Phantom Stock Options hereby granted may be exercised by contacting WPD Employee Relations.

   To exercise a phantom stock option, you must notify Employee Relations in writing by 12 noon UK time on the day you wish to exercise, stating the following:

   - The date of the grant you wish to exercise
   - The number of phantom stock options you wish to exercise; and

- The exercise price of the phantom stock options.

The gain per exercised phantom stock option will be the difference between the WPD stock price on the day before the notification of exercise and the exercise price, by reference to the stock prices of PPL stock as reported in the Financial Times. The gain will be converted from US dollars to UK sterling using the exchange rate as at the date of grant. In this regard, for any 2013 grants exercised, the exchange rate will be US$ = £0.644.

5. **Who Can Exercise**: During your lifetime the Phantom Stock Options will be exercisable only by you. No assignment or transfer of the Phantom Stock Options, whether voluntary or involuntary, by operation of law or otherwise, except by will or the laws of descent and distribution or as otherwise required by applicable law, will vest in the assignee or transferee any interest whatsoever.

6. **Change in Control**: The respective stock option grant will vest upon a Change in Control ("CIC") of PPL if one of the following also occurs:-

   - PPL's stock ceases to be traded; or

   - PPL no longer have a holding in WPD; or

   - The plan is terminated and not replaced with a plan of equivalent value.

7. **Re-capitalisation**: In the event that there is any change in corporate capitalisation the number of Phantom Stock Options subject to this Agreement shall be equitably adjusted by the Board of Directors to prevent dilution or enlargement of rights.

8. **Tax Withholding**: The appreciation value, when exercised, will be paid through WPD's payroll and will be subject to usual UK tax deductions.

9. **Requirements of Law**: The granting of Phantom Stock Options will be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

Please acknowledge your agreement to participate in the Plan and this Agreement and to abide by all of the governing terms and provisions by signing the following representation. You may not exercise this option until you have signed the agreement below.

Agreement to Participate

By signing a copy of this Agreement and returning it to WPD Employee Relations, I acknowledge that I have read this Agreement and fully understand all of my rights under the Plan, as well as all of the terms and conditions which may limit my eligibility to exercise these Phantom Stock Options. Without limiting the generality of the preceding sentence, I understand that my right to exercise these Phantom Stock Options is conditioned upon my continued employment with the Company or its Subsidiaries.

Participant

Date

Rick Klingensmith
Chairman, Western Power distribution Holding Ltd

Exhibit 12(a)

PPL CORPORATION AND SUBSIDIARIES

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

(Millions of Dollars)

	2014 (a)	2013 (a)	2012 (a)	2011 (a)	2010 (a)
Earnings, as defined:					
Income from Continuing Operations Before Income Taxes (b)	**$ 2,364**	$ 1,260	$ 2,009	$ 2,050	$ 1,218
Adjustment to reflect earnings from equity method investments on a cash basis (c)			34	1	7
	2,364	1,260	2,043	2,051	1,225
Total fixed charges as below	**1,095**	1,096	1,065	1,022	698
Less:					
Capitalized interest	**33**	46	43	42	24
Preferred security distributions of subsidiaries on a pre-tax basis			5	23	21
Interest expense and fixed charges related to discontinued operations	**10**	14	12	6	34
Total fixed charges included in Income from Continuing Operations Before Income Taxes	**1,052**	1,036	1,005	951	619
Total earnings	**$ 3,416**	$ 2,296	$ 3,048	$ 3,002	$ 1,844
Fixed charges, as defined:					
Interest charges (d)	**$ 1,073**	$ 1,058	$ 1,019	$ 955	$ 637
Estimated interest component of operating rentals	**22**	38	41	44	39
Preferred securities distributions of subsidiaries on a pre-tax basis			5	23	21
Fixed charges of majority-owned share of 50% or less-owned persons					1
Total fixed charges (e)	**$ 1,095**	$ 1,096	$ 1,065	$ 1,022	$ 698
Ratio of earnings to fixed charges	**3.1**	2.1	2.9	2.9	2.6
Ratio of earnings to combined fixed charges and preferred stock dividends (f)	**3.1**	2.1	2.9	2.9	2.6

(a) Years 2010 through 2014 reflect the reclassification of certain PPL Montana hydroelectric generating facilities and related assets as Discontinued Operations. See Note 8 to the Financial Statements for additional information.

(b) To facilitate the sale of the hydroelectric generating facilities referred to in (a) above, in December 2013, PPL Montana terminated a lease agreement which resulted in a $697 million charge. See Note 8 to the Financial Statements for additional information.

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

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

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

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

Exhibit 12(b)

PPL ENERGY SUPPLY, LLC AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	2014 (a)	2013 (a)	2012 (a)	2011 (a)	2010 (a)
Earnings, as defined:					
Income (Loss) from Continuing Operations Before Income Taxes (b)	**$ 303**	$ (420)	$ 665	$ 1,061	$ 860
Adjustments to reflect earnings from equity method investments on a cash basis				1	7
	303	(420)	665	1,062	867
Total fixed charges as below	**161**	226	238	259	426
Less:					
Capitalized interest	**22**	35	37	38	27
Interest expense and fixed charges related to discontinued operations	**10**	14	12	6	169
Total fixed charges included in Income (Loss) from Continuing Operations Before Income Taxes	**129**	177	189	215	230
Total earnings	**$ 432**	$ (243)	$ 854	$ 1,277	$ 1,097
Fixed charges, as defined:					
Interest charges (c)	**$ 156**	$ 207	$ 214	$ 223	$ 387
Estimated interest component of operating rentals	**5**	19	24	36	38
Fixed charges of majority-owned share of 50% or less-owned persons					1
Total fixed charges (d)	**$ 161**	$ 226	$ 238	$ 259	$ 426
Ratio of earnings to fixed charges (b)	**2.7**	(1.1)	3.6	4.9	2.6

(a) Years 2010 through 2014 reflect the reclassification of certain PPL Montana hydroelectric generating facilities and related assets as Discontinued Operations. See Note 8 to the Financial Statements for additional information.

(b) To facilitate the sale of the hydroelectric generating facilities referred to in (a) above, in December 2013, PPL Montana terminated a lease agreement which resulted in a $697 million charge. See Note 8 to the Financial Statements for additional information. As a result of these transactions, earnings were lower, which resulted in less than one-to-one coverage. The adjusted amount of the deficiency, or the amount of fixed charges in excess of earnings, was $469 million.

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

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

Exhibit 12(c)

PPL ELECTRIC UTILITIES CORPORATION AND SUBSIDIARIES

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

(Millions of Dollars)

	2014	2013	2012	2011	2010
Earnings, as defined:					
Income Before Income Taxes	**$ 423**	$ 317	$ 204	$ 257	$ 192
Total fixed charges as below	**131**	117	107	105	102
Total earnings	**$ 554**	$ 434	$ 311	$ 362	$ 294
Fixed charges, as defined:					
Interest charges (a)	**$ 127**	$ 113	$ 104	$ 102	$ 101
Estimated interest component of operating rentals	**4**	4	3	3	1
Total fixed charges (b)	**$ 131**	$ 117	$ 107	$ 105	$ 102
Ratio of earnings to fixed charges	**4.2**	3.7	2.9	3.4	2.9
Preferred stock dividend requirements on a pre-tax basis			$ 6	$ 21	$ 23
Fixed charges, as above	**$ 131**	$ 117	107	105	102
Total fixed charges and preferred stock dividends	**$ 131**	$ 117	$ 113	$ 126	$ 125
Ratio of earnings to combined fixed charges and preferred stock dividends	**4.2**	3.7	2.8	2.9	2.4

(a) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.
(b) Interest on unrecognized tax benefits is not included in fixed charges.

LG&E AND KU ENERGY LLC AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Successor (a)					Predecessor (b)
	Year Ended Dec. 31, 2014	**Year Ended Dec. 31, 2013**	**Year Ended Dec. 31, 2012**	**Year Ended Dec. 31, 2011**	**2 Months Ended Dec. 31, 2010**	**10 Months Ended Oct. 31, 2010**
Earnings, as defined:						
Income from Continuing Operations Before Income Taxes	**$ 553**	$ 551	$ 331	$ 419	$ 70	$ 300
Adjustment to reflect earnings from equity method investments on a cash basis (c)	**(1)**	(1)	33	(1)		(4)
Mark to market impact of derivative instruments					2	(20)
	552	550	364	418	72	276
Total fixed charges as below	**173**	151	157	153	25	158
Total earnings	**$ 725**	$ 701	$ 521	$ 571	$ 97	$ 434
Fixed charges, as defined:						
Interest charges (d) (e)	**$ 167**	$ 145	$ 151	$ 147	$ 24	$ 153
Estimated interest component of operating rentals	**6**	6	6	6	1	5
Total fixed charges	**$ 173**	$ 151	$ 157	$ 153	$ 25	$ 158
Ratio of earnings to fixed charges	**4.2**	4.6	3.3	3.7	3.9	2.7

(a) Post-acquisition activity covering the time period after October 31, 2010.
(b) Pre-acquisition activity covering the time period prior to November 1, 2010.
(c) Includes other-than-temporary impairment loss of $25 million in 2012.
(d) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.
(e) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(e)

LOUISVILLE GAS AND ELECTRIC COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Successor (a)					Predecessor (b)
	Year Ended Dec. 31, 2014	**Year Ended Dec. 31, 2013**	**Year Ended Dec. 31, 2012**	**Year Ended Dec. 31, 2011**	**2 Months Ended Dec. 31, 2010**	**10 Months Ended Oct. 31, 2010**
Earnings, as defined:						
Income Before Income Taxes	**$ 272**	$ 257	$ 192	$ 195	$ 29	$ 167
Mark to market impact of derivative instruments					1	(20)
	272	257	192	195	30	147
Total fixed charges as below	**51**	36	44	46	8	40
Total earnings	**$ 323**	$ 293	$ 236	$ 241	$ 38	$ 187
Fixed charges, as defined:						
Interest charges (c) (d)	**$ 49**	$ 34	$ 42	$ 44	$ 8	$ 38
Estimated interest component of operating rentals	**2**	2	2	2		2
Total fixed charges	**$ 51**	$ 36	$ 44	$ 46	$ 8	$ 40
Ratio of earnings fixed charges	**6.3**	8.1	5.4	5.2	4.8	4.7

(a) Post-acquisition activity covering the time period after October 31, 2010.
(b) Pre-acquisition activity covering the time period prior to November 1, 2010.
(c) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.
(d) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(f)

KENTUCKY UTILITIES COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Successor (a)					Predecessor (b)
	Year Ended Dec. 31, 2014	**Year Ended Dec. 31, 2013**	**Year Ended Dec. 31, 2012**	**Year Ended Dec. 31, 2011**	**2 Months Ended Dec. 31, 2010**	**10 Months Ended Oct. 31, 2010**
Earnings, as defined:						
Income Before Income Taxes	**$ 355**	$ 360	$ 215	$ 282	$ 55	$ 218
Adjustment to reflect earnings from equity method investments on a cash basis (c)	**(1)**	(1)	33	(1)		(4)
	354	359	248	281	55	214
Total fixed charges as below	**80**	73	72	73	11	71
Total earnings	**$ 434**	$ 432	$ 320	$ 354	$ 66	$ 285
Fixed charges, as defined:						
Interest charges (d)	**$ 77**	$ 70	$ 69	$ 70	$ 10	$ 69
Estimated interest component of operating rentals	**3**	3	3	3	1	2
Total fixed charges	**$ 80**	$ 73	$ 72	$ 73	$ 11	$ 71
Ratio of earnings to fixed charges	**5.4**	5.9	4.4	4.8	6.0	4.0

(a) Post-acquisition activity covering the time period after October 31, 2010.
(b) Pre-acquisition activity covering the time period prior to November 1, 2010.
(c) Includes other-than-temporary impairment loss of $25 million in 2012.
(d) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.

PPL Corporation
Subsidiaries of the Registrant
At December 31, 2014

Exhibit 21

Company Name Business Conducted under Same Name	State or Jurisdiction of Incorporation/Formation
LG&E and KU Energy LLC	Kentucky
Louisville Gas and Electric Company	Kentucky
Kentucky Utilities Company	Kentucky and Virginia
PPL Electric Utilities Corporation	Pennsylvania
PPL Energy Funding Corporation	Pennsylvania
PPL Energy Supply, LLC	Delaware
PPL Investment Corporation	Delaware
PPL Generation, LLC	Delaware
PPL Susquehanna, LLC	Delaware
PPL Montana Holdings, LLC	Delaware
PPL Global, LLC	Delaware
PMDC International Holdings, Inc.	Delaware
PPL UK Holdings, LLC	Delaware
PPL UK Resources Limited	United Kingdom
PPL WW Holdings Limited	United Kingdom
Western Power Distribution Limited	United Kingdom
Western Power Distribution (South West) plc	United Kingdom
Western Power Distribution (South Wales) plc	United Kingdom
PPL UK Investments Limited	United Kingdom
PPL WEM Holdings Limited	United Kingdom
WPD Midlands Holdings Limited	United Kingdom
Western Power Distribution (East Midlands) plc	United Kingdom
Western Power Distribution (West Midlands) plc	United Kingdom
WPD Network Holdings Limited	United Kingdom

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in PPL Corporation's Registration Statement on Form S-3 No. 333-180410, the Registration Statement on Form S-3D No 333-161826, and the Registration Statements on Form S-8 (Nos. 333-02003, 333-112453, 333-110372, 333-95967, 333-144047, 333-175680, 333-181752, and 333-197629) of our reports dated February 23, 2015, with respect to the consolidated financial statements and schedule of PPL Corporation and the effectiveness of internal control over financial reporting of PPL Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2014.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 23, 2015

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in PPL Energy Supply, LLC's Registration Statement on Form S-3 (No. 333-180410-04) of our report dated February 23, 2015, with respect to the consolidated financial statements of PPL Energy Supply, LLC, included in this Annual Report (Form 10-K) for the year ended December 31, 2014.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 23, 2015

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in PPL Electric Utilities Corporation's Registration Statement on Form S-3 (No. 333-180410-03) of our report dated February 23, 2015, with respect to the consolidated financial statements of PPL Electric Utilities Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2014.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 23, 2015

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-180410-05) of LG&E and KU Energy LLC and in the related Prospectus of our report dated February 23, 2015, with respect to the consolidated financial statements and schedule of LG&E and KU Energy LLC included in this Annual Report (Form 10-K) for the year ended December 31, 2014.

/s/ Ernst & Young LLP

Louisville, Kentucky

February 23, 2015

Exhibit 23(e)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-180410-01) of Louisville Gas and Electric Company and in the related Prospectus of our report dated February 23, 2015, with respect to the financial statements of Louisville Gas and Electric Company included in this Annual Report (Form 10-K) for the year ended December 31, 2014.

/s/ Ernst & Young LLP

Louisville, Kentucky

February 23, 2015

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-180410-02) of Kentucky Utilities Company and in the related Prospectus of our report dated February 23, 2015, with respect to the financial statements of Kentucky Utilities Company included in this Annual Report (Form 10-K) for the year ended December 31, 2014.

/s/ Ernst & Young LLP

Louisville, Kentucky

February 23, 2015

PPL CORPORATION

2014 ANNUAL REPORT
TO THE SECURITIES AND EXCHANGE COMMISSION
ON FORM 10-K

POWER OF ATTORNEY

The undersigned directors of PPL Corporation, a Pennsylvania corporation, that is to file with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, its Annual Report on Form 10-K for the year ended December 31, 2014 ("Form 10-K Report"), do hereby appoint each of William H. Spence, Vincent Sorgi, Robert J. Grey and Michael A. McGrail, and each of them, their true and lawful attorney, with power to act without the other and with full power of substitution and resubstitution, to execute for them and in their names the Form 10-K Report and any and all amendments thereto, whether said amendments add to, delete from or otherwise alter the Form 10-K Report, or add or withdraw any exhibits or schedules to be filed therewith and any and all instruments in connection therewith. The undersigned hereby grant to each said attorney full power and authority to do and perform in the name of and on behalf of the undersigned, and in any and all capacities, any act and thing whatsoever required or necessary to be done in and about the premises, as fully and to all intents and purposes as the undersigned might do, hereby ratifying and approving the acts of each of the said attorneys.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands this 17th day of February, 2015.

/s/ Rodney C. Adkins
Rodney C. Adkins

/s/ Frederick M. Bernthal
Frederick M. Bernthal

/s/ John W. Conway
John W. Conway

/s/ Philip G. Cox
Philip G. Cox

/s/ Steven G. Elliott
Steven G. Elliott

/s/ Louise K. Goeser
Louise K. Goeser

/s/ Stuart E. Graham
Stuart E. Graham

/s/ Stuart Heydt
Stuart Heydt

/s/ Venkata Rajamannar Madabhushi
Venkata Rajamannar Madabhushi

/s/ Craig A. Rogerson
Craig A. Rogerson

/s/ William H. Spence
William H. Spence

/s/ Natica von Althann
Natica von Althann

/s/ Keith H. Williamson
Keith H. Williamson

/s/ Armando Zagalo de Lima
Armando Zagalo de Lima

CERTIFICATION

I, WILLIAM H. SPENCE, certify that:

1. I have reviewed this annual report on Form 10-K of PPL Corporation (the "registrant") for the year ended December 31, 2014;

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

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

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

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

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

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

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

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

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

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

Date: February 23, 2015

/s/ William H. Spence
William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

Exhibit 31(b)

CERTIFICATION

I, VINCENT SORGI, certify that:

1. I have reviewed this annual report on Form 10-K of PPL Corporation (the "registrant") for the year ended December 31, 2014;

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

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

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

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

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

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

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

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

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

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

Date: February 23, 2015

/s/ Vincent Sorgi
Vincent Sorgi
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

Exhibit 31(c)

CERTIFICATION

I, PAUL A. FARR, certify that:

1. I have reviewed this annual report on Form 10-K of PPL Energy Supply, LLC (the "registrant") for the year ended December 31, 2014;

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

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

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

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

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

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

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

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

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

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

Date: February 23, 2015

/s/ Paul A. Farr
Paul A. Farr
President
(Principal Executive Officer)
PPL Energy Supply, LLC

Exhibit 31(d)

CERTIFICATION

I, VINCENT SORGI, certify that:

1. I have reviewed this annual report on Form 10-K of PPL Energy Supply, LLC (the "registrant") for the year ended December 31, 2014;

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

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

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

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

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

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

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

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

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

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

Date: February 23, 2015

/s/ Vincent Sorgi
Vincent Sorgi
Senior Vice President
(Principal Financial Officer)
PPL Energy Supply, LLC

CERTIFICATION

I, GREGORY N. DUDKIN, certify that:

1. I have reviewed this annual report on Form 10-K of PPL Electric Utilities Corporation (the "registrant") for the year ended December 31, 2014;

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

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

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

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

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

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

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

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

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

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

Date: February 23, 2015

/s/ Gregory N. Dudkin

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

CERTIFICATION

I, DENNIS A. URBAN, JR., certify that:

1. I have reviewed this annual report on Form 10-K of PPL Electric Utilities Corporation (the "registrant") for the year ended December 31, 2014;

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

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

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

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

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

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

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

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

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

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

Date: February 23, 2015

/s/ Dennis A. Urban, Jr.
Dennis A. Urban, Jr.
Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this annual report on Form 10-K of LG&E and KU Energy LLC (the "registrant") for the year ended December 31, 2014;

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

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

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

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

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

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

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

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

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

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

Date: February 23, 2015

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

Exhibit 31(h)

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this annual report on Form 10-K of LG&E and KU Energy LLC (the "registrant") for the year ended December 31, 2014;

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

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

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

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

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

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

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

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

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

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

Date: February 23, 2015

/s/ Kent W. Blake

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

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this annual report on Form 10-K of Louisville Gas and Electric Company (the "registrant") for the year ended December 31, 2014;

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

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

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

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

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

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

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

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

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

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

Date: February 23, 2015

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

Exhibit 31(j)

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this annual report on Form 10-K of Louisville Gas and Electric Company (the "registrant") for the year ended December 31, 2014;

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

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

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

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

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

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

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

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

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

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

Date: February 23, 2015

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

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this annual report on Form 10-K of Kentucky Utilities Company (the "registrant") for the year ended December 31, 2014;

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

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

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

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

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

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

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

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

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

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

Date: February 23, 2015

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

Exhibit 31(l)

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this annual report on Form 10-K of Kentucky Utilities Company (the "registrant") for the year ended December 31, 2014;

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

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

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

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

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

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

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

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

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

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

Date: February 23, 2015

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

Exhibit 32(a)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2014

In connection with the annual report on Form 10-K of PPL Corporation (the "Company") for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, William H. Spence, the Principal Executive Officer of the Company, and Vincent Sorgi, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: February 23, 2015

/s/ William H. Spence
William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

/s/ Vincent Sorgi
Vincent Sorgi
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

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

Exhibit 32(b)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ENERGY SUPPLY, LLC'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2014

In connection with the annual report on Form 10-K of PPL Energy Supply, LLC (the "Company") for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Paul A. Farr, the Principal Executive Officer of the Company, and Vincent Sorgi, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: February 23, 2015

/s/ Paul A. Farr
Paul A. Farr
President
(Principal Executive Officer)
PPL Energy Supply, LLC

/s/ Vincent Sorgi
Vincent Sorgi
Senior Vice President
(Principal Financial Officer)
PPL Energy Supply, LLC

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

Exhibit 32(c)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ELECTRIC UTILITIES CORPORATION'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2014

In connection with the annual report on Form 10-K of PPL Electric Utilities Corporation (the "Company") for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Gregory N. Dudkin, the Principal Executive Officer of the Company, and Dennis A. Urban, Jr., the Principal Financial Officer and Principal Accounting Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: February 23, 2015

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

/s/ Dennis A. Urban, Jr.
Dennis A. Urban, Jr.
Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

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

Exhibit 32(d)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LG&E AND KU ENERGY LLC'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2014

In connection with the annual report on Form 10-K of LG&E and KU Energy LLC (the "Company") for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: February 23, 2015

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

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

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

Exhibit 32(e)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LOUISVILLE GAS AND ELECTRIC COMPANY'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2014

In connection with the annual report on Form 10-K of Louisville Gas and Electric Company (the "Company") for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: February 23, 2015

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

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

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

Exhibit 32(f)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR KENTUCKY UTILITIES COMPANY'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2014

In connection with the annual report on Form 10-K of Kentucky Utilities Company (the "Company") for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: February 23, 2015

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

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

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

PPL CORPORATION AND SUBSIDIARIES
LONG-TERM DEBT SCHEDULE
(Unaudited)
(Millions of Dollars)

	Interest Rate	Maturity Date	December 31, 2014
PPL			
U.S.			
PPL Capital Funding			
Senior Unsecured Notes			
69352PAD5	4.200 %	06/15/2022	$ 400
69352PAE3	3.500 %	12/01/2022	400
69352PAG8	1.900 %	06/01/2018	250
69352PAF0	3.400 %	06/01/2023	600
69352PAH6	4.700 %	06/01/2043	300
69352PAK9	3.950 %	03/15/2024	350
69352PAJ2	5.000 %	03/15/2044	400
Total Senior Unsecured Notes			2,700
Junior Subordinated Notes			
69352PAC7	6.700 %	03/30/2067	480
69352P202	5.900 %	04/30/2073	450
Total Junior Subordinated Notes			930
Total PPL Capital Funding Long-term Debt			3,630
PPL Energy Supply			
Senior Unsecured Notes			2,193
Senior Secured Notes			45
Total PPL Energy Supply Long-term Debt			2,238
PPL Electric			
Senior Secured Notes/First Mortgage Bonds			2,614
Total PPL Electric Long-term Debt			2,614
LKE			
Senior Unsecured Notes			1,125
First Mortgage Bonds			3,460
Total LKE Long-term Debt			4,585
Total U.S. Long-term Debt			13,067

	Interest Rate	Maturity Date	December 31, 2014
U.K.			
Senior Unsecured Notes			
USG7208UAB73	3.900 %	05/01/2016	460
USG7208UAA90	5.375 %	05/01/2021	500
USG9796VAD58	7.250 %	12/15/2017	100
USG9796VAE32	7.375 %	12/15/2028	202
XS0627333221	5.250 %	01/17/2023	1,096
XS0568142482	6.250 %	12/10/2040	392
XS0568142052	6.000 %	05/09/2025	392
XS0627336323	5.750 %	04/16/2032	1,253
XS0979476602	3.875 %	10/17/2024	627
XS0061222484	9.250 %	11/09/2020	235
XS0280014282	4.804 %	12/21/2037	352
XS0496999219	5.750 %	03/23/2040	313
XS0165510313	5.875 %	03/25/2027	392
XS0496975110	5.750 %	03/23/2040	313
Total Senior Unsecured Notes			6,627
Index-Linked Notes [1]			
XS0632038666	2.671 %	06/01/2043	173
XS0974143439	1.676 %	09/24/2052	105
XS0277685987	1.541 %	12/01/2053	212
XS0279320708	1.541 %	12/01/2056	242
Total Index-Linked Notes			732
Total U.K. Long-term Debt			7,359
Total Long-term Debt Before Adjustments			20,426
Fair market value adjustments			18
Unamortized premium and (discount), net			(53)
Total Long-term Debt			20,391
Less current portion of Long-term Debt			1,535
Total Long-term Debt, noncurrent			$ 18,856
PPL Energy Supply			
Senior Unsecured Notes			
69352JAG2 [2]	5.700 %	10/15/2035	$ 300
69352JAH0	6.200 %	05/15/2016	350
69352JAL1	6.500 %	05/01/2018	400
69352JAN7	4.600 %	12/15/2021	712
69352JAK3	6.000 %	12/15/2036	200
708686CX6 [3]	3.000 %	12/01/2038	100
708686CZ1 [3]	3.000 %	12/01/2038	50
708686CY4 [3]	3.000 %	12/01/2037	81
Total Senior Unsecured Notes			2,193
Senior Secured Notes			
00103XAC7	8.857 %	11/30/2025	45
Total Senior Secured Notes			45
Total Long-term Debt Before Adjustments			2,238

	Interest Rate	Maturity Date	December 31, 2014
Fair market value adjustments			(19)
Unamortized premium and (discount), net			(1)
Total Long-term Debt			2,218
Less current portion of Long-term Debt			535
Total Long-term Debt, noncurrent			$ 1,683
PPL Electric			
Senior Secured Notes/First Mortgage Bonds			
524808BM3	4.750 %	02/15/2027	$ 108
524808BL5	4.700 %	09/01/2029	116
70869MAC8 [3]	4.000 %	10/01/2023	90
69351UAF0	4.950 %	12/15/2015	100
69351UAG8	5.150 %	12/15/2020	100
69351UAP8	3.000 %	09/15/2021	400
69351UAQ6	2.500 %	09/01/2022	250
69351UAH6/UAK9	6.450 %	08/15/2037	250
69351UAM5	6.250 %	05/15/2039	300
69351UAN3	5.200 %	07/15/2041	250
63951UAR4	4.750 %	07/15/2043	350
69351UAS2	4.125 %	06/15/2044	300
Total Senior Secured Notes			2,614
Total Long-term Debt Before Adjustments			2,614
Unamortized discount			(12)
Total Long-term Debt			2,602
Less current portion of Long-term Debt			100
Total Long-term Debt, noncurrent			$ 2,502
LKE			
Senior Unsecured Notes			
50188FAB1/FAA3	2.125 %	11/15/2015	$ 400
50188FAD7	3.750 %	11/15/2020	475
50188FAE5	4.375 %	10/01/2021	250
Total Senior Unsecured Notes			1,125
LG&E			
First Mortgage Bonds			1,359
KU			
First Mortgage Bonds			2,101
Total Long-term Debt Before Adjustments			4,585
Fair market value adjustments			(1)
Unamortized discount			(17)
Total Long-term Debt			4,567
Less current portion of Long-term Debt			900
Total Long-term Debt, noncurrent			$ 3,667

	Interest Rate	Maturity Date	December 31, 2014
LG&E			
First Mortgage Bonds			
546676AS6	1.625 %	11/15/2015	$ 250
546676AU1	5.125 %	11/15/2040	285
546676AV9	4.650 %	11/15/2043	250
896221AA6	4.600 %	06/01/2033	60
473044BV6 [4]	0.230 %	09/01/2026	23
896224AX0 [3]	1.050 %	09/01/2026	27
N/A [4, 6]	0.773 %	05/01/2027	25
47302PAA8 [4]	0.220 %	09/01/2027	10
896224AW2 [3]	1.350 %	11/01/2027	35
546749AL6 [3]	1.350 %	11/01/2027	35
896224AS1 [4]	0.240 %	08/01/2030	83
896224AV4 [4]	0.242 %	10/01/2032	42
546751AE8 [3]	1.150 %	06/01/2033	31
546751AG3 [3]	1.600 %	06/01/2033	35
546749AJ1 [3]	1.650 %	10/01/2033	128
546749AK8 [3]	2.200 %	02/01/2035	40
Total Long-term Debt Before Adjustments			1,359
Fair market value adjustments			(1)
Unamortized discount			(5)
Total Long-term Debt			1,353
Less current portion of Long-term Debt			250
Total Long-term Debt, noncurrent			$ 1,103
KU			
First Mortgage Bonds			
491674BC0	1.625 %	11/01/2015	$ 250
491674BE6	3.250 %	11/01/2020	500
491674BG1/BF3	5.125 %	11/01/2040	750
491674BJ5	4.650 %	11/15/2043	250
14483RAH0	5.750 %	02/01/2026	18
896221AC2	6.000 %	03/01/2037	9
587829AC6 [5]	0.060 %	05/01/2023	13
14483RAN7 [5]	0.050 %	02/01/2032	78
144838AA7 [5]	0.250 %	02/01/2032	21
144838AB5 [5]	0.250 %	02/01/2032	2
587824AA1 [5]	0.250 %	02/01/2032	8
62479PAA4 [5]	0.250 %	02/01/2032	2
144838AC3 [5]	0.160 %	10/01/2032	96
14483RAP2 [5]	0.050 %	10/01/2034	54
14483RAM9 [5]	0.030 %	10/01/2034	50
Total Long-term Debt Before Adjustments			2,101
Fair market value adjustments			
Unamortized discount			(10)
Total Long-term Debt			2,091
Less current portion of Long-term Debt			250
Total Long-term Debt, noncurrent			$ 1,841

(1) Principal amount of the notes are adjusted based on changes in a specified index, as detailed in the terms of the related indentures.
(2) The REPS are required to be put by existing holders on October 15, 2015 for either (a) purchase and remarketing by a designated market dealer or (b) repurchase by PPL Energy Supply.
(3) Securities are currently in a term rate mode.
(4) Securities have a floating rate of interest that periodically resets. At December 31, 2014 the weighted average rate of the $183 million of notes at LG&E was 0.31%.
(5) Securities have a floating rate of interest that periodically resets. At December 31, 2014 the weighted average rate of the $324 million of notes at KU was 0.10%.
(6) No CUSIP - Bonds were remarketed and 100% of bonds are held by a third party.

FORM 10-Q

PPL CORP - PPL

Filed: May 07, 2015 (period: March 31, 2015)

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

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended March 31, 2015

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _________ to ___________

Commission File Number	Registrant; State of Incorporation; Address and Telephone Number	IRS Employer Identification No.
1-11459	**PPL Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-2758192
1-905	**PPL Electric Utilities Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-0959590
333-173665	**LG&E and KU Energy LLC** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-2893	**Louisville Gas and Electric Company** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150
1-3464	**Kentucky Utilities Company** (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

PPL Corporation	Yes X	No ___
PPL Electric Utilities Corporation	Yes X	No ___
LG&E and KU Energy LLC	Yes X	No ___
Louisville Gas and Electric Company	Yes X	No ___
Kentucky Utilities Company	Yes X	No ___

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files).

PPL Corporation	Yes X	No ___
PPL Electric Utilities Corporation	Yes X	No ___
LG&E and KU Energy LLC	Yes X	No ___
Louisville Gas and Electric Company	Yes X	No ___
Kentucky Utilities Company	Yes X	No ___

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
PPL Corporation	[X]	[ ]	[ ]	[ ]
PPL Electric Utilities Corporation	[ ]	[ ]	[X]	[ ]
LG&E and KU Energy LLC	[ ]	[ ]	[X]	[ ]
Louisville Gas and Electric Company	[ ]	[ ]	[X]	[ ]
Kentucky Utilities Company	[ ]	[ ]	[X]	[ ]

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

PPL Corporation	Yes ___	No X
PPL Electric Utilities Corporation	Yes ___	No X
LG&E and KU Energy LLC	Yes ___	No X
Louisville Gas and Electric Company	Yes ___	No X
Kentucky Utilities Company	Yes ___	No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

PPL Corporation	Common stock, $0.01 par value, 668,107,248 shares outstanding at April 30, 2015.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at April 30, 2015.
LG&E and KU Energy LLC	PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC.
Louisville Gas and Electric Company	Common stock, no par value, 21,294,223 shares outstanding and all held by LG&E and KU Energy LLC at April 30, 2015.
Kentucky Utilities Company	Common stock, no par value, 37,817,878 shares outstanding and all held by LG&E and KU Energy LLC at April 30, 2015.

This document is available free of charge at the Investor Center on PPL Corporation's website at www.pplweb.com. However, information on this website does not constitute a part of this Form 10-Q.

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

FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2015

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This combined Form 10-Q is separately filed by the following Registrants in their individual capacity: PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant, except that information under "Forward-Looking Information" relating to subsidiaries of PPL Corporation is also attributed to PPL Corporation and information relating to the subsidiaries of LG&E and KU Energy LLC is also attributed to LG&E and KU Energy LLC. Beginning in the first quarter of 2015, PPL Energy Supply, LLC is filing a separate Form 10-Q.

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

Combined Notes to Condensed Financial Statements (Unaudited)

GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its subsidiaries

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

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

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

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

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

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

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

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

PPL EU Services - PPL EU Services Corporation, a subsidiary of PPL that, beginning in 2015, provides support services and corporate functions such as financial, supply chain, human resources and information technology services primarily to PPL Electric and its affiliates.

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 through its subsidiaries, owns and operates WPD, PPL's regulated electricity distribution businesses in the U.K.

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 to PPL and its subsidiaries.

PPL Susquehanna - PPL Susquehanna, LLC, a subsidiary of PPL Generation that owns a nuclear-powered generating station.

PPL WPD Ltd - an indirect U.K. subsidiary of PPL Global. PPL WPD Ltd holds a liability for a closed defined benefit pension plan and a receivable with WPD Ltd.

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

Subsidiary Registrant(s) - Registrants that are direct or indirect wholly owned subsidiaries of PPL: PPL Energy Supply, PPL Electric, LKE, LG&E and KU.

WPD - refers to WPD Ltd and its subsidiaries together with a sister company PPL WPD Ltd.

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

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

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

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

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

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

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

Other terms and abbreviations

£ - British pound sterling.

2014 Form 10-K - Annual Report to the SEC on Form 10-K for the year ended December 31, 2014 Form 10-K.

Act 11 - Act 11 of 2012 that became effective on April 16, 2012. The Pennsylvania legislation authorizes the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, a DSIC.

Act 129 - Act 129 of 2008 that became effective in October 2008. The law amends the Pennsylvania Public Utility Code and creates an energy efficiency and conservation program and smart metering technology requirements, adopts new PLR electricity supply procurement rules, provides remedies for market misconduct and changes to the 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.

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.

CCR(s) - Coal Combustion Residual(s). CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes.

Clean Air Act - federal legislation enacted to address certain environmental issues related to air emissions, including acid rain, ozone and toxic air emissions.

COBRA - Consolidated Omnibus Budget Reconciliation Act, which provides individuals the option to temporarily continue employer group health insurance coverage after termination of employment.

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.

DNO - Distribution Network Operator in the U.K.

DOJ - U.S. Department of Justice.

DPCR4 - Distribution Price Control Review 4, the U.K. five-year rate review period applicable to WPD that commenced April 1, 2005.

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

DRIP - Dividend Reinvestment and Direct Stock Purchase Plan.

DSIC - the Distribution System Improvement Charge authorized under Act 11, which is an alternative ratemaking mechanism providing more-timely cost recovery of qualifying distribution system capital expenditures.

DSM - Demand Side Management. Pursuant to Kentucky Revised Statute 278.285, the KPSC may determine the reasonableness of DSM plans proposed by any utility under its jurisdiction. Proposed DSM mechanisms may seek full recovery of costs and revenues lost by implementing DSM programs and/or incentives designed to provide financial rewards to the utility for implementing cost-effective DSM programs. The cost of such programs shall be assigned only to the class or classes of customers which benefit from the programs.

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 - Edison Electric Institute, the association that represents U.S. investor-owned electric companies.

EPA - Environmental Protection Agency, a U.S. government agency.

EPS - earnings per share.

Equity Unit(s) - a PPL equity unit, issued in April 2011, consisting of a 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.

ERCOT - the Electric Reliability Council of Texas, operator of the electricity transmission network and electricity energy market in most of Texas.

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.

FTRs - financial transmission rights, which are financial instruments established to manage price risk related to electricity transmission congestion that entitle the holder to receive compensation or require the holder to remit payment for certain congestion-related transmission charges based on the level of congestion between two pricing locations, known as source and sink.

GAAP - Generally Accepted Accounting Principles in the U.S.

GBP - British pound sterling.

GHG - greenhouse gas(es).

GLT - Gas Line Tracker. The KPSC approved LG&E's recovery of costs associated with gas service lines, gas risers, leak mitigation, and gas main replacements. Rate recovery became effective on January 1, 2013.

Holdco - Talen Energy Holdings, Inc., a Delaware Corporation, which was formed for the purposes of the spinoff transaction.

If-Converted Method - A method applied to calculate diluted EPS for a company with outstanding convertible debt. The method is applied as follows: Interest charges (after tax) applicable to the convertible debt are added back to net income and the convertible debt is assumed to have been converted to equity at the beginning of the period, and the resulting common shares are treated as outstanding shares. Both adjustments are made only for purposes of calculating diluted EPS. This method was applied to PPL's Equity Units prior to settlement.

Intermediate and peaking generation - includes the output provided by PPL's oil- and natural gas-fired units.

Ironwood Facility - a natural gas combined-cycle unit in Lebanon, Pennsylvania with a summer rating of 660 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.

LIBOR - London Interbank Offered Rate.

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.

NGCC - Natural gas-fired combined-cycle generating plant.

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.

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.

NRC - Nuclear Regulatory Commission, the U.S. federal agency that regulates nuclear power facilities.

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 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.

PADEP - the Pennsylvania Department of Environmental Protection, a state government agency.

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

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

PP&E - property, plant and equipment.

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

RAV - regulatory asset value. This term, used within the U.K. regulatory environment, is also commonly known as RAB or regulatory asset base. RAV is based on historical investment costs at time of privatization, plus subsequent allowed additions less annual regulatory depreciation, and represents the value on which DNOs earn a return in accordance with the regulatory cost of capital. RAV is indexed to Retail Price Index (RPI) in order to allow for the effects of inflation. Since the beginning of DPCR5 in April 2010, RAV additions have been based on a percentage of annual total expenditures, which will continue from April 2015 under RIIO-ED1. RAV is intended to represent expenditures that have a long-term benefit to WPD (similar to capital projects for the U.S. regulated businesses that are generally included in rate base).

RCRA - Resource Conservation and Recovery Act of 1976.

RECs - Renewable Energy Credits.

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.

RIIO-ED1 - RIIO represents "Revenues = Incentive + Innovation + Outputs." RIIO-ED1 refers to the initial eight-year rate review period applicable to WPD which commenced April 1, 2015.

Riverstone - Riverstone Holdings LLC, a Delaware limited liability company and ultimate parent company of the entities that own the competitive power generation business to be contributed to Talen Energy other than the competitive power generation business to be contributed by virtue of the spinoff of a newly formed parent of PPL Energy Supply.

RJS Power - RJS Generation Holdings LLC, a Delaware limited liability company controlled by Riverstone, that owns the competitive power generation business to be contributed by its owners to Talen Energy other than the competitive power generation business to be contributed by virtue of the spinoff of a newly formed parent of PPL Energy Supply.

RMC - Risk Management Committee.

S&P - Standard & Poor's Ratings Services, a credit rating agency.

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

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

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

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

SIFMA Index - the Securities Industry and Financial Markets Association Municipal Swap Index.

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.

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' competitive 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.

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

Talen Energy - Talen Energy Corporation, the Delaware corporation formed to be the publicly traded company and future owner of the competitive generation assets of PPL Energy Supply and certain affiliates of Riverstone.

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.

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

TRA - Tennessee Regulatory Authority, the state agency that has jurisdiction over the regulation of rates and service of utilities in Tennessee.

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

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.

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.

FORWARD-LOOKING INFORMATION

Statements contained in this Form 10-Q concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in each Registrant's 2014 Form 10-K and in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements.

- 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;
- the effectiveness of our risk management techniques, including hedging;
- the effect on our operations and ability to comply with new statutory and regulatory requirements related to derivative financial instruments;
- our ability to attract and retain qualified employees;
- 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, 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 or revenue filings by PPL Electric, LG&E, KU or WPD;
- 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, including the anticipated formation of Talen Energy via the spinoff of PPL Energy Supply and subsequent combination with Riverstone's competitive generation business and our ability to realize expected benefits from such business transactions.

Any such forward-looking statements should be considered in light of such important factors and in conjunction with other documents of the Registrants on file with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for the Registrants to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and the Registrants undertake no obligation to update the information contained in such statement to reflect subsequent developments or information.

PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
PPL Corporation and Subsidiaries

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

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Operating Revenues		
Utility	**$ 2,214**	$ 2,162
Unregulated wholesale energy	**521**	(1,457)
Unregulated retail energy	**310**	348
Energy-related businesses	**120**	141
Total Operating Revenues	**3,165**	1,194
Operating Expenses		
Operation		
Fuel	**604**	758
Energy purchases	**321**	(1,494)
Other operation and maintenance	**668**	668
Depreciation	**293**	300
Taxes, other than income	**101**	101
Energy-related businesses	**111**	138
Total Operating Expenses	**2,098**	471
Operating Income	**1,067**	723
Other Income (Expense) - net	**95**	(23)
Interest Expense	**247**	262
Income from Continuing Operations Before Income Taxes	**915**	438
Income Taxes	**268**	114
Income from Continuing Operations After Income Taxes	**647**	324
Income (Loss) from Discontinued Operations (net of income taxes)		(8)
Net Income	**$ 647**	$ 316
Earnings Per Share of Common Stock:		
Income from Continuing Operations After Income Taxes Available to PPL Common Shareowners:		
Basic	**$ 0.97**	$ 0.51
Diluted	**$ 0.96**	$ 0.50
Net Income Available to PPL Common Shareowners:		
Basic	**$ 0.97**	$ 0.50
Diluted	**$ 0.96**	$ 0.49
Dividends Declared Per Share of Common Stock	**$ 0.3725**	$ 0.3725
Weighted-Average Shares of Common Stock Outstanding (in thousands)		
Basic	**666,974**	630,749
Diluted	**668,732**	663,939

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Net income	**$ 647**	$ 316
Other comprehensive income (loss):		
Amounts arising during the period - gains (losses), net of tax (expense) benefit:		
Foreign currency translation adjustments, net of tax of ($5), $1	**(66)**	131
Available-for-sale securities, net of tax of ($6), ($6)	**5**	5
Qualifying derivatives, net of tax of $4, $25	**6**	(46)
Defined benefit plans:		
Net actuarial gain (loss), net of tax of $0, $0	**(1)**	
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):		
Available-for-sale securities, net of tax of $1, $1	**(1)**	(1)
Qualifying derivatives, net of tax of $4, ($4)	**(17)**	19
Equity investees' other comprehensive (income) loss, net of tax of $1, $0	**(1)**	
Defined benefit plans:		
Prior service costs, net of tax of $0, ($1)		1
Net actuarial loss, net of tax of ($13), ($9)	**38**	27
Total other comprehensive income (loss)	**(37)**	136
Comprehensive income (loss)	**$ 610**	$ 452

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31,	
	2015	**2014**
Cash Flows from Operating Activities		
Net income	**$ 647**	$ 316
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**293**	305
Amortization	**57**	60
Defined benefit plans - expense	**28**	21
Deferred income taxes and investment tax credits	**124**	(26)
Unrealized (gains) losses on derivatives, and other hedging activities	**(90)**	241
Adjustment to WPD line loss accrual		65
Stock compensation expense	**28**	28
Other	**4**	5
Change in current assets and current liabilities		
Accounts receivable	**(143)**	(185)
Accounts payable	**(139)**	93
Unbilled revenues	**111**	(33)
Fuel, materials and supplies	**149**	96
Prepayments	**(81)**	(70)
Taxes payable	**44**	126
Other current liabilities	**(172)**	(59)
Other	**38**	10
Other operating activities		
Defined benefit plans - funding	**(271)**	(135)
Other assets	**(1)**	(3)
Other liabilities	**47**	76
Net cash provided by operating activities	**673**	931
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(942)**	(892)
Expenditures for intangible assets	**(20)**	(16)
Purchases of nuclear plant decommissioning trust investments	**(43)**	(32)
Proceeds from the sale of nuclear plant decommissioning trust investments	**38**	27
Proceeds from the receipt of grants		56
Net (increase) decrease in restricted cash and cash equivalents	**(10)**	(334)
Other investing activities	**(13)**	8
Net cash provided by (used in) investing activities	**(990)**	(1,183)
Cash Flows from Financing Activities		
Retirement of long-term debt	**(1)**	(239)
Issuance of common stock	**35**	15
Payment of common stock dividends	**(250)**	(234)
Net increase (decrease) in short-term debt	**133**	878
Other financing activities	**(14)**	(28)
Net cash provided by (used in) financing activities	**(97)**	392
Effect of Exchange Rates on Cash and Cash Equivalents	**(2)**	14
Net Increase (Decrease) in Cash and Cash Equivalents	**(416)**	154
Cash and Cash Equivalents at Beginning of Period	**1,751**	1,102
Cash and Cash Equivalents at End of Period	**$ 1,335**	$ 1,256

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

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries

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

	March 31, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 1,335**	$ 1,751
Short-term investments	**135**	120
Restricted cash and cash equivalents	**190**	180
Accounts receivable (less reserve: 2015, $47; 2014, $46)		
Customer	**1,104**	923
Other	**127**	171
Unbilled revenues	**621**	735
Fuel, materials and supplies	**687**	836
Prepayments	**168**	87
Deferred income taxes	**155**	129
Price risk management assets	**1,119**	1,158
Regulatory assets	**23**	37
Other current assets	**35**	32
Total Current Assets	**5,699**	6,159
Investments		
Nuclear plant decommissioning trust funds	**965**	950
Other investments	**34**	35
Total Investments	**999**	985
Property, Plant and Equipment		
Regulated utility plant	**30,852**	30,568
Less: accumulated depreciation - regulated utility plant	**5,413**	5,361
Regulated utility plant, net	**25,439**	25,207
Non-regulated property, plant and equipment		
Generation	**11,309**	11,310
Nuclear fuel	**749**	624
Other	**893**	885
Less: accumulated depreciation - non-regulated property, plant and equipment	**6,516**	6,404
Non-regulated property, plant and equipment, net	**6,435**	6,415
Construction work in progress	**3,085**	2,975
Property, Plant and Equipment, net	**34,959**	34,597
Other Noncurrent Assets		
Regulatory assets	**1,610**	1,562
Goodwill	**3,964**	4,005
Other intangibles	**920**	925
Price risk management assets	**437**	319
Other noncurrent assets	**333**	312
Total Other Noncurrent Assets	**7,264**	7,123
Total Assets	**$ 48,921**	$ 48,864

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

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, shares in thousands)

	March 31, 2015	December 31, 2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 1,595**	$ 1,466
Long-term debt due within one year	**1,535**	1,535
Accounts payable	**1,128**	1,356
Taxes	**274**	230
Interest	**345**	314
Dividends	**249**	249
Price risk management liabilities	**1,073**	1,126
Regulatory liabilities	**109**	91
Other current liabilities	**909**	1,076
Total Current Liabilities	**7,217**	7,443
Long-term Debt	**18,772**	18,856
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**4,627**	4,450
Investment tax credits	**157**	159
Price risk management liabilities	**333**	252
Accrued pension obligations	**1,457**	1,756
Asset retirement obligations	**739**	739
Regulatory liabilities	**987**	992
Other deferred credits and noncurrent liabilities	**596**	589
Total Deferred Credits and Other Noncurrent Liabilities	**8,896**	8,937
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
Common stock - $0.01 par value (a)	**7**	7
Additional paid-in capital	**9,480**	9,433
Earnings reinvested	**6,860**	6,462
Accumulated other comprehensive loss	**(2,311)**	(2,274)
Total Equity	**14,036**	13,628
Total Liabilities and Equity	**$ 48,921**	$ 48,864

(a) 780,000 shares authorized; 667,713 and 665,849 shares issued and outstanding at March 31, 2015 and December 31, 2014.

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

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Total
December 31, 2014	665,849	$ 7	$ 9,433	$ 6,462	$ (2,274)	$ 13,628
Common stock issued	1,864		54			54
Stock-based compensation			(7)			(7)
Net income				647		647
Dividends and dividend equivalents				(249)		(249)
Other comprehensive income (loss)					(37)	(37)
March 31, 2015	667,713	$ 7	$ 9,480	$ 6,860	$ (2,311)	$ 14,036
December 31, 2013	630,321	$ 6	$ 8,316	$ 5,709	$ (1,565)	$ 12,466
Common stock issued	1,096		30			30
Stock-based compensation			6			6
Net income				316		316
Dividends and dividend equivalents				(237)		(237)
Other comprehensive income (loss)					136	136
March 31, 2014	631,417	$ 6	$ 8,352	$ 5,788	$ (1,429)	$ 12,717

(a) Shares in thousands. Each share entitles the holder to one vote on any question presented at any shareowners' meeting.

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

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2015	2014
Operating Revenues	**$ 630**	$ 592
Operating Expenses		
Operation		
Energy purchases	**227**	189
Energy purchases from affiliate	**9**	27
Other operation and maintenance	**133**	134
Depreciation	**51**	45
Taxes, other than income	**35**	32
Total Operating Expenses	**455**	427
Operating Income	**175**	165
Other Income (Expense) - net	**2**	2
Interest Expense	**31**	29
Income Before Income Taxes	**146**	138
Income Taxes	**59**	53
Net Income (a)	**$ 87**	$ 85

(a) Net income approximates comprehensive income.

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31,	
	2015	**2014**
Cash Flows from Operating Activities		
Net income	**$ 87**	$ 85
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**51**	45
Amortization	**6**	4
Defined benefit plans - expense	**4**	3
Deferred income taxes and investment tax credits	**5**	25
Other	**(3)**	(14)
Change in current assets and current liabilities		
Accounts receivable	**(73)**	(107)
Accounts payable	**(39)**	22
Prepayments	**(60)**	(61)
Other	**(6)**	(1)
Other operating activities		
Defined benefit plans - funding	**(33)**	(19)
Other assets	**(1)**	4
Other liabilities	**17**	10
Net cash provided by (used in) operating activities	**(45)**	(4)
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(224)**	(201)
Net (increase) decrease in notes receivable from affiliates		150
Other investing activities	**(1)**	9
Net cash provided by (used in) investing activities	**(225)**	(42)
Cash Flows from Financing Activities		
Retirement of long-term debt		(10)
Contributions from parent	**50**	65
Payment of common stock dividends to parent	**(44)**	(32)
Net increase (decrease) in short-term debt	**85**	40
Net cash provided by (used in) financing activities	**91**	63
Net Increase (Decrease) in Cash and Cash Equivalents	**(179)**	17
Cash and Cash Equivalents at Beginning of Period	**214**	25
Cash and Cash Equivalents at End of Period	**$ 35**	$ 42

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

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Electric Utilities Corporation and Subsidiaries

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

	March 31, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 35**	$ 214
Accounts receivable (less reserve: 2015, $17; 2014, $17)		
Customer	**403**	312
Other	**27**	44
Unbilled revenues	**115**	113
Materials and supplies	**38**	43
Prepayments	**70**	10
Deferred income taxes	**66**	58
Regulatory assets	**3**	12
Other current assets	**12**	13
Total Current Assets	**769**	819
Property, Plant and Equipment		
Regulated utility plant	**7,717**	7,589
Less: accumulated depreciation - regulated utility plant	**2,555**	2,517
Regulated utility plant, net	**5,162**	5,072
Construction work in progress	**837**	738
Property, Plant and Equipment, net	**5,999**	5,810
Other Noncurrent Assets		
Regulatory assets	**891**	897
Intangibles	**237**	235
Other noncurrent assets	**25**	24
Total Other Noncurrent Assets	**1,153**	1,156
Total Assets	**$ 7,921**	$ 7,785

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

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Electric Utilities Corporation and Subsidiaries

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

	March 31, 2015	December 31, 2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 85**	
Long term debt due within one year	**100**	$ 100
Accounts payable	**301**	325
Accounts payable to affiliates	**70**	70
Taxes	**90**	85
Interest	**26**	34
Regulatory liabilities	**85**	76
Other current liabilities	**80**	103
Total Current Liabilities	**837**	793
Long-term Debt	**2,503**	2,502
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,497**	1,483
Accrued pension obligations	**182**	212
Regulatory liabilities	**26**	18
Other deferred credits and noncurrent liabilities	**66**	60
Total Deferred Credits and Other Noncurrent Liabilities	**1,771**	1,773
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
Common stock - no par value (a)	**364**	364
Additional paid-in capital	**1,653**	1,603
Earnings reinvested	**793**	750
Total Equity	**2,810**	2,717
Total Liabilities and Equity	**$ 7,921**	$ 7,785

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at March 31, 2015 and December 31, 2014.

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

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2014	66,368	$ 364	$ 1,603	$ 750	$ 2,717
Net income				87	87
Capital contributions from PPL			50		50
Cash dividends declared on common stock				(44)	(44)
March 31, 2015	66,368	$ 364	$ 1,653	$ 793	$ 2,810
December 31, 2013	66,368	$ 364	$ 1,340	$ 645	$ 2,349
Net income				85	85
Capital contributions from PPL			65		65
Cash dividends declared on common stock				(32)	(32)
March 31, 2014	66,368	$ 364	$ 1,405	$ 698	$ 2,467

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

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

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

(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2015	2014
Operating Revenues	**$ 899**	$ 934
Operating Expenses		
Operation		
Fuel	**253**	277
Energy purchases	**92**	124
Other operation and maintenance	**209**	206
Depreciation	**95**	86
Taxes, other than income	**14**	13
Total Operating Expenses	**663**	706
Operating Income	**236**	228
Other Income (Expense) - net	**(1)**	(2)
Interest Expense	**42**	42
Income Before Income Taxes	**193**	184
Income Taxes	**76**	69
Net Income (a)	**$ 117**	$ 115

(a) Net income approximates comprehensive income.

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

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

(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31,	
	2015	**2014**
Cash Flows from Operating Activities		
Net income	**$ 117**	$ 115
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**95**	86
Amortization	**6**	6
Defined benefit plans - expense	**11**	8
Deferred income taxes and investment tax credits	**75**	74
Other	**17**	(1)
Change in current assets and current liabilities		
Accounts receivable	**(39)**	(39)
Accounts payable	**(18)**	22
Unbilled revenues	**32**	36
Fuel, materials and supplies	**71**	53
Income tax receivable	**134**	(11)
Taxes payable	**(11)**	(14)
Accrued interest	**37**	36
Other	**(21)**	(24)
Other operating activities		
Defined benefit plans - funding	**(53)**	(38)
Other assets	**(6)**	1
Other liabilities	**4**	
Net cash provided by operating activities	**451**	310
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(321)**	(272)
Net (increase) decrease in notes receivable from affiliates		66
Other investing activities	**4**	
Net cash provided by (used in) investing activities	**(317)**	(206)
Cash Flows from Financing Activities		
Net increase (decrease) in notes payable with affiliates	**(1)**	
Net increase (decrease) in short-term debt	**(91)**	(45)
Distributions to member	**(23)**	(104)
Contributions from member		40
Net cash provided by (used in) financing activities	**(115)**	(109)
Net Increase (Decrease) in Cash and Cash Equivalents	**19**	(5)
Cash and Cash Equivalents at Beginning of Period	**21**	35
Cash and Cash Equivalents at End of Period	**$ 40**	$ 30

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

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

	March 31, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	$ 40	$ 21
Accounts receivable (less reserve: 2015, $26; 2014, $25)		
Customer	268	231
Other	14	18
Unbilled revenues	135	167
Fuel, materials and supplies	239	311
Prepayments	23	28
Income taxes receivable	2	136
Deferred income taxes	21	16
Regulatory assets	20	25
Other current assets	6	3
Total Current Assets	768	956
Property, Plant and Equipment		
Regulated utility plant	10,069	10,007
Less: accumulated depreciation - regulated utility plant	1,049	1,067
Regulated utility plant, net	9,020	8,940
Other, net	4	5
Construction work in progress	1,672	1,559
Property, Plant and Equipment, net	10,696	10,504
Other Noncurrent Assets		
Regulatory assets	719	665
Goodwill	996	996
Other intangibles	161	174
Other noncurrent assets	103	101
Total Other Noncurrent Assets	1,979	1,936
Total Assets	$ 13,443	$ 13,396

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

CONDENSED CONSOLIDATED BALANCE SHEETS
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	March 31, 2015	December 31, 2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 484**	$ 575
Long-term debt due within one year	**900**	900
Notes payable with affiliates	**40**	41
Accounts payable	**350**	399
Accounts payable to affiliates	**3**	2
Customer deposits	**52**	52
Taxes	**25**	36
Price risk management liabilities	**5**	5
Price risk management liabilities with affiliates	**122**	66
Regulatory liabilities	**24**	15
Interest	**60**	23
Other current liabilities	**115**	131
Total Current Liabilities	**2,180**	2,245
Long-term Debt	**3,667**	3,667
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,324**	1,241
Investment tax credits	**130**	131
Accrued pension obligations	**256**	305
Asset retirement obligations	**266**	274
Regulatory liabilities	**961**	974
Price risk management liabilities	**47**	43
Other deferred credits and noncurrent liabilities	**270**	268
Total Deferred Credits and Other Noncurrent Liabilities	**3,254**	3,236
Commitments and Contingent Liabilities (Notes 6 and 10)		
Member's equity	**4,342**	4,248
Total Liabilities and Equity	**$ 13,443**	$ 13,396

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

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

(Unaudited)

(Millions of Dollars)

		Member's Equity
December 31, 2014	$	4,248
Net income		117
Distributions to member		(23)
March 31, 2015	$	4,342
December 31, 2013	$	4,150
Net income		115
Contributions from member		40
Distributions to member		(104)
Other comprehensive income (loss)		(1)
March 31, 2014	$	4,200

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

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

	Three Months Ended March 31, 2015	2014
Operating Revenues		
Retail and wholesale	**$ 417**	$ 442
Electric revenue from affiliate	**22**	37
Total Operating Revenues	**439**	479
Operating Expenses		
Operation		
Fuel	**103**	117
Energy purchases	**88**	118
Energy purchases from affiliate	**3**	6
Other operation and maintenance	**96**	98
Depreciation	**42**	38
Taxes, other than income	**7**	6
Total Operating Expenses	**339**	383
Operating Income	**100**	96
Other Income (Expense) - net	**(1)**	(2)
Interest Expense	**13**	12
Income Before Income Taxes	**86**	82
Income Taxes	**33**	30
Net Income (a)	**$ 53**	$ 52

(a) Net income equals comprehensive income.

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

CONDENSED STATEMENTS OF CASH FLOWS
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2015	2014
Cash Flows from Operating Activities		
Net income	**$ 53**	$ 52
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**42**	38
Amortization	**3**	3
Defined benefit plans - expense	**4**	2
Deferred income taxes and investment tax credits	**31**	6
Other	**14**	(5)
Change in current assets and current liabilities		
Accounts receivable	**(16)**	(18)
Accounts receivable from affiliates	**11**	(22)
Accounts payable	**(15)**	14
Accounts payable to affiliates		(7)
Unbilled revenues	**18**	22
Fuel, materials and supplies	**56**	44
Income tax receivable	**74**	
Taxes payable	**(7)**	21
Accrued interest	**9**	9
Other	**(3)**	(4)
Other operating activities		
Defined benefit plans - funding	**(22)**	(9)
Other assets	**(1)**	1
Other liabilities		2
Net cash provided by operating activities	**251**	149
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(173)**	(116)
Net cash provided by (used in) investing activities	**(173)**	(116)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term debt	**(48)**	(5)
Payment of common stock dividends to parent	**(23)**	(27)
Net cash provided by (used in) financing activities	**(71)**	(32)
Net Increase (Decrease) in Cash and Cash Equivalents	**7**	1
Cash and Cash Equivalents at Beginning of Period	**10**	8
Cash and Cash Equivalents at End of Period	**$ 17**	$ 9

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

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

	March 31, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 17**	$ 10
Accounts receivable (less reserve: 2015, $2; 2014, $2)		
Customer	**121**	107
Other	**9**	11
Unbilled revenues	**58**	76
Accounts receivable from affiliates	**13**	23
Fuel, materials and supplies	**105**	162
Prepayments	**7**	8
Income taxes receivable		74
Regulatory assets	**12**	21
Other current assets	**5**	1
Total Current Assets	**347**	493
Property, Plant and Equipment		
Regulated utility plant	**4,016**	4,031
Less: accumulated depreciation - regulated utility plant	**398**	456
Regulated utility plant, net	**3,618**	3,575
Construction work in progress	**761**	676
Property, Plant and Equipment, net	**4,379**	4,251
Other Noncurrent Assets		
Regulatory assets	**422**	397
Goodwill	**389**	389
Other intangibles	**91**	97
Other noncurrent assets	**36**	35
Total Other Noncurrent Assets	**938**	918
Total Assets	**$ 5,664**	$ 5,662

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

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

	March 31, 2015	December 31, 2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 216**	$ 264
Long-term debt due within one year	**250**	250
Accounts payable	**222**	240
Accounts payable to affiliates	**20**	20
Customer deposits	**25**	25
Taxes	**12**	19
Price risk management liabilities	**5**	5
Price risk management liabilities with affiliates	**61**	33
Regulatory liabilities	**14**	10
Interest	**15**	6
Other current liabilities	**37**	42
Total Current Liabilities	**877**	914
Long-term Debt	**1,103**	1,103
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**735**	700
Investment tax credits	**36**	36
Accrued pension obligations	**34**	57
Asset retirement obligations	**64**	66
Regulatory liabilities	**454**	458
Price risk management liabilities	**47**	43
Other deferred credits and noncurrent liabilities	**110**	111
Total Deferred Credits and Other Noncurrent Liabilities	**1,480**	1,471
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	**424**	424
Additional paid-in capital	**1,521**	1,521
Earnings reinvested	**259**	229
Total Equity	**2,204**	2,174
Total Liabilities and Equity	**$ 5,664**	$ 5,662

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at March 31, 2015 and December 31, 2014.

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

CONDENSED STATEMENTS OF EQUITY
Louisville Gas and Electric Company

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)		Common stock		Additional paid-in capital		Earnings reinvested		Total
December 31, 2014	21,294	$	424	$	1,521	$	229	$	2,174
Net income							53		53
Cash dividends declared on common stock							(23)		(23)
March 31, 2015	21,294	$	424	$	1,521	$	259	$	2,204
December 31, 2013	21,294	$	424	$	1,364	$	172	$	1,960
Net income							52		52
Cash dividends declared on common stock							(27)		(27)
March 31, 2014	21,294	$	424	$	1,364	$	197	$	1,985

(a) Shares in thousands. All common shares of LG&E stock are owned by LKE.

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

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CONDENSED STATEMENTS OF INCOME
Kentucky Utilities Company

(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2015	2014
Operating Revenues		
Retail and wholesale	**$ 482**	$ 492
Electric revenue from affiliate	**3**	6
Total Operating Revenues	**485**	498
Operating Expenses		
Operation		
Fuel	**150**	160
Energy purchases	**4**	6
Energy purchases from affiliate	**22**	37
Other operation and maintenance	**104**	98
Depreciation	**53**	48
Taxes, other than income	**7**	7
Total Operating Expenses	**340**	356
Operating Income	**145**	142
Other Income (Expense) - net	**(1)**	
Interest Expense	**19**	19
Income Before Income Taxes	**125**	123
Income Taxes	**47**	46
Net Income (a)	**$ 78**	$ 77

(a) Net income approximates comprehensive income.

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

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

	Three Months Ended March 31,	
	2015	2014
Cash Flows from Operating Activities		
Net income	**$ 78**	$ 77
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**53**	48
Amortization	**3**	3
Defined benefit plans - expense	**3**	2
Deferred income taxes and investment tax credits	**43**	34
Other	**2**	2
Change in current assets and current liabilities		
Accounts receivable	**(25)**	(24)
Accounts payable	**1**	15
Accounts payable to affiliates	**(14)**	16
Unbilled revenues	**14**	14
Fuel, materials and supplies	**15**	9
Income tax receivable	**60**	
Taxes payable	**(1)**	(12)
Accrued interest	**19**	18
Other	**(5)**	(9)
Other operating activities		
Defined benefit plans - funding	**(15)**	(3)
Other assets	**(3)**	
Other liabilities	**1**	1
Net cash provided by operating activities	**229**	191
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(148)**	(154)
Other investing activities	**4**	
Net cash provided by (used in) investing activities	**(144)**	(154)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term debt	**(43)**	(40)
Payment of common stock dividends to parent	**(30)**	(37)
Contributions from parent		40
Net cash provided by (used in) financing activities	**(73)**	(37)
Net Increase (Decrease) in Cash and Cash Equivalents	**12**	
Cash and Cash Equivalents at Beginning of Period	**11**	21
Cash and Cash Equivalents at End of Period	**$ 23**	$ 21

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

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

	March 31, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 23**	$ 11
Accounts receivable (less reserve: 2015, $3; 2014, $2)		
Customer	**147**	124
Other	**5**	6
Unbilled revenues	**77**	91
Fuel, materials and supplies	**134**	149
Prepayments	**7**	10
Income taxes receivable		60
Regulatory assets	**8**	4
Other current assets	**11**	4
Total Current Assets	**412**	459
Property, Plant and Equipment		
Regulated utility plant	**6,053**	5,976
Less: accumulated depreciation - regulated utility plant	**651**	611
Regulated utility plant, net	**5,402**	5,365
Other, net	**1**	1
Construction work in progress	**908**	880
Property, Plant and Equipment, net	**6,311**	6,246
Other Noncurrent Assets		
Regulatory assets	**297**	268
Goodwill	**607**	607
Other intangibles	**70**	77
Other noncurrent assets	**57**	58
Total Other Noncurrent Assets	**1,031**	1,010
Total Assets	**$ 7,754**	$ 7,715

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

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

	March 31, 2015	December 31, 2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ **193**	$ 236
Long-term debt due within one year	**250**	250
Accounts payable	**114**	141
Accounts payable to affiliates	**33**	47
Customer deposits	**27**	27
Taxes	**13**	14
Price risk management liabilities with affiliates	**61**	33
Regulatory liabilities	**10**	5
Interest	**30**	11
Other current liabilities	**48**	41
Total Current Liabilities	**779**	805
Long-term Debt	**1,841**	1,841
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**933**	884
Investment tax credits	**94**	95
Accrued pension obligations	**44**	59
Asset retirement obligations	**202**	208
Regulatory liabilities	**507**	516
Other deferred credits and noncurrent liabilities	**101**	101
Total Deferred Credits and Other Noncurrent Liabilities	**1,881**	1,863
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	**308**	308
Additional paid-in capital	**2,596**	2,596
Accumulated other comprehensive income (loss)	**(1)**	
Earnings reinvested	**350**	302
Total Equity	**3,253**	3,206
Total Liabilities and Equity	**$ 7,754**	$ 7,715

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at March 31, 2015 and December 31, 2014.

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

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

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive income (loss)	Total
December 31, 2014	37,818	$ 308	$ 2,596	$ 302		$ 3,206
Net income				78		78
Cash dividends declared on common stock				(30)		(30)
Other comprehensive income (loss)					$ (1)	(1)
March 31, 2015	37,818	$ 308	$ 2,596	$ 350	$ (1)	$ 3,253
December 31, 2013	37,818	$ 308	$ 2,505	$ 230	$ 1	$ 3,044
Net income				77		77
Capital contributions from LKE			40			40
Cash dividends declared on common stock				(37)		(37)
Other comprehensive income (loss)					(1)	(1)
March 31, 2014	37,818	$ 308	$ 2,545	$ 270	$	$ 3,123

(a) Shares in thousands. All common shares of KU stock are owned by LKE.

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

Combined Notes to Condensed Financial Statements (Unaudited)

1. Interim Financial Statements

(All Registrants)

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

The accompanying unaudited condensed financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation in accordance with GAAP are reflected in the condensed financial statements. All adjustments are of a normal recurring nature, except as otherwise disclosed. Each Registrant's Balance Sheet at December 31, 2014 is derived from that Registrant's 2014 audited Balance Sheet. The financial statements and notes thereto should be read in conjunction with the financial statements and notes contained in each Registrant's 2014 Form 10-K. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of the results to be expected for the full year ending December 31, 2015 or other future periods, because results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

The classification of certain prior period amounts has been changed to conform to the presentation in the March 31, 2015 financial statements.

(PPL)

"Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income includes the activities of PPL Montana's hydroelectric generating facilities sold in the fourth quarter of 2014. See Note 8 for additional information. The Statements of Cash Flows do not separately report the cash flows of the Discontinued Operations.

2. Summary of Significant Accounting Policies

(All Registrants)

The following accounting policy disclosures represent updates to Note 1 in each Registrant's 2014 Form 10-K and should be read in conjunction with those disclosures.

Accounts Receivable *(PPL and PPL Electric)*

In accordance with a PUC-approved purchase of accounts receivable program, PPL Electric purchases certain accounts receivable from alternative electricity suppliers (including PPL EnergyPlus) at a discount, which reflects a provision for uncollectible accounts. The alternative electricity suppliers have no continuing involvement or interest in the purchased accounts receivable. The purchased accounts receivable are initially recorded at fair value using a market approach based on the purchase price paid and are classified as Level 2 in the fair value hierarchy. During the three months ended March 31, 2015, PPL Electric purchased $331 million of accounts receivable from unaffiliated third parties and $93 million from PPL EnergyPlus. During the three months ended March 31, 2014, PPL Electric purchased $362 million of accounts receivable from unaffiliated third parties and $105 million from PPL EnergyPlus.

Depreciation *(PPL)*

Effective January 1, 2015, after completing a review of the useful lives of its distribution network assets, WPD extended the weighted average useful lives of these assets to 69 years from 55 years. For the three months ended March 31, 2015, this change in useful lives resulted in lower depreciation of $20 million ($16 million after-tax or $0.02 per share).

New Accounting Guidance Adopted *(All Registrants)*

Reporting of Discontinued Operations

Effective January 1, 2015, the Registrants prospectively adopted accounting guidance that changes the criteria for determining what should be classified as a discontinued operation and the related presentation and disclosure requirements. A discontinued operation may include a component of an entity or a group of components of an entity, or a business activity.
A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on the entity's operations and financial results when any of the following occurs: (1) The components of an entity or group of components of an entity meets the criteria to be classified as held for sale, (2) The component of an entity or group of components of an entity is disposed of by sale, or (3) The component of an entity or group of components of an entity is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spinoff).

The initial adoption of this guidance did not have a significant impact on the Registrants but will impact the amounts presented as discontinued operations and will enhance the related disclosure requirements related to future disposals or held for sale classifications.

3. Segment and Related Information

(PPL)

See Note 2 in PPL's 2014 Form 10-K for a discussion of reportable segments and related information.

In June 2014, PPL and PPL Energy Supply, which substantially represents PPL's Supply segment, executed definitive agreements with affiliates of Riverstone to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy. The transaction is expected to occur on June 1, 2015. Upon completion of this transaction, PPL will no longer have a Supply segment. See Note 8 for additional information.

Financial data for the segments and reconciliation to PPL's consolidated results for the periods ended March 31 are:

	Three Months	
	2015	2014
Income Statement Data		
Revenues from external customers		
U.K. Regulated	$ 697	$ 648
Kentucky Regulated	899	934
Pennsylvania Regulated	630	591
Supply (a)	937	(982)
Corporate and Other	2	3
Total	$ 3,165	$ 1,194
Intersegment electric revenues		
Supply	$ 9	$ 27
Net Income		
U.K. Regulated (a)	$ 375	$ 206
Kentucky Regulated	109	107
Pennsylvania Regulated	87	85
Supply (a)	95	(75)
Corporate and Other (b)	(19)	(7)
Total	$ 647	$ 316

	March 31, 2015	December 31, 2014
Balance Sheet Data		
Assets		
U.K. Regulated	$ 16,275	$ 16,005
Kentucky Regulated	13,109	13,062
Pennsylvania Regulated	7,921	7,785
Supply	10,631	11,025
Corporate and Other (c)	985	987
Total assets	$ 48,921	$ 48,864

(a) Includes unrealized gains and losses from economic activity. See Note 14 for additional information.
(b) 2015 includes most of the transaction and transition costs related to the anticipated spinoff of PPL Energy Supply. See Note 8 for additional information.
(c) Primarily consists of unallocated items, including cash, PP&E and the elimination of inter-segment transactions.

4. Earnings Per Share

(PPL)

Basic EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding during the applicable period. Diluted EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding, increased by incremental shares that would be outstanding if potentially dilutive non-participating securities were converted to common shares as calculated using the Treasury Stock Method or the If-Converted Method, as applicable. Incremental non-participating securities that have a dilutive impact are detailed in the table below.

Reconciliations of the amounts of income and shares of PPL common stock (in thousands) for the period ended March 31 used in the EPS calculation are:

	Three Months	
	2015	2014
Income (Numerator)		
Income from continuing operations after income taxes	$ 647	$ 324
Less amounts allocated to participating securities	3	2
Income from continuing operations after income taxes available to PPL common shareowners - Basic	644	322
Plus interest charges (net of tax) related to Equity Units (a)		9
Income from continuing operations after income taxes available to PPL common shareowners - Diluted	$ 644	$ 331
Income (loss) from discontinued operations (net of income taxes) available to PPL common shareowners - Basic and Diluted	$	$ (8)
Net income	$ 647	$ 316
Less amounts allocated to participating securities	3	2
Net income available to PPL common shareowners - Basic	644	314
Plus interest charges (net of tax) related to Equity Units (a)		9
Net income available to PPL common shareowners - Diluted	$ 644	$ 323
Shares of Common Stock (Denominator)		
Weighted-average shares - Basic EPS	666,974	630,749
Add incremental non-participating securities:		
Share-based payment awards	1,758	1,511
Equity Units (a)		31,679
Weighted-average shares - Diluted EPS	668,732	663,939
Basic EPS		
Available to PPL common shareowners:		
Income from continuing operations after income taxes	$ 0.97	$ 0.51
Income (loss) from discontinued operations (net of income taxes)		(0.01)
Net Income Available to PPL common shareowners	$ 0.97	$ 0.50
Diluted EPS		
Available to PPL common shareowners:		
Income from continuing operations after income taxes	$ 0.96	$ 0.50
Income (loss) from discontinued operations (net of income taxes)		(0.01)
Net Income Available to PPL common shareowners	$ 0.96	$ 0.49

(a) In 2014, the If-Converted Method was applied to the Equity Units prior to the March 2014 settlement.

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

	Three Months	
	2015	2014
Stock-based compensation plans (a)	1,445	1,096
DRIP	419	

(a) Includes stock options exercised, vesting of performance units, vesting of restricted stock and restricted stock units and conversion of stock units granted to directors.

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

	Three Months	
	2015	2014
Stock options	1,473	2,540
Performance units	146	
Restricted stock units		123

5. Income Taxes

Reconciliations of income taxes for the periods ended March 31 are:

(PPL)

	Three Months	
	2015	2014
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 35%	$ 320	$ 153
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	25	3
Valuation allowance adjustments	3	
Impact of lower U.K. income tax rates	(62)	(44)
U.S. income tax on foreign earnings - net of foreign tax credit	(1)	11
Intercompany interest on U.K. financing entities	(8)	(2)
Other	(9)	(7)
Total increase (decrease)	(52)	(39)
Total income taxes	$ 268	$ 114

(PPL Electric)

	Three Months	
	2015	2014
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 51	$ 48
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	10	8
Other	(2)	(3)
Total increase (decrease)	8	5
Total income taxes	$ 59	$ 53

(LKE)

	Three Months	
	2015	2014
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 68	$ 64
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	7	7
Valuation allowance adjustments	3	
Other	(2)	(2)
Total increase (decrease)	8	5
Total income taxes	$ 76	$ 69

(LG&E)

	Three Months	
	2015	2014
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 30	$ 29
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	3	3
Other		(2)
Total increase (decrease)	3	1
Total income taxes	$ 33	$ 30

(KU)

	Three Months	
	2015	2014
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 44	$ 43
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	4	4
Other	(1)	(1)
Total increase (decrease)	3	3
Total income taxes	$ 47	$ 46

Other *(PPL)*

In February 2015, PPL and the IRS Appeals division reached a settlement on the amount of PPL's refund from its open audits for the years 1998 - 2011. The settlement was required to be reviewed and approved by the Joint Committee on Taxation (JCT) before it is considered final. In April 2015, PPL was notified that the JCT approved PPL's settlement. Subject to a final determination of interest on the refund, PPL expects to record a tax benefit in the range of $20 million to $30 million in the second quarter of 2015 related to the settlement of previously unrecognized tax benefits.

6. Utility Rate Regulation

(All Registrants)

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

	PPL		PPL Electric	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Current Regulatory Assets:				
Environmental cost recovery	$ 10	$ 5		
Gas supply clause	1	15		
Fuel adjustment clause	4	4		
Transmission service charge		6		$ 6
Other	8	7	$ 3	6
Total current regulatory assets	$ 23	$ 37	$ 3	$ 12
Noncurrent Regulatory Assets:				
Defined benefit plans	$ 705	$ 720	$ 367	$ 372
Taxes recoverable through future rates	317	316	317	316
Storm costs	116	124	42	46
Unamortized loss on debt	76	77	48	49
Interest rate swaps	182	122		
Accumulated cost of removal of utility plant	117	114	117	114
AROs	87	79		
Other	10	10		
Total noncurrent regulatory assets	$ 1,610	$ 1,562	$ 891	$ 897
Current Regulatory Liabilities:				
Generation supply charge	$ 26	$ 28	$ 26	$ 28
Demand side management	13	2		
Gas supply clause	6	6		
Transmission formula rate	49	42	49	42
Storm damage expense	7	3	7	3
Gas line tracker	2	3		
Other	6	7	3	3
Total current regulatory liabilities	$ 109	$ 91	$ 85	$ 76
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 695	$ 693		
Coal contracts (a)	49	59		
Power purchase agreement - OVEC (a)	90	92		
Net deferred tax assets	25	26		
Act 129 compliance rider	26	18	$ 26	$ 18
Defined benefit plans	16	16		
Interest rate swaps	84	84		
Other	2	4		
Total noncurrent regulatory liabilities	$ 987	$ 992	$ 26	$ 18

	LKE		LG&E		KU	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Current Regulatory Assets:						
Environmental cost recovery	$ 10	$ 5	$ 7	$ 4	$ 3	$ 1
Gas supply clause	1	15	1	15		
Fuel adjustment clause	4	4	4	2		2
Other	5	1			5	1
Total current regulatory assets	$ 20	$ 25	$ 12	$ 21	$ 8	$ 4
Noncurrent Regulatory Assets:						
Defined benefit plans	$ 338	$ 348	$ 208	$ 215	$ 130	$ 133
Storm costs	74	78	41	43	33	35
Unamortized loss on debt	28	28	18	18	10	10
Interest rate swaps	182	122	121	89	61	33
AROs	87	79	30	28	57	51
Other	10	10	4	4	6	6
Total noncurrent regulatory assets	$ 719	$ 665	$ 422	$ 397	$ 297	$ 268
Current Regulatory Liabilities:						
Demand side management	$ 13	$ 2	$ 5	$ 1	$ 8	$ 1
Gas supply clause	6	6	6	6		
Gas line tracker	2	3	2	3		
Other	3	4	1		2	4
Total current regulatory liabilities	$ 24	$ 15	$ 14	$ 10	$ 10	$ 5
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal of utility plant	$ 695	$ 693	$ 304	$ 302	$ 391	$ 391
Coal contracts (a)	49	59	21	25	28	34
Power purchase agreement - OVEC (a)	90	92	62	63	28	29
Net deferred tax assets	25	26	24	24	1	2
Defined benefit plans	16	16			16	16
Interest rate swaps	84	84	42	42	42	42
Other	2	4	1	2	1	2
Total noncurrent regulatory liabilities	$ 961	$ 974	$ 454	$ 458	$ 507	$ 516

(a) These liabilities were recorded as offsets to certain intangible assets that were recorded at fair value upon the acquisition of LKE by PPL.

Regulatory Matters

U. K. Activities *(PPL)*

RIIO-ED1

On April 1, 2015, the RIIO-ED1 eight-year price control period commenced for WPD's four DNOs. See "Item 1. Business - Segment Information - U. K. Regulated Segment" of PPL's 2014 Form 10-K for additional information on RIIO-ED1.

Ofgem Review of Line Loss Calculation

In March 2014, Ofgem issued its final decision on the DPCR4 line loss incentives and penalties mechanism. As a result, during the first quarter of 2014 WPD increased its liability by $65 million for over-recovery of line losses with a reduction to "Utility" revenues on the Statement of Income. The liability at March 31, 2015 of $97 million will be refunded to customers from April 1, 2015 through March 31, 2019.

Kentucky Activities *(PPL, LKE, LG&E and KU)*

Rate Case Proceedings

On November 26, 2014, LG&E and KU filed requests with the KPSC for increases in annual base electricity rates for LG&E's electric and gas operations and KU's electric operations. On April 20, 2015, LG&E and KU, and the other parties to the proceeding, filed a unanimous settlement agreement with the KPSC. Among other things, the proposed settlement provides for increases in the annual revenue requirements associated with KU base electric rates of $125 million and LG&E base gas rates of $7 million. The annual revenue requirement associated with base electric rates at LG&E will not increase. The settlement did not establish a specific return on equity with respect to the base rates, however an authorized 10% return on equity will be utilized in the ECR and GLT mechanisms. The settlement agreement provides for deferred recovery of costs associated with Green River Units 3 and 4 through their retirement. The new regulatory asset will be amortized over three years. The settlement also provides regulatory asset treatment for the difference between pension expense currently booked in accordance with LG&E and KU's pension accounting policy and such an expense using a 15 year amortization period for actuarial gains and losses. The proposed settlement remains subject to KPSC approval. If approved, the new rates and all elements of the settlement would be effective July 1, 2015.

Pennsylvania Activities *(PPL and PPL Electric)*

Rate Case Proceeding

On March 31, 2015, PPL Electric filed a request with the PUC for an increase in its annual distribution revenue requirement of approximately $167.5 million. The proposal would result in a rate increase of 3.9% on a total bill basis and is expected to become effective on January 1, 2016. PPL Electric's application includes a request for an authorized return-on-equity of 10.95%. The application is based on a fully projected future test year of January 1, 2016 through December 31, 2016. PPL Electric cannot predict the outcome of this proceeding.

Distribution System Improvement Charge (DSIC)

Act 11 authorizes the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, the use of a DSIC. Such alternative ratemaking procedures and mechanisms provide opportunity for accelerated cost-recovery and, therefore, are important to PPL Electric as it is in a period of significant capital investment to maintain and enhance the reliability of its delivery system, including the replacement of aging distribution assets.

On March 31, 2015, PPL Electric filed a petition requesting a waiver of the DSIC cap of 5% of billed revenues and approval to increase the maximum allowable DSIC from 5% to 7.5% for service rendered after January 1, 2016. PPL Electric filed the petition concurrently with its 2015 rate case and is requesting that the PUC consolidate these two proceedings. PPL Electric cannot predict the outcome of this proceeding.

Storm Damage Expense Rider (SDER)

In its December 28, 2012 final rate case order, the PUC directed PPL Electric to file a proposed SDER. The SDER is a reconcilable automatic adjustment clause under which PPL Electric annually will compare actual storm costs to storm costs allowed in base rates and refund or recoup any differences from customers. In March 2013, PPL Electric filed its proposed SDER with the PUC and, as part of that filing, requested recovery of the 2012 qualifying storm costs related to Hurricane Sandy. PPL Electric proposed that the SDER become effective January 1, 2013 at a zero rate with qualifying storm costs incurred in 2013 and the 2012 Hurricane Sandy costs included in rates effective January 1, 2014. In April 2014, the PUC issued a final order approving the SDER with a January 1, 2015 effective date and initially including actual storm costs compared to collections for December 2013 through November 2014. As a result, PPL Electric reduced its regulatory liability by $12 million in March 2014. Also, as part of the April 2014 order, PPL Electric was authorized to recover Hurricane Sandy storm damage costs through the SDER of $29 million over a three-year period beginning January 1, 2015.

On June 20, 2014, the Office of Consumer Advocate (OCA) filed a petition with the Commonwealth Court of Pennsylvania requesting that the Court reverse and remand the April 2014 order permitting PPL Electric to establish the SDER. This matter remains pending before the Commonwealth Court. On January 15, 2015, the PUC issued a final order closing an investigation related to an OCA complaint concerning PPL Electric's October 2014 preliminary SDER calculation and modified the effective date of the SDER to February 1, 2015.

Smart Meter Rider (SMR)

Act 129 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 are able to recover the costs of providing smart metering technology. All of PPL Electric's metered customers currently have advanced meters installed at their service locations capable of many of the functions required under Act 129. PPL Electric conducted pilot projects and technical evaluations of its current advanced metering technology and concluded that the current technology does not meet all of the requirements of Act 129. PPL Electric recovered the cost of its evaluations through a cost recovery mechanism, the Smart Meter Rider. In August 2013, PPL Electric filed with the PUC an annual report describing the actions it was taking under its Smart Meter Plan during 2013 and its planned actions for 2014. PPL Electric also submitted revised SMR charges that became effective January 1, 2014. On June 30, 2014, PPL Electric filed its final Smart Meter Plan with the PUC. In that plan, PPL Electric proposes to replace all of its current meters with advanced meters that meet the Act 129 requirements. Full deployment of the new meters is expected to be complete by the end of 2019. The total cost of the project is estimated to be approximately $450 million. PPL Electric proposes to recover these costs through the SMR which the PUC previously has approved for recovery of such costs. On April 30, 2015, the Administrative Law Judge assigned by the PUC to review PPL Electric's Smart Meter Plan issued a recommended decision approving the plan with minor modifications. The recommended decision is subject to final approval by and remains pending before the PUC.

Federal Matters

FERC Wholesale Formula Rates (LKE and KU)

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 a true-up. KU's application proposed an authorized return on equity of 10.7%. Certain elements, including the new formula rate, became effective April 23, 2014, subject to refund. In April 2014, nine municipalities submitted notices of termination, under the original notice period provisions, to cease taking power under the wholesale requirements contracts. Such terminations are to be effective in 2019, except in the case of one municipality with a 2017 effective date. In addition, a tenth municipality which has a previously settled termination date of 2016 has given notice that it will transfer service in June 2015. In July 2014, KU agreed on settlement terms with the two municipal customers that did not provide termination notices and filed the settlement proposal with the FERC for its approval. In August 2014, the FERC issued an order on the interim settlement agreement allowing the proposed rates to become effective pending a final order. If approved, the settlement agreement will resolve the rate case with respect to these two municipalities, including an authorized return on equity of 10% or the return on equity awarded to other parties in this case, whichever is lower. Also in July 2014, KU made a contractually required filing with the FERC that addressed certain rate recovery matters affecting the nine terminating municipalities during the remaining term of their contracts. KU and the terminating municipalities continue settlement discussions in this proceeding. KU cannot currently predict the outcome of its FERC applications regarding its wholesale power agreements with the municipalities.

7. Financing Activities

Credit Arrangements and Short-term Debt

(All Registrants)

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

	March 31, 2015					December 31, 2014	
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued
PPL							
U.K.							
WPD Ltd.							
Syndicated Credit Facility	Dec. 2016	£ 210	£ 130		£ 80	£ 103	
WPD (South West)							
Syndicated Credit Facility	July 2019	245			245		
WPD (East Midlands)							
Syndicated Credit Facility	July 2019	300	147		153	64	
WPD (West Midlands)							
Syndicated Credit Facility	July 2019	300			300		
Uncommitted Credit Facilities		65		£ 5	60		£ 5
Total U.K. Credit Facilities (a)		£ 1,120	£ 277	£ 5	£ 838	£ 167	£ 5

		March 31, 2015				December 31, 2014	
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued
U.S.							
PPL Capital Funding							
Syndicated Credit Facility	July 2019	$ 300			$ 300		
Syndicated Credit Facility	Nov. 2018	300			300		
Bilateral Credit Facility	Mar. 2016	150		$ 32	118		$ 21
Uncommitted Credit Facility		65		1	64		1
Total PPL Capital Funding Credit Facilities		$ 815		$ 33	$ 782		$ 22
PPL Energy Supply							
Syndicated Credit Facility (b)	Nov. 2017	$ 3,000	$ 600	$ 267	$ 2,133	$ 630	$ 121
PPL Electric							
Syndicated Credit Facility	July 2019	$ 300		$ 86	$ 214		$ 1
LKE							
Syndicated Credit Facility (b)	Oct. 2018	$ 75	$ 75			$ 75	
LG&E							
Syndicated Credit Facility	July 2019	$ 500		$ 216	$ 284		$ 264
KU							
Syndicated Credit Facility	July 2019	$ 400		$ 193	$ 207		$ 236
Letter of Credit Facility	Oct. 2017	198		198			198
Total KU Credit Facilities		$ 598		$ 391	$ 207		$ 434

(a) WPD Ltd.'s amounts borrowed at March 31, 2015 and December 31, 2014 were USD-denominated borrowings of $200 million and $161 million, which bore interest at 1.87% and 1.86%. WPD (East Midlands) amounts borrowed at March 31, 2015 and December 31, 2014 were GBP-denominated borrowings which equated to $226 million and $100 million, which bore interest at 1.00% for both periods. At March 31, 2015, the unused capacity under the U.K. credit facilities was $1.3 billion.

(b) At March 31, 2015, PPL Energy Supply's and LKE's interest rates on outstanding borrowings were 2.12% and 1.68%. At December 31, 2014, PPL Energy Supply's and LKE's interest rates on outstanding borrowings were 2.05% and 1.67%.

(PPL)

PPL Energy Supply's Letter of Credit Facility and Uncommitted Credit Facilities that existed at December 31, 2014 have either expired or matured during the first quarter of 2015. Any previously issued letters of credit under these facilities were either terminated or reissued under the PPL Energy Supply Syndicated Credit Facility at March 31, 2015.

(All Registrants)

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

	March 31, 2015				December 31, 2014	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Electric	0.57%	$ 300	$ 85	$ 215		
LG&E	0.63%	350	216	134	0.42%	$ 264
KU	0.62%	350	193	157	0.49%	236
Total		$ 1,000	$ 494	$ 506		$ 500

(PPL)

PPL Energy Supply maintains a $500 million Facility Agreement expiring June 2017, which provides PPL Energy Supply 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 March 31, 2015, PPL Energy Supply had 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. The facility expires in November 2019, but is subject to automatic one-year renewals under certain conditions. There were $88 million of secured obligations outstanding under this facility at March 31, 2015.

(LKE)

See Note 11 for discussion of intercompany borrowings.

(PPL)

At-the-Market Stock Offering Program

On February 26, 2015, PPL entered into two separate equity distribution agreements, pursuant to which PPL may sell, from time to time, up to an aggregate of $500 million of its common stock. During the period ended March 31, 2015, no sales of common stock under the equity distribution agreements were made.

Distributions

In February 2015, PPL declared its quarterly common stock dividend, payable April 1, 2015, at 37.25 cents per share (equivalent to $1.49 per annum). Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors.

8. Acquisitions, Development and Divestitures

(All Registrants)

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with the projects, sell, cancel or expand them, execute tolling agreements or pursue other options. Any resulting transactions may impact future financial results. See Note 8 in the 2014 Form 10-K for additional information.

(PPL)

Divestitures

Anticipated Spinoff of PPL Energy Supply

In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy. Under the terms of the agreements, at closing, PPL will spin off to PPL shareowners a newly formed entity, Holdco, which at such time will own all of the membership interests of PPL Energy Supply and all of the common stock of Talen Energy. Immediately following the spinoff, Holdco will merge with a special purpose subsidiary of Talen Energy, with Holdco continuing as the surviving company to the merger and as a wholly owned subsidiary of Talen Energy and the sole owner of PPL Energy Supply. Substantially contemporaneous with the spinoff and merger, RJS Power will be contributed by its owners to become a subsidiary of Talen Energy. Following completion of these transactions, PPL shareowners will own 65% of Talen Energy and affiliates of Riverstone will own 35%. PPL will have no continuing ownership interest in, control of, or affiliation with Talen Energy. The transaction is intended to be tax-free to PPL and its shareowners for U.S. federal income tax purposes and is subject to customary closing conditions, including receipt of required regulatory approvals from the NRC, FERC, DOJ and PUC, all of which were received by mid-April 2015. In addition, there must be available, subject to certain conditions, at least $1 billion of undrawn credit capacity under a revolving credit or similar facility of Talen Energy or one or more of its subsidiaries. Any letters of credit or other credit support measures posted in connection with energy marketing and trading transactions at the time of the spinoff are excluded from this calculation.

In connection with the FERC approval, PPL and RJS Power agreed that within 12 months after closing of the transaction, Talen Energy will divest approximately 1,300 MW of generating assets in one of two groups of assets (from PPL Energy

Supply's existing portfolio, this includes either the Holtwood and Wallenpaupack hydroelectric facilities or the Ironwood facility), and limit PJM energy market offers from assets it would retain in the other group to cost-based offers.

On April 29, 2015, PPL's Board of Directors declared the distribution of Holdco to PPL's shareowners of record on May 20, 2015, with the spinoff to occur on June 1, 2015. Based on the number of shares of PPL common stock outstanding at April 29, 2015, the distribution ratio is expected to be approximately 0.125 shares of Talen common stock for each share of PPL common stock. The final ratio will be determined after the record date. The spinoff will have no effect on the number of PPL common shares owned by PPL shareowners or the number of shares of PPL common stock outstanding.

Following the announcement of the transaction to form Talen Energy, efforts were initiated to identify the appropriate staffing for Talen Energy and for PPL and its subsidiaries following completion of the spinoff. Organizational plans were substantially completed in 2014. The new organizational plans identified the need to resize and restructure the organizations and as a result, in 2014, estimated charges for employee separation benefits were recorded. See Note 8 in the 2014 Form 10-K for additional information. The separation benefits include cash severance compensation, lump sum COBRA reimbursement payments and outplacement services. Most separations and payment of separation benefits are expected to be completed by the end of 2015. At March 31, 2015 and December 31, 2014, the recorded liabilities related to the separation benefits were $19 million and $30 million, which are included in "Other current liabilities" on the Balance Sheets.

Additional employee-related costs to be incurred primarily include accelerated stock-based compensation and pro-rated performance-based cash incentive and stock-based compensation awards, primarily for PPL Energy Supply employees and for PPL employees who have become PPL Energy Supply employees in connection with the transaction. These costs will be recognized at the spinoff closing date. PPL estimates these additional costs will be in the range of $30 million to $40 million.

PPL recorded $6 million of third-party costs during the three months ended March 31, 2015 related to this transaction. Of these costs, $2 million were primarily for legal and accounting fees to facilitate the transaction, and are recorded in "Other Income (Expense) - net" on the Statement of Income. An additional $4 million of consulting and other costs were incurred to ready the new Talen Energy organization and reconfigure the remaining PPL service functions. These costs are recorded in "Other operation and maintenance" on the Statement of Income. PPL recorded $27 million of third-party costs in 2014 related to this transaction. PPL currently estimates a range of total third-party costs that will ultimately be incurred of between $60 million and $70 million.

The assets and liabilities of PPL's Supply segment will continue to be classified as "held and used" on PPL's Balance Sheet until the closing of the transaction, at which time the operations of the Supply segment will be classified as discontinued operations. At the close of the transaction, unamortized losses on PPL interest rate swaps recorded in AOCI and designated as hedges of PPL Energy Supply's future interest payments will be reclassified into earnings and reflected in discontinued operations. The amount of these unamortized losses deferred in AOCI at March 31, 2015 was $55 million after-tax.

In conducting its annual goodwill impairment assessment in the fourth quarter of 2014 for its Supply segment reporting unit, PPL determined that the estimated fair value of the Supply segment exceeded its carrying value and no impairment was recognized. PPL had not identified any indicators of impairment as of March 31, 2015, but cannot predict whether an impairment loss will be recorded at the spinoff date. An impairment loss would be recognized by PPL at the spinoff date if the aggregate carrying amount of the Supply segment's assets and liabilities exceed their aggregate fair value at that date and would be reflected in discontinued operations. Upon completion of this transaction, PPL will no longer have a Supply segment.

Discontinued Operations

Montana Hydro Sale

In November 2014, PPL Montana completed the sale to NorthWestern of 633 MW of hydroelectric generating facilities located in Montana for approximately $900 million in cash. The proceeds will remain with PPL and not transfer to Talen Energy as a result of the spinoff. The sale included 11 hydroelectric power facilities and related assets, included in the Supply segment.

Following are the components of Discontinued Operations in the Statement of Income for the three months ended March 31.

		2014
Operating revenues	$	29
Interest expense (a)		2
Income (loss) before income taxes (b)		(10)
Income (Loss) from Discontinued Operations (net of income taxes) (b)		(8)

(a) Represents allocated interest expense based upon the discontinued operations share of the net assets of PPL Energy Supply.
(b) Includes an impairment charge related to the Kerr Dam Project. See Note 13 for additional information.

Development

Future Capacity Needs *(PPL, LKE, LG&E and KU)*

Construction activity is nearing completion and testing is in progress on the previously announced NGCC unit, Cane Run Unit 7, scheduled to be operational in the second quarter of 2015. On March 31, 2015, LG&E retired an older coal-fired generating unit at the Cane Run plant and anticipates retiring the remaining two coal-fired units at the Cane Run plant in the third quarter of 2015. There were no significant losses related to this retirement.

In October 2013, LG&E and KU announced plans for a 10 MW solar generation facility to be operational in 2016 at a cost of approximately $36 million. In December 2014, a final order was issued by the KPSC approving the request to construct the solar generating facility at E.W. Brown.

9. Defined Benefits

(PPL, LKE and LG&E)

Certain net periodic defined benefit costs are applied to accounts that are further distributed between capital and expense, including certain costs allocated to applicable subsidiaries for plans sponsored by PPL Services and LKE. Following are the net periodic defined benefit costs (credits) of the plans sponsored by PPL, and its subsidiaries, LKE and its subsidiaries and LG&E for the periods ended March 31:

	Pension Benefits				Other Postretirement Benefits	
	U.S.		U.K.			
	2015	2014	2015	2014	2015	2014
PPL						
Service cost	$ 32	$ 26	$ 20	$ 18	$ 4	$ 3
Interest cost	59	59	79	88	7	8
Expected return on plan assets	(79)	(74)	(131)	(130)	(7)	(6)
Amortization of:						
Prior service cost	2	5				
Actuarial (gain) loss	25	7	39	33		
Net periodic defined benefit costs (credits)	$ 39	$ 23	$ 7	$ 9	$ 4	$ 5
LKE						
Service cost	$ 7	$ 6			$ 1	$ 1
Interest cost	17	17			2	2
Expected return on plan assets	(22)	(20)			(1)	(1)
Amortization of:						
Prior service cost	2	1			1	1
Actuarial (gain) loss	8	3				
Net periodic defined benefit costs (credits)	$ 12	$ 7			$ 3	$ 3
LG&E						
Interest cost	$ 3	$ 4				
Expected return on plan assets	(5)	(5)				
Amortization of:						
Prior service cost	1	1				
Actuarial (gain) loss	3	1				
Net periodic defined benefit costs (credits)	$ 2	$ 1				

(PPL Electric, LG&E and KU)

In addition to the specific plans it sponsors, LG&E is allocated costs of defined benefit plans sponsored by LKE based on its participation in those plans, which management believes are reasonable. PPL Electric and KU do not directly sponsor any defined benefit plans. PPL Electric is allocated costs of defined benefit plans sponsored by PPL Services and KU is allocated costs of defined benefit plans sponsored by LKE based on their participation in those plans, which management believes are reasonable. For the periods ended March 31, PPL Services allocated the following net periodic defined benefit costs to PPL Electric, and LKE allocated the following net periodic defined benefit costs to LG&E and KU.

	Three Months	
	2015	2014
PPL Electric	$ 8	$ 5
LG&E	3	2
KU	5	3

10. Commitments and Contingencies

(PPL)

All commitments and contingencies related to PPL Energy Supply and its subsidiaries will remain with PPL Energy Supply and its subsidiaries at the spinoff date without recourse, except as otherwise provided in the definitive agreements entered into in connection with the spinoff of Talen Energy.

Energy Purchase Commitments

(PPL Electric)

See Note 11 for information on the power supply agreements between PPL EnergyPlus and PPL Electric.

Legal Matters

(All Registrants)

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

WKE Indemnification *(PPL and LKE)*

See footnote (f) 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)

Sierra Club Litigation

On March 6, 2013, the Sierra Club and MEIC filed a complaint in the U.S. District Court, District of Montana, Billings Division against PPL Montana and the other Colstrip Steam Electric Station (Colstrip) co-owners: Avista Corporation, Puget Sound Energy, Portland General Electric Company, NorthWestern and PacifiCorp. PPL Montana operates Colstrip on behalf of the co-owners. The complaint alleges certain violations of the Clean Air Act, including New Source Review, Title V and opacity requirements and listed 39 separate claims for relief. The complaint requests injunctive relief and civil penalties on average of $36,000 per day per violation, including a request that the owners remediate environmental damage and that $100,000 of the civil penalties be used for beneficial mitigation projects.

In July 2013, the Sierra Club and MEIC filed an additional Notice of Intent to Sue, identifying additional plant projects that are alleged not to be in compliance with the Clean Air Act and, in September 2013, filed an amended complaint. The amended complaint dropped all claims regarding pre-2001 plant projects, as well as the plaintiffs' Title V and opacity claims. It did, however, add claims with respect to a number of post-2000 plant projects, which effectively increased the number of projects subject to the litigation by about 40. PPL Montana and the other Colstrip owners filed a motion to dismiss the amended complaint in October 2013. In May 2014, the court dismissed the plaintiffs' independent Best Available Control Technology claims and their Prevention of Significant Deterioration (PSD) claims for three projects, but denied the owners' motion to dismiss the plaintiffs' other PSD claims on statute of limitation grounds. On August 27, 2014, the Sierra Club and MEIC filed a second amended complaint. This complaint includes the same causes of action articulated in the first amended complaint, but alleges those claims in regard to only eight projects at the plant between 2001 and 2013. On September 26, 2014, the Colstrip owners filed an answer to the second amended complaint. Discovery has been completed. In April 2015, the plaintiffs indicated they intend to pursue claims related to only four of the remaining projects. In January 2015, trial as to liability in this matter was rescheduled to November 16, 2015. A trial date with respect to remedies, if there is a finding of liability, has not been scheduled. PPL believes it and the other co-owners have numerous defenses to the allegations set forth in this complaint and will vigorously assert the same. PPL cannot predict the ultimate outcome of this matter at this time.

Notice of Intent to File Suit

In October 2014, PPL Energy Supply received a notice letter from the Chesapeake Bay Foundation (CBF) alleging violations of the Clean Water Act and Pennsylvania Clean Streams Law at the Brunner Island generation plant. The letter was sent to PPL Brunner Island and the PADEP and is intended to provide notice of the alleged violations and CBF's intent to file suit in Federal court after expiration of the 60 day statutory notice period. Among other things, the letter alleges that PPL Brunner Island failed to comply with the terms of its National Pollutant Discharge Elimination System permit and associated regulations related to the application of nutrient credits to the facility's discharges of nitrogen into the Susquehanna River. The letter also alleges that PADEP has failed to ensure that credits generated from nonpoint source pollution reduction activities that PPL Brunner Island applies to its discharges meet the eligibility and certification requirements under PADEP's nutrient trading program regulations. If a court-approved settlement cannot be reached, CBF plans to seek injunctive relief, monetary penalties, fees and costs of litigation. PPL cannot predict the outcome of this matter.

Proposed Legislation - Pacific Northwest

In the first quarter of 2015, legislation was proposed in the State of Oregon to eliminate, over time, the sale of electricity in Oregon from coal-fired generating facilities, and in the State of Washington to provide a means of cost recovery to utility owners of coal-fired generating facilities who commit to retire such facilities. Both proposals are in early stages of consideration and PPL cannot predict whether any legislation seeking to achieve the objectives of the Oregon or Washington legislation will be enacted. Were such legislation to be enacted as proposed, such laws, either individually or collectively, would not be expected to have a material adverse effect on PPL's financial condition or results of operation.

(PPL, LKE and LG&E)

Cane Run Environmental Claims

In December 2013, six residents, on behalf of themselves and others similarly situated, filed a class action complaint against LG&E and PPL in the U.S. District Court for the Western District of Kentucky alleging violations of the Clean Air Act and RCRA. In addition, these plaintiffs assert common law claims of nuisance, trespass and negligence. These plaintiffs seek injunctive relief and civil penalties, plus costs and attorney fees, for the alleged statutory violations. Under the common law claims, these plaintiffs seek monetary compensation and punitive damages for property damage and diminished property values for a class consisting of residents within four miles of the plant. In their individual capacities, these plaintiffs seek compensation for alleged adverse health effects. In response to a motion to dismiss filed by PPL and LG&E, in July 2014, the court dismissed the plaintiffs' RCRA claims and all but one of its Clean Air Act claims, but declined to dismiss their common law tort claims. Upon motion of LG&E and PPL, the district court certified for appellate review the issue of whether the state common law claims are preempted by federal statute. In December 2014, the U.S. Court of Appeals for the Sixth Circuit issued an order granting appellate review regarding the above matter and such issues as may appropriately be presented by the parties and determined by the court. PPL, LKE and LG&E cannot predict the outcome of this matter or the potential impact on operations of the Cane Run plant. LG&E retired one coal-fired unit at the Cane Run plant in March 2015 and anticipates retiring the remaining two coal-fired units at the Cane Run plant in the third quarter of 2015.

Mill Creek Environmental Claims

In May 2014, the Sierra Club filed a citizen suit against LG&E in the U.S. District Court for the Western District of Kentucky for alleged violations of the Clean Water Act. The Sierra Club alleges that various discharges at the Mill Creek plant constitute violations of the plant's water discharge permit. The Sierra Club seeks civil penalties, injunctive relief, plus costs and attorney's fees. The parties have filed various cross-motions for summary judgment which are pending before the court. PPL, LKE and LG&E cannot predict the outcome of this matter or the potential impact on the operations of the Mill Creek plant but believe the plant is operating in compliance with the permits.

Regulatory Issues

(*All Registrants)*

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

(PPL and PPL Electric)

New Jersey Capacity Legislation

In January 2011, New Jersey enacted a law (the Act) that PPL believes would intervene in the wholesale capacity market to create incentives for the development of new, in-state electricity generation facilities 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 encourage necessary generation investment throughout PJM.

In February 2011, PPL and several other companies filed a complaint in U.S. District Court in New Jersey challenging the Act on the grounds that it violates the Supremacy and Commerce clauses of the U.S. Constitution and requesting relief barring implementation. In October 2013, the U.S. District Court in New Jersey issued a decision finding the Act unconstitutional under the Supremacy Clause on the grounds that it infringes upon the FERC's exclusive authority to regulate the wholesale sale of electricity in interstate commerce. The decision was appealed to the U.S. Court of Appeals for the Third Circuit (Third Circuit) by CPV Power Development, Inc., Hess Newark, LLC and the State of New Jersey (the Appellants). In September 2014, the Third Circuit affirmed the District Court's decision. In December 2014, the Appellants filed a petition for certiorari before the U.S. Supreme Court. In March 2015, the U.S. Supreme Court requested the U.S. Solicitor General to submit briefs expressing its views as to the issues raised in this case.

Maryland Capacity Order

In April 2012, the Maryland Public Service Commission (MD PSC) ordered (Order) three electric utilities in Maryland to enter into long-term contracts to support the construction of new electricity generating facilities in Maryland the intent of which, PPL believed, was to encourage the construction of new generation 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 companies filed a complaint in U.S. District Court (District Court) in Maryland challenging the Order on the grounds that it violates the Supremacy and Commerce clauses of the U.S. Constitution and requested declaratory and injunctive relief barring implementation of the order by the MD PSC Commissioners. In September 2013, the District Court issued a decision finding the Order unconstitutional under the Supremacy Clause on the grounds that it infringes upon the FERC's exclusive authority to regulate the wholesale sale of electricity in interstate commerce. The decision was appealed to the U.S. Court of Appeals for the Fourth Circuit (Fourth Circuit) by CPV Power Development, Inc. and the State of Maryland (the Appellants). In June 2014, the Fourth Circuit affirmed the District Court's opinion and subsequently denied the Appellants' motion for rehearing. In December 2014, the Appellants filed a petition for certiorari before the U.S. Supreme Court. In March 2015, the U.S. Supreme Court requested the U.S. Solicitor General to submit briefs expressing its views as to the issues raised in this case.

Pacific Northwest Markets *(PPL)*

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. In July 2012, PPL Montana and the City of Tacoma, one of the two parties claiming refunds at FERC, reached a settlement whereby PPL Montana paid $75 thousand to resolve the City of Tacoma's $23 million claim. The settlement does not resolve the remaining claim outstanding by the City of Seattle for approximately $50 million. Hearings before a FERC Administrative Law Judge (ALJ) regarding the City of Seattle's refund claims were completed in October 2013 and briefing was completed in January 2014. In March 2014, the ALJ issued an initial decision denying the City of Seattle's complaint against PPL Montana. The initial decision is pending review by the FERC. In June 2015, the United States Court of Appeals for the Ninth Circuit will hold oral argument on an appeal from the FERC's October 2011 order setting out the remand process that FERC has followed from 2011 to the present.

Although PPL and its subsidiaries believe they have not engaged in any improper trading or marketing practices affecting the Pacific Northwest markets, PPL 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 cannot estimate a range of reasonably possible losses, if any, related to this matter.

(All Registrants)

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 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.

PPL, LG&E, KU and PPL Electric 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.

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 geomagnetically induced currents on implicated transformers. In May 2013, FERC issued Order No. 779, requiring NERC to submit two types of Reliability Standards for FERC's approval. The first type would require certain owners and operators of the nation's electricity infrastructure, such as the Registrants, 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 2014, and was approved in June 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. This proposal was filed by NERC with FERC for approval by January 22, 2015 and is pending consideration by FERC. The Registrants may be required to make significant expenditures in new equipment or modifications to their facilities to comply with the new requirements. The Registrants are 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 - Domestic

(All Registrants)

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

LG&E and KU are entitled to recover, through the ECR mechanism, certain costs of complying with the Clean Air Act, as amended, and those federal, state or local environmental requirements applicable to coal combustion wastes and by-products from facilities that generate electricity from coal in accordance with approved compliance plans. Costs not covered by the ECR mechanism for LG&E and KU and all such costs for PPL Electric are subject to rate recovery before the companies' respective state regulatory authorities, or the FERC, if applicable. Because PPL Electric does not own any generating plants, its exposure to related environmental compliance costs is reduced. As PPL Energy Supply is not a rate-regulated entity, it cannot seek to recover environmental compliance costs through the mechanism of rate recovery. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

(All Registrants except PPL Electric)

Air

CSAPR

The EPA's CSAPR addresses the interstate transport of fine particulates and ozone by regulating emissions of sulfur dioxide and nitrogen oxide. In accordance with an October 2014 U.S. Court of Appeals decision, CSAPR establishes interstate allowance trading programs for sulfur dioxide and nitrogen oxide emissions from fossil-fueled plants in two phases: Phase 1 commenced in January 2015 and Phase 2 commences in 2017. Sulfur dioxide emissions are subject to an annual trading program and nitrogen oxide emissions are subject to annual and ozone season programs. Oral arguments pertaining to outstanding challenges to the EPA's CSAPR were heard before the D.C. Circuit Court during February 2015.

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

National Ambient Air Quality Standards

In 2008, the EPA revised the National Ambient Air Quality Standard for ozone. As a result, states in the ozone transport region (OTR), including Pennsylvania, are required by the Clean Air Act to impose additional reductions in nitrogen oxide emissions based upon reasonably available control technologies (RACT). The PADEP is expected to finalize a RACT rule in 2015 requiring some fossil-fueled plants to operate at more stringent nitrogen oxide emission rates. The EPA proposed to further strengthen the ozone standard in November 2014, which could lead to further nitrogen oxide reductions, for PPL's fossil-fueled plants within the OTR. The EPA is under court order to finalize the standard by October 1, 2015. States are also obligated to address interstate transport issues associated with new ozone standards through the establishment of "good neighbor" state implementation plans for those states that are found to contribute significantly to another states' non-attainment. In January 2015, the EPA issued a policy memo to state agencies to facilitate the development of these plans for the 2008 standard, including modeling data defining state contributions. The implementation of such plans could have an impact on the structure and stringency of CSAPR Phase 2 reductions (discussed above), or it could lead to the development of a new ozone transport rule. Non-OTR states, including Kentucky, are working together to evaluate further nitrogen oxide reductions from fossil-fueled plants with SCRs. The nature and timing of any additional reductions resulting from these evaluations cannot be determined at this time.

In 2010, the EPA finalized a new National Ambient Air Quality 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 parts of the country, including part of Yellowstone County in Montana (Billings area) and part of Jefferson County in Kentucky. Attainment must be achieved by 2018. Pursuant to a consent decree between the EPA and Sierra Club approved on March 2, 2015, states are working to finalize designations for other areas by the 2017 or 2020 deadline depending on which designation methodology is used. PPL, LKE, LG&E and KU anticipate that some of the measures required for compliance with the CSAPR (as discussed above), or the MATS, or the Regional Haze Rules (as discussed below), such as upgraded or new sulfur dioxide scrubbers at certain 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 sulfur dioxide standard. If additional reductions were to be required, the financial impact could be significant. The short-term impact on the Corette plant from the EPA's final designation of part of Yellowstone County in Montana as non-attainment (as noted above) is not expected to be significant, as the operations were suspended and the plant was retired in March 2015. In addition, MDEQ recently submitted a request to the EPA for a determination that this area is in attainment. If the EPA agrees with this request, then the deadlines associated with non-attainment would be suspended.

In December 2012, the EPA issued final rules that tighten the annual National Ambient Air Quality Standard for fine particulates. The rules were challenged by industry groups, and in May 2014 the D.C. Circuit Court upheld them. On January 15, 2015, the EPA published a final rule establishing area designations under the standard. Non-attainment areas in Pennsylvania and Kentucky were identified; however, EPA recently approved state implementation plan revisions for both states that improved these classifications. PPL Energy Supply, LG&E and KU plants in Pennsylvania and Kentucky will not be expected to make further reductions towards achieving attainment.

Until final rules are promulgated, non-attainment designations are finalized and state compliance plans are developed, PPL, LKE, LG&E and KU cannot predict the ultimate outcome of the new National Ambient Air Quality standards for ozone, sulfur dioxide and particulate matter.

MATS

In February 2012, the EPA finalized the MATS rule requiring reductions of mercury and other hazardous air pollutants from fossil-fuel fired power plants, known as the MATS, with an effective date of April 16, 2012. The rule was challenged by industry groups and states and was upheld by the D.C. Circuit Court in April 2014. A group of states subsequently petitioned the U.S. Supreme Court to review this decision and on March 25, 2015, oral arguments were heard as to one issue - whether or not EPA unreasonably refused to consider costs when determining whether the MATS regulation was appropriate and necessary. A U.S. Supreme Court decision is expected by June 30, 2015. The rule provides for a three-year compliance deadline with the potential for one- and two-year extensions as provided under the statute. PPL, LKE, LG&E and KU have completed installation or upgrading of relevant environmental controls at affected plants or have received compliance extensions, as applicable.

At the time the MATS rule was proposed, LG&E and KU filed requests with the KPSC for environmental cost recovery based on their 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. LG&E's March 2015 retirement of one coal-fired generating unit at Cane Run and LG&E's and KU's anticipated retirement of remaining coal-fired electricity generating units located at Cane Run and Green River in 2015 and 2016 are in response to MATS and other environmental regulations. The retirement of these units is not expected to have a material impact on the financial condition or results of operations of PPL, LKE, LG&E or KU.

PPL believes that installation of chemical additive systems and other controls may be necessary at certain coal-fired plants in Pennsylvania, the capital cost of which is not expected to be significant. PPL continues to analyze the potential impact of MATS on operating costs. With respect to PPL's Montana plants, modifications to the air pollution controls installed at Colstrip are required, the cost of which is not expected to be significant. Operations were suspended and the Corette plant was retired in March 2015 due to expected market conditions and the costs to comply with the MATS requirements.

PPL, LKE, LG&E and KU are conducting in-depth reviews of the EPA's amendments to the final rule and certain proposed corrections, none of which are currently expected to be significant.

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 make reasonable progress every decade through the application, among other things, 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 regulation has been the western U.S. As for the eastern U.S., the EPA had determined that region-wide reductions under the CSAPR trading program could, in most instances, be utilized under state programs to satisfy BART requirements for sulfur dioxide and nitrogen oxides. However, the EPA's determination is being challenged by environmental groups and others.

LG&E's Mill Creek Units 3 and 4 are required to reduce sulfuric acid mist emissions because they were determined to have a significant regional haze impact. These reductions are required in the regional haze state implementation plan that the Kentucky Division for Air Quality submitted to the EPA. LG&E is currently installing sorbent injection technology to comply with these reductions, the costs of which are not expected to be significant.

In Montana, the EPA Region 8 developed the regional haze plan as the MDEQ declined to do so. The EPA finalized the Federal Implementation Plan (FIP) for Montana in September 2012. The final FIP assumed no additional controls for Corette or Colstrip Units 3 and 4, but proposed stricter limits for Corette and Colstrip Units 1 and 2. PPL Energy Supply was meeting these stricter permit limits at Corette without any significant changes to operations, although other requirements have led to the suspension of operations and the retirement of Corette in March 2015 (see "MATS" discussion above). Under the final FIP, Colstrip Units 1 and 2 may require additional controls, including the possible installation of an SNCR and other technology, to meet more stringent nitrogen oxides and sulfur dioxide limits. The cost of these potential additional controls, if required, could be significant. Both PPL and environmental groups have appealed the final FIP to the U.S. Court of Appeals for the Ninth Circuit, oral argument was heard in May 2014, and the parties are awaiting a decision.

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. PPL, LKE, LG&E and KU received various EPA information requests in 2007 and

2009, but have received no further communications from the EPA related to those requests since providing their responses. 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. The companies responded to the EPA and the matter remains open. In May and November 2012, PPL Montana received information requests from the EPA regarding projects undertaken during a Spring 2012 maintenance outage at Colstrip Unit 1. The EPA requests remain an open matter. In September 2012, PPL Montana received an information request from the MDEQ regarding Colstrip Unit 1 and other projects. MDEQ formally suspended this request on June 6, 2014 in consideration of pending litigation (see "Legal Matters - Sierra Club Litigation" above). PPL, LKE, LG&E and 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. See "Legal Matters" above for information on a lawsuit filed by environmental groups in March 2013 against PPL Montana and other owners of Colstrip.

If any PPL subsidiary is found to have violated NSR regulations by significantly increasing pollutants through a major plant modification, the subsidiary 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 for pollutants not meeting the NAAQS in the area. The costs to meet such limits, including installation of technology at certain units, could be material.

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

Climate Change

(All Registrants)

As a result of the April 2007 U.S. Supreme Court decision that the EPA has authority under the Clean Air Act to regulate carbon dioxide 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 carbon dioxide emissions from stationary sources under the NSR and Title V operating permit provisions of the Clean Air Act. The EPA's rules were challenged in court and on June 23, 2014, the U.S. Supreme Court ruled that the EPA has the authority to regulate carbon dioxide emissions under these provisions of the Clean Air Act but only for stationary sources that would otherwise have been subject to these provisions due to significant increases in emissions of other pollutants. As a result, any new sources or major modifications to an existing GHG source causing a net significant increase in carbon dioxide emissions must comply with BACT permit limits for carbon dioxide if it would otherwise be subject to BACT or lowest achievable emissions rate limits due to significant increases in other pollutants.

In June 2013, President Obama released his Climate Action Plan that reiterates the goal of reducing GHG 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 more restrictive energy efficiency standards. Additionally, the Climate Action Plan calls for the U.S. to prepare for the impacts of climate change. Requirements related to this Plan could affect the Registrants and others in the industry as modifications may be needed to electricity delivery systems to improve the ability to withstand major storms in order to meet those requirements. As further described below, the EPA has proposed rules pursuant to this directive, which it expects to finalize in the second or third quarter of 2015. The EPA has also announced that it will develop a federal implementation plan which would apply to any states that fail to submit an acceptable state implementation plan. The EPA's authority to promulgate these regulations under Section 111 of the Clean Air Act when the sources are already regulated under Section 112 is under challenge in the D.C. Circuit Court. Oral arguments were heard on April 16, 2015.

In January 2014, the EPA issued a revised proposal to regulate carbon dioxide emissions from new power plants. The revised proposal calls for 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-fired plants. The standard for NGCC power plants is the same as the EPA proposed in 2012 and is not continuously achievable. The preclusion of new coal-fired plants and the compliance difficulties posed for new gas-fired plants could have a significant industry-wide impact.

In June 2014, the EPA issued proposed regulations addressing carbon dioxide emissions from existing power plants. The existing plant proposal contains state-specific rate-based reduction goals and guidelines for the development, submission and implementation of state plans to achieve the state goals. State-specific goals were calculated from 2012 data by applying EPA's broad interpretation and definition of the Best System of Emission Reduction resulting in stringent targets to be met in two phases (2020-2029 and 2030 and beyond). The EPA believes it has offered some flexibility to the states as to how state compliance plans can be crafted, including the option to demonstrate compliance on a mass basis and through multi-state collaborations. The EPA is also proposing potential state plan extensions based on the type of plan filed (single or multi state). PPL has analyzed the proposal and identified potential impacts and solutions in comments filed on December 1, 2014. PPL also submitted Supplemental Comments to FERC through EEI, advocating for reliability coordination and relief in response to technical conferences hosted by FERC on the reliability implications of implementing this rule. The regulation of carbon dioxide emissions from existing power plants could have a significant industry-wide impact depending on the structure and stringency of the final rule and state implementation plans.

In June 2014, the EPA also proposed a regulation addressing carbon dioxide emissions from existing power plants that are modified or reconstructed. The Registrants, however, do not expect a significant impact from this rulemaking as there are no plans to modify or reconstruct their existing plants in a manner that would trigger the proposed requirements.

(PPL)

Based on the stringent GHG reduction requirements in the EPA's proposed rule for existing plants, and based on information gained from public input, the PADEP is no longer expecting to achieve all required GHG reductions by solely increasing efficiency at existing fossil-fuel plants and/or reducing their generation as set forth in the PADEP's April 10, 2014 white paper. In October 2014, the Governor of Pennsylvania signed into law Act 175 of 2014, requiring the PADEP to obtain General Assembly approval of any state plan addressing GHG emissions under the EPA's GHG rules for existing plants. The law includes provisions to minimize the exposure to a federal implementation plan due to legislative delay.

The MDEQ, at the request of the Governor of Montana, has issued a white paper outlining possible regulatory scenarios to implement the EPA's proposed GHG rule for existing plants, including a combination of increasing energy efficiency at coal-fired plants, adding more low- and zero-carbon generation, and carbon sequestration at Colstrip. The white paper was made public in September 2014 and the MDEQ has held public meetings to present the white paper and gather comments. Legislation drafted to require legislative approval of any related plan formulated by MDEQ was tabled.

(PPL, LKE, LG&E and KU)

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

(All Registrants except PPL Electric)

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 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 U.S. 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. The Registrants cannot predict the outcome of these lawsuits or estimate a range of reasonably possible losses, if any.

Renewable Energy Legislation

(PPL and PPL Electric)

In Pennsylvania, House Bill 100 was introduced in February 2015, proposing to increase AEPS solar and Tier 1 targets. A similar bill is in the process of being introduced in the Senate (no bill number is available at this time). PPL and PPL Electric cannot predict the outcome of this legislative effort.

(PPL)

In New Jersey, a bill (S-1475) has been introduced to increase the current Renewable Portfolio Standard (RPS) to 30% from Class I sources by 2020. The chairman of the Senate Environmental Committee convened a workgroup to look at further changes to New Jersey's RPS law to enable New Jersey to meet emissions goals established in the state's Global Warming Response Act. A bill (S-2444) was subsequently introduced to mandate that 80% of New Jersey's electricity be generated from renewable resources by 2050. PPL cannot predict the outcome of this legislation.

(All Registrants)

The Registrants believe there are financial, regulatory and operational 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. PPL cannot predict the effect on their competitive 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.

Water/Waste

(All Registrants except PPL Electric)

Coal Combustion Residuals (CCRs)

On April 17, 2015, the EPA published its final rule regulating CCRs. CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. The rule will become effective on October 14, 2015. It imposes extensive new requirements, including location restrictions, design and operating standards, groundwater monitoring and corrective action requirements and closure and post-closure care requirements on CCR impoundments and landfills that are located on active power plants and not closed. Under the rule, the EPA will regulate CCRs as non-hazardous under Subtitle D of RCRA and allow beneficial use of CCRs, with some restrictions. This self-implementing rule requires posting of compliance documentation on a publicly accessible website and is enforceable through citizen suits. PPL expects that its plants using surface impoundments for management and disposal of CCRs or the past management of CCRs and continued use to manage waste waters will be most impacted by this rule. The rule's requirements for covered CCR impoundments and landfills include commencement or completion of closure activities generally between three and ten years from certain triggering events. PPL, LKE, LG&E and KU also anticipate incurring capital or operation and maintenance costs prior to that time to address other provisions of the rule, such as groundwater monitoring and disposal facility modifications, or to implement various compliance strategies.

PPL, LKE, LG&E and KU are reviewing the rule and are still evaluating its financial and operational impact. It is expected that these requirements will result in increases to existing AROs which will be recorded in the second quarter of 2015. PPL, LKE, LG&E and KU are not yet able to determine an estimate of the expected increases to the existing AROs. PPL, LKE, LG&E and KU believe relevant costs relating to this rule are subject to future rate recovery before the respective state regulatory agencies, or the FERC, as applicable.

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 as proposed. The proposal contains alternative approaches, some of which could significantly impact PPL's, PPL Energy Supply's, LKE's, LG&E's and KU's coal-fired plants. The final regulation is expected to be issued by the third or fourth quarter of 2015. At the present time, PPL, 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. Pending finalization of the ELGs, certain states (including Pennsylvania and Kentucky) and environmental groups 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.

Trimble County Landfill (PPL, LKE, LG&E and KU)

In May 2011, LG&E submitted an application for a special waste landfill permit to handle CCRs generated at the Trimble County plant. 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. 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. LG&E has also applied for other necessary regulatory approvals including a dredge and fill permit from the U.S. Army Corps of Engineers, in which proceeding the EPA or the public have submitted certain comments to which LG&E and KU are responding. PPL, LKE, LG&E and KU are unable to determine the potential impact of this matter until all permits are issued and any resulting legal challenges are concluded.

Seepages and Groundwater Infiltration - Pennsylvania, Montana and Kentucky

(All Registrants except PPL Electric)

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, 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 respond to notices of violations and implement assessment or abatement measures, where required or applicable. A range of reasonably possible losses cannot currently be estimated.

(PPL)

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 this facility.

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. 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. This matter was stayed in December 2012. In April 2014, Earthjustice filed a motion for leave to amend the petition for review and to lift the stay which was granted by the court in May 2014. PPL Montana and the MDEQ responded to the amended petition and filed partial motions to dismiss in July 2014, which were both denied in October 2014. Discovery is ongoing, and a bench trial is set for April 2016.

Clean Water Act 316(b) (All Registrants except PPL Electric)

The EPA's final 316(b) rule for existing facilities became effective in October 2014, and regulates cooling water intake structures and their impact on aquatic organisms. States are allowed considerable authority to make site-specific determinations under the rule. The rule requires existing facilities to choose between several options to reduce the impact to aquatic organisms that become trapped against water intake screens (impingement) and to determine the intake structure's impact on aquatic organisms pulled through a plant's cooling water system (entrainment). Plants already equipped with closed-cycle cooling, an acceptable option, would likely not incur substantial costs. Once-through systems would likely require additional technology to comply with the rule. Mill Creek Unit 1 and Brunner Island (all units) are the only units expected to be impacted. PPL, LKE, LG&E and KU are evaluating compliance strategies but do not presently expect the compliance costs to be material.

(All Registrants)

Waters of the United States (WOTUS)

In April 2014, the EPA and the U.S. Army Corps of Engineers (Army Corps) published a proposed rule defining WOTUS that could greatly expand the federal government's interpretation of what constitutes WOTUS subject to regulation under the Clean Water Act. If the definition is expanded as proposed by the EPA and the Army Corps, permits and other regulatory requirements may be imposed for many matters presently not covered (including vegetation management for transmission lines and activities affecting storm water conveyances and wetlands), the implications of which could be significant. The EPA plans to make certain changes to the proposed regulation based on comments received. The U.S. House and Senate are considering legislation to block this regulation. Until a final rule is issued, the Registrants cannot predict the outcome of the pending rulemaking. A final rule is expected by summer 2015.

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 2015. 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.

(PPL)

A subsidiary of PPL Energy Supply has investigated alternatives to exclude fish from the discharge channel at its Brunner Island plant. In June 2012, a Consent Order and Agreement (COA) with the PADEP was signed, allowing the subsidiary to study a change in a cooling tower operational method that may keep fish from entering the channel. The COA required a retrofit of impingement control technology at the intakes to the cooling towers, at a cost that would have been significant. Based on the results of the first year of study, the PADEP has suggested closing the COA and writing a new COA to resolve the issue. PPL is in negotiations with the agency at this time. PPL cannot predict at this time the outcome of the proposed new COA and what impact, if any, it would have on their facilities, but the costs could be significant.

(PPL, LKE, LG&E and KU)

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. In February 2015, oral arguments occurred in the appellate proceeding. 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.

Superfund and Other Remediation *(All Registrants)*

PPL Electric is potentially responsible for costs at several sites listed by the EPA under the federal Superfund program, including the Columbia Gas Plant site, the Metal Bank site, the Brodhead 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, have completed the remediation of, or are responding to agency inquiries regarding several sites that were not addressed under a regulatory program such as Superfund, but for which PPL Electric, LG&E and KU may be liable for remediation. These include a number of former coal gas manufacturing plants in Pennsylvania and Kentucky previously owned or operated or currently owned by predecessors or affiliates of PPL Electric, LG&E and KU. To date, the costs of these sites have not been significant. There are additional sites, formerly owned or operated by PPL Electric, LG&E and KU predecessors or affiliates, 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.

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

Future cleanup or remediation work at sites currently under review, or at sites not currently identified, may result in significant additional costs for PPL, PPL Electric, LG&E and KU.

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.

Other

Nuclear Insurance *(PPL)*

The Price-Anderson Act is a United States Federal law governing liability-related issues and ensures the availability of funds for public liability claims arising from an incident at any U.S. licensed nuclear facility. It also seeks to limit the liability of nuclear reactor owners for such claims from any single incident. At March 31, 2015, the liability limit per incident is $13.6 billion for such claims which is funded by insurance coverage from American Nuclear Insurers and an industry assessment program.

Under the 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 $255 million per incident, payable at $38 million per year.

Additionally, PPL Susquehanna purchases property insurance programs from NEIL, an industry mutual insurance company of which PPL Susquehanna is a member. At March 31, 2015, facilities at the Susquehanna plant are insured against property damage losses up to $2.0 billion. PPL Susquehanna also purchases an insurance program that provides coverage for the cost of replacement power during prolonged outages of nuclear units caused by certain specified conditions.

Under the NEIL property and replacement power insurance programs, PPL Susquehanna could be assessed retrospective premiums in the event of the insurers' adverse loss experience. This maximum assessment is $46 million at March 31, 2015. Effective April 1, 2015, this maximum assessment increased to $55 million. PPL Energy Supply has additional coverage that, under certain conditions, may reduce this exposure.

Guarantees and Other Assurances

(All Registrants)

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

(PPL)

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

(All Registrants)

The table below details guarantees provided as of March 31, 2015. "Exposure" represents the estimated maximum potential amount of future payments that could be required to be made under the guarantee. The probability of expected payment/performance under each of these guarantees is remote except for "WPD guarantee of pension and other obligations of unconsolidated entities", "Indemnification for sales of assets" and "Indemnification of lease termination and other divestitures." The total recorded liability at March 31, 2015 and December 31, 2014, was $37 million and $38 million for PPL and $19 million for LKE for both periods. For reporting purposes, on a consolidated basis, all guarantees of PPL Electric, LKE, LG&E and KU also apply to PPL, and all guarantees of LG&E and KU also apply to LKE.

	Exposure at March 31, 2015	Expiration Date
PPL		
Indemnifications related to the WPD Midlands acquisition	(a)	
WPD indemnifications for entities in liquidation and sales of assets	$ 11 (b)	2018
WPD guarantee of pension and other obligations of unconsolidated entities	114 (c)	
Indemnifications for sales of assets	1,150 (d)	2016 - 2025
PPL Electric		
Guarantee of inventory value	32 (e)	2017
LKE		
Indemnification of lease termination and other divestitures	301 (f)	2021 - 2023
LG&E and KU		
LG&E and KU guarantee of shortfall related to OVEC	(g)	

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

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

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

(c) Relates to certain obligations of discontinued or modified electric associations that were guaranteed at the time of privatization by the participating members. Costs are allocated to the members and can be reallocated if an existing member becomes insolvent. At March 31, 2015, WPD has recorded an estimated discounted liability for which the expected payment/performance is probable. Neither the expiration date nor the maximum amount of potential payments for certain obligations is explicitly stated in the related agreements, and as a result, the exposure has been estimated.

(d) Indemnifications are governed by the specific sales agreement and include breach of the representations, warranties and covenants, and liabilities for certain other matters. The maximum exposure with respect to certain indemnifications and the expiration of the indemnifications cannot be estimated because the maximum potential liability is not capped by the transaction documents and the expiration date is based on the applicable statute of limitations. The exposure and expiration date noted is based on those cases in which the agreements provide for specific limits. The exposure at March 31, 2015 includes amounts related to the sale of the Montana Hydroelectric facilities. See Note 8 for additional information related to the sale.

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

(f) LKE provides certain indemnifications, the most significant of which relate to the termination of the WKE lease in July 2009. 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 WKE-related 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. Another WKE-related LKE guarantee covers other indemnifications, has a term expiring in 2023, and a maximum exposure of $100 million. In May 2012, LKE's indemnitee received an unfavorable arbitration panel's decision interpreting this matter, 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. In May 2014, the Court of Appeals issued an opinion affirming the lower court decision. LKE's indemnitee filed a Motion for Discretionary Review with the Kentucky Supreme Court in October 2014. LKE believes its indemnification obligations in this matter remain subject to various uncertainties, including 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; LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. However, LKE is not aware of formal claims under such indemnities made by any party at this time. LKE cannot predict the ultimate outcomes of indemnification circumstances, but does not currently expect such outcomes to result in significant losses above the amounts recorded.

(g) Pursuant to the OVEC power purchase contract, LG&E and KU are obligated to pay for their share of OVEC's excess debt service, post-retirement and decommissioning costs, as well as any shortfall from amounts currently included within a demand charge designed and currently expected to cover these costs over the term of the contract. The maximum exposure and the expiration date of these potential obligations are not presently determinable. See "Energy Purchase Commitments" and "Guarantees and Other Assurances" in Note 13 in PPL's, LKE's, LG&E's and KU's 2014 Form 10-K for additional information on the OVEC power purchase contract.

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

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

11. Related Party Transactions

PLR Contracts/Purchase of Accounts Receivable *(PPL Electric)*

PPL Electric holds competitive solicitations for PLR generation supply. PPL EnergyPlus has been awarded a portion of the PLR generation supply through these competitive solicitations. The purchases from PPL EnergyPlus are included in PPL Electric's Statements of Income as "Energy purchases from affiliate".

Under the standard Default Service 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 when: (a) 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. PPL EnergyPlus does not have an established credit limit. At March 31, 2015, PPL EnergyPlus was not required to post collateral. 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 2 for additional information regarding PPL Electric's purchases of accounts receivable from alternative suppliers, including PPL EnergyPlus.

Support Costs *(All Registrants except PPL)*

PPL Services and LKS provide their respective PPL and LKE subsidiaries with administrative, management and support services. In 2015, PPL EU Services was formed to provide the majority of financial, supply chain, human resources and facilities management services primarily to PPL Electric. PPL Services will continue to provide certain corporate functions. For all service companies, the costs of these services are charged to the respective recipients as direct support costs. General costs that cannot be directly attributed to a specific entity are allocated and charged to the respective recipients as indirect support costs. PPL Services and PPL EU Services use a three-factor methodology that includes the applicable recipients' invested capital, operation and maintenance expenses and number of employees to allocate indirect costs. LKS bases its indirect allocations on the subsidiaries' number of employees, total assets, revenues, number of customers and/or other statistical information. PPL Services, PPL EU Services and LKS charged the following amounts for the periods ended March 31, and believe these amounts are reasonable, including amounts applied to accounts that are further distributed between capital and expense.

	Three Months	
	2015	2014
PPL Electric from PPL Services	$ 30	$ 41
LKE from PPL Services	4	4
PPL Electric from PPL EU Services	15	
LG&E from LKS	51	48
KU from LKS	56	53

LG&E and KU also provide services to each other and to LKS. Billings between LG&E and KU relate to labor and overheads associated with union and hourly employees performing work for the other company, charges related to jointly-owned generating units and other miscellaneous charges. Tax settlements between LKE and LG&E and LKE and KU are reimbursed through LKS.

Intercompany Borrowings *(LKE)*

LKE maintains a $225 million revolving line of credit with a PPL Energy Funding subsidiary whereby LKE can borrow funds on a short-term basis at market-based rates. At March 31, 2015 and December 31, 2014, $40 and $41 million were outstanding and were reflected in "Notes payable with affiliates" on the consolidated Balance Sheets. The interest rate on borrowings is equal to one-month LIBOR plus a spread. The interest rates on the outstanding borrowing at March 31, 2015 and December 31, 2014 were 1.67% and 1.65%. Interest on the revolving line of credit was not significant for the three months ended March 31, 2015 and 2014.

Intercompany Derivatives *(LKE, LG&E and KU)*

Periodically, LG&E and KU enter 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 *(PPL Electric, LG&E and KU)*

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

12. Other Income (Expense) - net

(PPL)

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

	Three Months	
	2015	2014
Other Income		
Earnings on securities in NDT funds	$ 7	$ 6
Interest income	1	1
AFUDC - equity component	4	3
Miscellaneous	5	2
Total Other Income	17	12
Other Expense		
Economic foreign currency exchange contracts (Note 14)	(88)	24
Charitable contributions	5	7
Spinoff of PPL Energy Supply transaction costs (Note 8)	2	
Miscellaneous	3	4
Total Other Expense	(78)	35
Other Income (Expense) - net	$ 95	$ (23)

(All Registrants except PPL)

The components of "Other Income (Expense) - net" for the three months ended March 31, 2015 and 2014 for PPL Electric, LKE, LG&E and KU were not significant.

13. Fair Value Measurements and Credit Concentration

(All Registrants)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models), and/or a cost approach (generally, replacement cost) are used to measure the fair value of an asset or liability, as appropriate. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk. The fair value of a group of financial assets and liabilities is measured on a net basis. Transfers between levels are recognized at end-of-reporting-period values. During the three months ended March 31, 2015 and 2014, there were no transfers between Level 1 and Level 2. See Note 1 in each Registrant's 2014 Form 10-K for information on the levels in the fair value hierarchy.

Recurring Fair Value Measurements

The assets and liabilities measured at fair value were:

	March 31, 2015				December 31, 2014			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	$ 1,335	$ 1,335			$ 1,751	$ 1,751		
Short-term investments	135	135			120	120		
Restricted cash and cash equivalents (a)	231	231			224	224		
Price risk management assets:								
Energy commodities	1,298	2	$ 1,136	$ 160	1,318	6	$ 1,171	$ 141
Foreign currency contracts	209		209		130		130	
Cross-currency swaps	49		49		29		28	1
Total price risk management assets	1,556	2	1,394	160	1,477	6	1,329	142
NDT funds:								
Cash and cash equivalents	20	20			19	19		
Equity securities								
U.S. large-cap	620	461	159		611	454	157	
U.S. mid/small-cap	93	38	55		89	37	52	
Debt securities								
U.S. Treasury	97	97			99	99		
U.S. government sponsored agency	8		8		9		9	
Municipality	76		76		76		76	
Investment-grade corporate	45		45		42		42	
Other	3		3		3		3	
Receivables (payables), net	3	1	2		2		2	
Total NDT funds	965	617	348		950	609	341	
Auction rate securities (b)	10			10	10			10
Total assets	$ 4,232	$ 2,320	$ 1,742	$ 170	$ 4,532	$ 2,710	$ 1,670	$ 152
Liabilities								
Price risk management liabilities:								
Energy commodities	$ 1,163	$ 2	$ 1,130	$ 31	$ 1,217	$ 5	$ 1,182	$ 30
Interest rate swaps	235		235		156		156	
Foreign currency contracts	6		6		2		2	
Cross-currency swaps	2		2		3		3	
Total price risk management liabilities	$ 1,406	$ 2	$ 1,373	$ 31	$ 1,378	$ 5	$ 1,343	$ 30
PPL Electric								
Assets								
Cash and cash equivalents	$ 35	$ 35			$ 214	$ 214		
Restricted cash and cash equivalents (c)	2	2			3	3		
Total assets	$ 37	$ 37			$ 217	$ 217		
LKE								
Assets								
Cash and cash equivalents	$ 40	$ 40			$ 21	$ 21		
Cash collateral posted to counterparties (d)	22	22			21	21		
Total assets	$ 62	$ 62			$ 42	$ 42		
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 174		$ 174		$ 114		$ 114	
Total price risk management liabilities	$ 174		$ 174		$ 114		$ 114	
LG&E								
Assets								
Cash and cash equivalents	$ 17	$ 17			$ 10	$ 10		
Cash collateral posted to counterparties (d)	22	22			21	21		
Total assets	$ 39	$ 39			$ 31	$ 31		
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 113		$ 113		$ 81		$ 81	
Total price risk management liabilities	$ 113		$ 113		$ 81		$ 81	

	March 31, 2015				December 31, 2014			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
KU								
Assets								
Cash and cash equivalents	$ 23	$ 23			$ 11	$ 11		
Total assets	$ 23	$ 23			$ 11	$ 11		
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 61		$ 61		$ 33		$ 33	
Total price risk management liabilities	$ 61		$ 61		$ 33		$ 33	

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

A reconciliation of net assets and liabilities classified as Level 3 for the three months ended March 31 is as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	2015				2014			
	Energy Commodities, net	Auction Rate Securities	Cross-Currency Swaps	Total	Energy Commodities, net	Auction Rate Securities	Cross-Currency Swaps	Total
PPL								
Balance at beginning of period	$ 111	$ 10	$ 1	$ 122	$ 24	$ 19		$ 43
Total realized/unrealized gains (losses)								
Included in earnings	(17)			(17)	(135)			(135)
Included in OCI (a)			6	6			$ (1)	(1)
Sales						(3)		(3)
Settlements	30			30	128			128
Transfers into Level 3	4			4				
Transfers out of Level 3	1		(7)	(6)			1	1
Balance at end of period	$ 129	$ 10	$	$ 139	$ 17	$ 16	$	$ 33

(a) "Energy Commodities, net" 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.

The significant unobservable inputs used in and quantitative information about the fair value measurement of assets and liabilities classified as Level 3 are as follows:

	March 31, 2015			
	Fair Value, net Asset (Liability)	Valuation Technique	Unobservable Input(s)	Range (Weighted Average) (a)
PPL				
Energy commodities				
Natural gas contracts (b)	$ 49	Discounted cash flow	Proprietary model used to calculate forward prices	11% - 100% (43%)
Power sales contracts (c)	1	Discounted cash flow	Proprietary model used to calculate forward prices	10% - 100% (82%)
Heat rate options (e)	79	Discounted cash flow	Proprietary model used to calculate forward prices	22% - 44% (40%)
Auction rate securities (f)	10	Discounted cash flow	Modeled from SIFMA Index	41% - 69% (53%)

	December 31, 2014			
	Fair Value, net Asset (Liability)	Valuation Technique	Unobservable Input(s)	Range (Weighted Average) (a)
PPL				
Energy commodities				
Natural gas contracts (b)	$ 59	Discounted cash flow	Proprietary model used to calculate forward prices	11% - 100% (52%)
Power sales contracts (c)	(1)	Discounted cash flow	Proprietary model used to calculate forward prices	10% - 100% (59%)
FTR purchase contracts (d)	3	Discounted cash flow	Historical settled prices used to model forward prices	100% (100%)
Heat rate options (e)	50	Discounted cash flow	Proprietary model used to calculate forward prices	23% - 51% (45%)
Auction rate securities (f)	10	Discounted cash flow	Modeled from SIFMA Index	44% - 69% (63%)
Cross-currency swaps (g)	1	Discounted cash flow	Credit valuation adjustment	15% (15%)

(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 change in fair value due to the unobservable inputs used in the model to calculate the credit valuation adjustment.
(b) As the forward price of natural gas increases/(decreases), the fair value of purchase contracts increases/(decreases). As the forward price of natural gas increases/(decreases), the fair value of sales contracts (decreases)/increases.
(c) As forward market prices increase/(decrease), the fair value of contracts (decreases)/increases. As volumetric assumptions for contracts in a gain position increase/(decrease), the fair value of contracts increases/(decreases). As volumetric assumptions for contracts in a loss position increase/(decrease), the fair value of the contracts (decreases)/increases.
(d) As the forward implied spread increases/(decreases), the fair value of the contracts increases/(decreases).
(e) The proprietary model used to calculate fair value incorporates market heat rates, correlations and volatilities. As the market implied heat rate increases/(decreases), the fair value of the contracts increases/(decreases).
(f) 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).
(g) 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 three months ended are reported in the Statements of Income as follows:

	Energy Commodities, net					
	Unregulated Wholesale Energy		Unregulated Retail Energy		Energy Purchases	
	2015	2014	2015	2014	2015	2014
PPL						
Total gains (losses) included in earnings	$ 21	$ (89)	$ (40)	$ (63)	$ 2	$ 17
Change in unrealized gains (losses) relating to positions still held at the reporting date	25	(13)	(9)	(33)	1	1

Price Risk Management Assets/Liabilities - Energy Commodities *(PPL)*

Energy commodity contracts are generally valued using the income approach, except for exchange-traded derivative contracts, which are valued using the market approach and are classified as Level 1. 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. Energy commodity contracts include forwards, futures, swaps, options and structured transactions 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 other standard industry models. 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.

When unobservable inputs are significant to the fair value measurement, a contract is classified as Level 3. Level 3 contracts are valued using PPL proprietary models which may include significant unobservable inputs such as delivery at a location where pricing is unobservable, delivery dates that are beyond the dates for which independent quotes are available, volumetric assumptions, implied volatilities, implied correlations, and market implied heat rates. Forward transactions, including forward transactions classified as Level 3, are analyzed by PPL's Risk Management department. Accounting personnel 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 2015 were changes in the availability of market information and changes in the significance of the unobservable inputs utilized in the valuation of the contracts.

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

To manage interest rate risk, PPL, LKE, LG&E and KU use interest rate contracts such as forward-starting swaps, floating-to-fixed swaps and fixed-to-floating swaps. To manage foreign currency exchange risk, PPL uses foreign currency contracts such as forwards, options and cross-currency swaps that contain characteristics of both interest rate and foreign currency contracts. An income approach is used to measure the fair value of these contracts, utilizing readily observable inputs, such as forward interest rates (e.g., LIBOR and government security rates) and forward foreign currency exchange rates (e.g., GBP), as well as inputs that may not be observable, such as credit valuation adjustments. In certain cases, market information cannot practicably be obtained to value credit risk and therefore internal models are relied upon. These models use projected probabilities of default and estimated recovery rates based on historical observances. When the credit valuation adjustment is significant to the overall valuation, the contracts are classified as Level 3. For PPL, the primary reason for the transfers between Level 2 and Level 3 during 2015 and 2014 was the change in the significance of the credit valuation adjustment. Cross-currency swaps are valued by PPL's Treasury department. Accounting personnel interpret analysis quarterly to classify the contracts in the fair value hierarchy. Valuation techniques are evaluated periodically.

(PPL)

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.
- The fair value measurements of investments in commingled equity funds are classified as Level 2. 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.

The fair value of debt securities is generally measured using a market approach, including the use of pricing models which incorporate observable inputs. Common inputs include benchmark yields, relevant trade data, broker/dealer bid/ask prices, benchmark securities and credit valuation adjustments. When necessary, the fair value of debt securities is measured using the income approach, which incorporates similar observable inputs as well as payment data, future predicted cash flows, collateral performance and new issue data.

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 probability of realizing 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.

Auction rate securities are valued by PPL's Treasury department. Accounting personnel interpret the analysis quarterly to classify the contracts in the fair value hierarchy. Valuation techniques are evaluated periodically.

Nonrecurring Fair Value Measurements *(PPL)*

The following nonrecurring fair value measurement occurred during the three months ended March 31, 2014, resulting in an asset impairment:

	Carrying Amount (a)	Fair Value Measurements Using Level 3	Loss (b)
PPL			
Kerr Dam Project	$ 47	$ 29	$ 18

(a) Represents carrying value before fair value measurement.
(b) The loss on the Kerr Dam Project was recorded in the Supply segment and included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the 2014 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:

	Fair Value, net Asset (Liability)	Valuation Technique	Significant Unobservable Input(s)	Range (Weighted Average)(a)
Kerr Dam Project				
March 31, 2014	$ 29	Discounted cash flow	Proprietary model used to calculate plant value	38% (38%)

(a) The range and weighted average represent the percentage of fair value derived from the unobservable inputs.

Kerr Dam Project

PPL Montana previously held a joint operating license issued for the Kerr Dam Project. The license extends until 2035 and, between 2015 and 2025, the Confederated Salish and Kootenai Tribes of the Flathead Nation (the Tribes) have the option to purchase, hold and operate the Kerr Dam Project. The parties submitted the issue of the appropriate amount of the conveyance price to arbitration in February 2013. In March 2014, the arbitration panel issued its final decision holding that the conveyance price payable by the Tribes for the Kerr Dam Project is $18 million. As a result of the decision, PPL Energy Supply performed a recoverability test on the Kerr Dam Project and recorded an impairment charge. PPL Energy Supply performed an internal analysis using an income approach based on discounted cash flows (a PPL proprietary model) to assess the fair value of the Kerr Dam Project. Assumptions used in the PPL proprietary model were the conveyance price, forward energy price curves, forecasted generation, and forecasted operation and maintenance expenditures that were consistent with assumptions used in the business planning process and a market participant discount rate. Through this analysis, PPL Energy Supply determined the fair value of the Kerr Dam Project to be $29 million at March 31, 2014. The Kerr Dam Project was included in the sale of the Montana Hydroelectric facilities and the assets were removed from the Balance Sheet. See Note 8 for additional information.

The assets were valued by the PPL Energy Supply Financial Department. Accounting personnel interpreted the analysis to appropriately classify the assets in the fair value hierarchy.

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

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

	March 31, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
PPL	$ 20,307	$ 23,258	$ 20,391	$ 22,670
PPL Electric	2,603	3,084	2,602	2,990
LKE	4,567	5,091	4,567	4,946
LG&E	1,353	1,493	1,353	1,455
KU	2,091	2,396	2,091	2,313

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

(All Registrants)

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.

(PPL)

At March 31, 2015, PPL had credit exposure of $692 million from energy trading partners, excluding the effects of netting arrangements, reserves and collateral. As a result of netting arrangements, reserves and collateral, PPL's credit exposure was reduced to $402 million. The top ten counterparties including their affiliates accounted for $220 million, or 55%, of these exposures. Eight of these counterparties had an investment grade credit rating from S&P or Moody's and accounted for 75% of the top ten exposures. The remaining counterparties are rated below investment grade, but are current on their obligations.

(PPL Electric)

PPL Electric is exposed to credit risk under energy supply contracts (including its supply contracts with PPL EnergyPlus); however, its PUC-approved recovery mechanism is anticipated to substantially mitigate this exposure.

(LKE, LG&E and KU)

At March 31, 2015, LKE's, LG&E's and KU's credit exposure was not significant.

14. Derivative Instruments and Hedging Activities

Risk Management Objectives

(All Registrants)

PPL has a risk management policy approved by the Board of Directors to manage market risk associated with commodities, interest rates on debt issuances and foreign exchange (including price, liquidity and volumetric risk) and credit risk (including non-performance risk and payment default risk). The 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 market liquidity and volumetric risks. Forward contracts, futures contracts, options, swaps and structured transactions are utilized as part of risk management strategies to minimize unanticipated fluctuations in earnings caused by changes in commodity prices, volumes of full-requirement sales contracts, basis exposure, interest rates and foreign currency exchange rates. Many of the contracts meet the definition of a derivative. All derivatives are recognized on the Balance Sheets at their fair value, unless NPNS is elected.

The table below summarizes the market risks that affect PPL and its Subsidiary Registrants.

	PPL	PPL Electric	LKE	LG&E	KU
Commodity price risk (including basis and volumetric risk)	X	M	M	M	M
Interest rate risk:					
Debt issuances	X	M	M	M	M
Defined benefit plans	X	M	M	M	M
NDT securities	X				
Equity securities price risk:					
Defined benefit plans	X	M	M	M	M
NDT securities	X				
Future stock transactions	X				
Foreign currency risk - WPD investment and earnings	X				

X = PPL actively mitigates market risks through its risk management programs described above.
M = The regulatory environments for PPL's regulated entities, by definition, significantly mitigate market risk.

Commodity price risk

- PPL is exposed to commodity price risk through its domestic subsidiaries as described below. WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K.

- PPL is exposed to commodity price risk for energy and energy-related products associated with the sale of electricity from its generating assets and other electricity and gas marketing activities 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 risk from its obligation as PLR; however, its PUC-approved cost recovery mechanism substantially eliminates its exposure to this risk. PPL Electric also mitigates its exposure to 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.

- LG&E's and KU's rates include certain mechanisms for fuel and environmental expenses. In addition, LG&E's rates include certain mechanisms for gas supply. 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 changes in foreign currency exchange rates and interest 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, when appropriate, in connection with future debt issuances.

- PPL and its subsidiaries are exposed to interest rate risk associated with debt securities held by defined benefit plans. This risk is significantly mitigated to the extent that the plans are sponsored at, or sponsored on behalf of, the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place. Additionally, PPL 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 defined benefit plans. This risk is significantly mitigated at the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place. Additionally, PPL 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 and earnings of U.K. affiliates.

Credit Risk

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

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

PPL is exposed to credit risk from "in-the-money" commodity derivatives with its energy trading partners, which include other energy companies, fuel suppliers, financial institutions, other wholesale customers and retail customers.

The majority of PPL's credit risk stems from commodity derivatives for multi-year contracts for energy sales and purchases entered into by PPL Energy Supply. 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, subject to regulatory review or other processes, appropriate incremental costs incurred by these entities would be recoverable from customers through applicable rate mechanisms, thus mitigating the financial risk for these entities.

PPL and its subsidiaries have credit policies in place to manage credit risk, including the use of an established credit approval process, daily monitoring of counterparty positions and the use of master netting agreements or provisions. These agreements generally include credit mitigation provisions, such as margin, prepayment or collateral requirements. PPL and its subsidiaries may request additional credit assurance, in certain circumstances, in the event that the counterparties' credit ratings fall below investment grade, their tangible net worth falls below specified percentages or their exposures exceed an established credit limit. See Note 13 for credit concentration associated with energy trading partners.

Master Netting Arrangements

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

PPL's obligation to return counterparty cash collateral under master netting arrangements was $11 million at March 31, 2015 and December 31, 2014.

PPL Electric, LKE and LG&E had no obligation to return cash collateral under master netting arrangements at March 31, 2015 and December 31, 2014.

PPL, LKE and LG&E posted $22 million and $21 million of cash collateral under master netting arrangements at March 31, 2015 and December 31, 2014.

PPL Electric and KU did not post any cash collateral under master netting arrangements at March 31, 2015 and December 31, 2014.

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.

(PPL)

Commodity Price Risk (Non-trading)

Commodity price risk, including basis and volumetric risk, is among PPL's most significant risks due to the level of investment that PPL Energy Supply maintains in its competitive generation assets, as well as the extent of its 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 unregulated wholesale and unregulated 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 6,496 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 3,252 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 Energy Supply enters 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 are non-derivatives or NPNS is elected and therefore they are not reflected in the financial statements until delivery. PPL Energy Supply segregates its non-trading activities into two categories: cash flow hedges and economic activity as discussed below.

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. In 2015 and 2014, there were no active cash flow hedges and there was no hedge ineffectiveness associated with energy derivatives. At March 31, 2015, the accumulated net unrecognized after-tax gains (losses) that are expected to be reclassified into earnings during the next 12 months were $18 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 hedge transaction is probable of not occurring. There were no such reclassifications for the three months ended March 31, 2015 and 2014.

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 because 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. The derivative contracts in this category that existed at March 31, 2015 range in maturity through 2020.

Examples of economic activity may 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 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 capped at the price at which the generating unit would be dispatched and therefore does not expose PPL Energy Supply to uncovered market price risk.

The unrealized gains (losses) for economic activity for the periods ended March 31 were as follows.

	Three Months	
	2015	2014
Operating Revenues		
Unregulated wholesale energy	$ (92)	$ (789)
Unregulated retail energy	(13)	(26)
Operating Expenses		
Fuel		(1)
Energy purchases	145	580

Commodity Price Risk (Trading)

PPL Energy Supply has a proprietary trading strategy which is utilized to take advantage of market opportunities primarily in its geographic footprint. As a result, PPL Energy Supply may at times create a net open position in its portfolio that could result in losses if prices do not move in the manner or direction anticipated. Net energy trading margins, which are included in "Unregulated wholesale energy" on the Statements of Income, were insignificant for the three months ended March 31, 2015 and 2014.

Commodity Volumes

At March 31, 2015, the net volumes of derivative (sales)/purchase contracts used in support of the various strategies discussed above were as follows.

Commodity	Unit of Measure	Volumes (a) 2015 (b)	2016	2017	Thereafter
Power	MWh	(30,874,062)	(8,521,382)	(248,329)	2,236,333
Capacity	MW-Month	(3,998)	(878)	6	3
Gas	MMBtu	157,995,389	87,545,701	13,742,416	20,314,625
FTRs	MW-Month	532			
Oil	Barrels	300,328	387,429	257,483	60,000

(a) Volumes for option contracts factor in the probability of an option being exercised and may be less than the notional amount of the option.
(b) Represents balance of the current year.

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 debt portfolio due to changes in benchmark interest rates.

Cash Flow Hedges

(PPL)

Interest rate risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financings. Financial interest rate swap contracts that qualify as cash flow hedges may be entered into to hedge floating interest rate risk associated with both existing and anticipated debt issuances. At March 31, 2015, PPL held an aggregate notional value in interest rate swap contracts of $1.6 billion that range in maturity through 2045. The amount outstanding includes swaps entered into by PPL on behalf of LG&E and KU. Realized gains and losses on the LG&E and KU swaps are probable of recovery through regulated rates; as such, any gains and losses on these derivatives are included in regulatory assets or liabilities and will be recognized in "Interest Expense" on the Statements of Income over the life of the underlying debt at the time the underlying hedged interest expense is recorded.

At March 31, 2015, PPL held an aggregate notional value in cross-currency interest rate swap contracts of $1.3 billion that range in maturity from 2016 through 2028 to hedge the interest payments and principal of WPD's U.S. dollar-denominated senior notes.

For the three months ended March 31, 2015, PPL had no hedge ineffectiveness associated with interest rate derivatives and an insignificant amount for the three months ended March 31, 2014.

Cash flow hedges are discontinued if it is no longer probable that the original forecasted transaction will occur by the end of the originally specified time period and any amounts previously recorded in AOCI are reclassified into earnings once it is determined that the hedged transaction is probable of not occurring. PPL had no such reclassifications for the three months ended March 31, 2015 associated with discontinued cash flow hedges and an insignificant amount reclassified for the three months ended March 31, 2014.

At March 31, 2015, 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. In addition, see Note 8 for unamortized losses on PPL interest rate swaps expected to be reclassified into earnings and reflected in discontinued operations at the close of the spinoff transaction. Amounts are reclassified as the hedged interest expense is recorded.

(LKE, LG&E and KU)

Periodically, LG&E and KU enter into forward-starting interest rate swaps with PPL that have terms identical to forward-starting swaps entered into by PPL with third parties. Realized gains and losses on all of these swaps are probable of recovery through regulated rates; as such, any gains and losses on these derivatives are included in regulatory assets or liabilities and will be recognized in "Interest Expense" on the Statements of Income over the life of the underlying debt at the time the underlying hedged interest expense is recorded. At March 31, 2015, the total notional amount of forward starting interest rate swaps outstanding was $1 billion (LG&E and KU each held contracts of $500 million). The swaps range in maturity through 2045.

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

LG&E enters into interest rate swap contracts that economically hedge interest payments on variable rate debt. Because realized gains and losses from the swaps, including a terminated swap contract, are recoverable through regulated rates, any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities until they are realized as interest expense. Realized gains and losses are recognized in "Interest Expense" on the Statements of Income at the time the underlying hedged interest expense is recorded. At March 31, 2015, LG&E held contracts with a notional amount of $179 million that range in maturity through 2033.

Foreign Currency Risk

(PPL)

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

Net Investment Hedges

PPL enters into foreign currency contracts on behalf of a subsidiary to protect the value of a portion of its net investment in WPD. The contracts outstanding at March 31, 2015 had a notional amount of £217 million (approximately $355 million based on contracted rates). The settlement dates of these contracts range from May 2015 through June 2016.

At March 31, 2015, PPL had $24 million of accumulated net investment hedge after tax gains (losses) that were included in the foreign currency translation adjustment component of AOCI, compared to $14 million at December 31, 2014.

Economic Activity

PPL enters into foreign currency contracts on behalf of a subsidiary to economically hedge GBP-denominated anticipated earnings. At March 31, 2015, the total exposure hedged by PPL was approximately £1.3 billion (approximately $2.1 billion based on contracted rates). These contracts had termination dates ranging from April 2015 through March 2017.

Accounting and Reporting

(All Registrants)

All derivative instruments are recorded at fair value on the Balance Sheet as an asset or liability unless NPNS is elected. NPNS contracts for PPL Energy Supply include certain full-requirement sales contracts, other physical purchase and sales contracts and certain retail energy and physical capacity contracts, and for PPL Electric include certain full-requirement purchase contracts and other physical purchase contracts. Changes in the fair value of derivatives not designated as NPNS are recognized currently in earnings unless specific hedge accounting criteria are met and designated as such, except for the changes in fair values of LG&E's and KU's interest rate swaps that are recognized as regulatory assets or regulatory liabilities. See Note 6 for amounts recorded in regulatory assets and regulatory liabilities at March 31, 2015 and December 31, 2014. PPL Energy Supply has many physical and financial commodity purchases and sales contracts that economically hedge commodity price risk but do not receive hedge accounting treatment. As such, realized and unrealized gains (losses) on these contracts are recorded currently in earnings. Generally each contract is considered a unit of account and PPL presents gains (losses) on physical and financial commodity sales contracts in "Unregulated wholesale energy" or "Unregulated retail energy" and (gains) losses on physical and financial commodity purchase contracts in "Fuel" or "Energy purchases" on the Statements of Income. Certain of the economic hedging strategies employed by PPL Energy Supply utilize a combination of financial purchases and sales contracts which are similarly reported gross as an expense and revenue, respectively, on PPL's Statements of Income. PPL records realized hourly net sales or purchases of physical power with PJM in its Statements of Income as "Unregulated wholesale energy" if in a net sales position and "Energy purchases" if in a net purchase position.

See Notes 1 and 17 in each Registrant's 2014 Form 10-K for additional information on accounting policies related to derivative instruments.

(PPL)

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

	March 31, 2015				December 31, 2014			
	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments		Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current:								
Price Risk Management Assets/Liabilities (a):								
Interest rate swaps (b)		$ 160		$ 5		$ 94		$ 5
Cross-currency swaps (b)	$ 1	2				3		
Foreign currency contracts	24		$ 106	2	$ 12		$ 67	
Commodity contracts			988	904			1,079	1,024
Total current	25	162	1,094	911	12	97	1,146	1,029
Noncurrent:								
Price Risk Management Assets/Liabilities (a):								
Interest rate swaps (b)		23		47		14		43
Cross-currency swaps (b)	48				29			
Foreign currency contracts	10		69	4	5		46	2
Commodity contracts			310	259			239	193
Total noncurrent	58	23	379	310	34	14	285	238
Total derivatives	$ 83	$ 185	$ 1,473	$ 1,221	$ 46	$ 111	$ 1,431	$ 1,267

(a) Represents the location on the Balance Sheets.
(b) Excludes accrued interest, if applicable.

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities for the three months ended March 31.

Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion) 2015	Derivative Gain (Loss) Recognized in OCI (Effective Portion) 2014	Location of Gain (Loss) Recognized in Income on Derivative	2015 Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	2015 Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	2014 Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	2014 Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Cash Flow Hedges:							
Interest rate swaps	$ (19)	$ (46)	Interest expense	$ (4)		$ (5)	$ 2
Cross-currency swaps	21	(25)	Interest expense	1			
			Other income (expense) - net	17		(29)	
Commodity contracts			Unregulated wholesale energy	(2)		(1)	
			Energy purchases	8		7	
			Depreciation	1		1	
			Discontinued operations			2	
Total	$ 2	$ (71)		$ 21		$ (25)	$ 2
Net Investment Hedges:							
Foreign currency contracts	$ 16	$ (4)					

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	2015	2014
Foreign currency contracts	Other income (expense) - net	$ 88	$ (24)
Interest rate swaps	Interest expense	(2)	(2)
Commodity contracts	Unregulated wholesale energy (a)	(229)	(3,042)
	Unregulated retail energy	(39)	(64)
	Fuel	(3)	(1)
	Energy purchases (b)	196	2,364
	Discontinued operations		(2)
	Total	$ 11	$ (771)

Derivatives Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	2015	2014
Interest rate swaps	Regulatory assets- noncurrent	$ (56)	

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	2015	2014
Interest rate swaps	Regulatory assets - noncurrent	$ (4)	$ (4)

(a) 2014 includes significant realized and unrealized losses on physical and financial commodity sales contracts due to the unusually cold weather.
(b) 2014 includes significant realized and unrealized gains on physical and financial commodity purchase contracts due to the unusually cold weather.

(LKE)

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	March 31, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps		$ 122		$ 66

(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 assets for the three months ended March 31.

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	2015	2014
Interest rate swaps	Regulatory assets - noncurrent	$ (56)	

(LG&E)

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	March 31, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps		$ 61		$ 33

(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 assets for the three months ended March 31.

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	2015	2014
Interest rate swaps	Regulatory assets - noncurrent	$ (28)	

(KU)

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	March 31, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps		$ 61		$ 33

(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 assets for the three months ended March 31.

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	2015	2014
Interest rate swaps	Regulatory assets - noncurrent	$ (28)	

(LKE and LG&E)

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

	March 31, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps		$ 5		$ 5
Total current		5		5
Noncurrent:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps		47		43
Total noncurrent		47		43
Total derivatives		$ 52		$ 48

(a) Represents the location on the Balance Sheets.

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets for the three months ended March 31.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	2015	2014
Interest rate swaps	Interest expense	$ (2)	$ (2)

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	2015	2014
Interest rate swaps	Regulatory assets - noncurrent	$ (4)	$ (4)

(All Registrants except PPL Electric)

Offsetting Derivative Instruments

PPL, LKE, LG&E and KU or certain of their subsidiaries have 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 a 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. PPL, LKE, LG&E and KU and their subsidiaries also enter into agreements pursuant to which they trade 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.

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

	Assets				Liabilities			
		Eligible for Offset				Eligible for Offset		
	Gross	Derivative Instruments	Cash Collateral Received	Net	Gross	Derivative Instruments	Cash Collateral Pledged	Net
March 31, 2015								
PPL								
Energy Commodities	$ 1,298	$ 990	$ 11	$ 297	$ 1,163	$ 990	$ 49	$ 124
Treasury Derivatives	258	105		153	243	105	21	117
Total	$ 1,556	$ 1,095	$ 11	$ 450	$ 1,406	$ 1,095	$ 70	$ 241
LKE								
Treasury Derivatives					$ 174		$ 21	$ 153
LG&E								
Treasury Derivatives					$ 113		$ 21	$ 92
KU								
Treasury Derivatives					$ 61		$	$ 61
December 31, 2014								
PPL								
Energy Commodities	$ 1,318	$ 1,060	$ 10	$ 248	$ 1,217	$ 1,060	$ 58	$ 99
Treasury Derivatives	159	65		94	161	65	21	75
Total	$ 1,477	$ 1,125	$ 10	$ 342	$ 1,378	$ 1,125	$ 79	$ 174
LKE								
Treasury Derivatives					$ 114		$ 20	$ 94
LG&E								
Treasury Derivatives					$ 81		$ 20	$ 61
KU								
Treasury Derivatives					$ 33			$ 33

Credit Risk-Related Contingent Features

Certain derivative contracts contain credit risk-related contingent features which, when in a net liability position, would permit the counterparties to require the transfer of additional collateral upon a decrease in the credit ratings of PPL, LKE, LG&E and KU or certain of their subsidiaries. Most of these features would require the transfer of additional collateral or permit the counterparty to terminate the contract if the applicable credit rating were to fall below investment grade. Some of these features also would allow the counterparty to require additional collateral upon each downgrade in the credit rating at levels that remain above investment grade. In either case, if the applicable credit rating were to fall below investment grade, and assuming no assignment to an investment grade affiliate were allowed, most of these credit contingent features require either immediate payment of the net liability as a termination payment or immediate and ongoing full collateralization on derivative instruments in net liability positions.

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

(All Registrants except PPL Electric and KU)

At March 31, 2015, derivative contracts in a net liability position that contain credit risk-related contingent features, collateral posted on those positions and the related effect of a decrease in credit ratings below investment grade are summarized as follows:

	PPL	LKE	LG&E
Aggregate fair value of derivative instruments in a net liability position with credit risk-related contingent features	$ 241	$ 31	$ 31
Aggregate fair value of collateral posted on these derivative instruments	140	22	22
Aggregate fair value of additional collateral requirements in the event of a credit downgrade below investment grade (a)	128 (b)	10	10

(a) Includes the effect of net receivables and payables already recorded on the Balance Sheet.
(b) PPL Energy Supply's credit rating is currently below investment grade. Amounts related to PPL Energy Supply represent net liability positions subject to further adequate assurance features.

15. Goodwill

(PPL)

The change in the carrying amount of goodwill for the three months ended March 31, 2015 was due to the effect of foreign currency exchange rates on the U.K. Regulated segment.

16. Asset Retirement Obligations

(All Registrants except PPL Electric)

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

	PPL	LKE	LG&E	KU
Balance at December 31, 2014	$ 761	$ 285	$ 74	$ 211
Accretion	12	3	1	2
Effect of foreign currency exchange rates	(1)			
Obligations settled	(1)	(1)	(1)	
Balance at March 31, 2015	$ 771	$ 287	$ 74	$ 213

Substantially all of the ARO balances are classified as noncurrent at March 31, 2015 and December 31, 2014.

See Note 10 for information on a CCR rule that is expected to require the recording of additional AROs in the second quarter of 2015.

(PPL)

PPL's most significant ARO relates to the decommissioning of the Susquehanna nuclear plant. See Notes 13 and 17 for additional information on the assets in the NDT funds that are legally restricted for the purposes of settling this ARO.

(All Registrants except PPL Electric)

LG&E's and KU's accretion and ARO-related depreciation expense are recorded as a regulatory asset, such that there is no net earnings impact.

17. Available-for-Sale Securities

(PPL)

Securities held by the NDT funds and auction rate securities are classified as available-for-sale. Available-for-sale securities are carried on the Balance Sheets at fair value. Unrealized gains and losses on these securities are reported, net of tax, in OCI or are recognized currently in earnings when a decline in fair value is determined to be other-than-temporary. The specific identification method is used to calculate realized gains and losses.

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.

	March 31, 2015				December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
NDT funds:								
Cash and cash equivalents	$ 20			$ 20	$ 19			$ 19
Equity securities	287	$ 426		713	283	$ 417		700
Debt securities	218	12	$ 1	229	218	11		229
Receivables/payables, net	3			3	2			2
Total NDT funds	$ 528	$ 438	$ 1	$ 965	$ 522	$ 428		$ 950
Auction rate securities								
PPL	$ 11		$ 1	$ 10	$ 11		$ 1	$ 10

See Note 13 for details on the securities held by the NDT funds.

There were no securities with credit losses at March 31, 2015 and December 31, 2014.

The following table shows the scheduled maturity dates of debt securities held at March 31, 2015.

	Maturity Less Than 1 Year	Maturity 1-5 Years	Maturity 6-10 Years	Maturity in Excess of 10 Years	Total
Amortized cost	$ 11	$ 82	$ 67	$ 69	$ 229
Fair value	11	84	70	74	239

The following table shows proceeds from and realized gains and losses on sales of available-for-sale securities for the periods ended March 31.

	Three Months	
	2015	2014
Proceeds from sales of NDT securities (a)	$ 38	$ 27
Other proceeds from sales		3
Gross realized gains (b)	5	3
Gross realized losses (b)	3	1

(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.

18. Accumulated Other Comprehensive Income (Loss)

(PPL)

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

		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
December 31, 2014	$ (286)	$ 202	$ 20	$ 1	$ 3	$ (2,215)	$ 1	$ (2,274)
Amounts arising during the period	(66)	5	6			(1)		(56)
Reclassifications from AOCI		(1)	(17)	(1)		38		19
Net OCI during the period	(66)	4	(11)	(1)		37		(37)
March 31, 2015	$ (352)	$ 206	$ 9	$	$ 3	$ (2,178)	$ 1	$ (2,311)

	Foreign currency translation adjustments	Unrealized gains (losses) Available-for-sale securities	Qualifying derivatives	Equity investees' AOCI	Defined benefit plans Prior service costs	Actuarial gain (loss)	Transition asset (obligation)	Total
December 31, 2013	$ (11)	$ 173	$ 94	$ 1	$ (6)	$ (1,817)	$ 1	$ (1,565)
Amounts arising during the period	131	5	(46)					90
Reclassifications from AOCI		(1)	19		1	27		46
Net OCI during the period	131	4	(27)		1	27		136
March 31, 2014	$ 120	$ 177	$ 67	$ 1	$ (5)	$ (1,790)	$ 1	$ (1,429)

The following table presents the gains (losses) and related income taxes for reclassifications from AOCI for the three months ended March 31. The defined benefit plan components of AOCI are not reflected in their entirety in the statement of income during the periods; rather, they are included in the computation of net periodic defined benefit costs (credits). See Note 9 for additional information.

Details about AOCI	2015	2014	Affected Line Item on the Statements of Income
Available-for-sale securities	$ 2	$ 2	Other Income (Expense) - net
Total Pre-tax	2	2	
Income Taxes	(1)	(1)	
Total After-tax	1	1	
Qualifying derivatives			
Interest rate swaps	(4)	(3)	Interest Expense
Cross-currency swaps	17	(29)	Other Income (Expense) - net
	1		Interest Expense
Energy commodities	(2)	(1)	Unregulated wholesale energy
	8	7	Energy purchases
		2	Discontinued operations
	1	1	Other
Total Pre-tax	21	(23)	
Income Taxes	(4)	4	
Total After-tax	17	(19)	
Equity investees' AOCI	2		Other Income (Expense) - net
Total Pre-tax	2		
Income Taxes	(1)		
Total After-tax	1		
Defined benefit plans			
Prior service costs		(2)	
Net actuarial loss	(51)	(36)	
Total Pre-tax	(51)	(38)	
Income Taxes	13	10	
Total After-tax	(38)	(28)	
Total reclassifications during the period	$ (19)	$ (46)	

19. New Accounting Guidance Pending Adoption

(All Registrants)

Accounting for Revenue from Contracts with Customers

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

For public business entities, this guidance can be applied using either a full retrospective or modified retrospective transition method, beginning in annual reporting periods beginning after December 15, 2016 and interim periods within those years. Early adoption is not permitted. The Registrants will adopt this guidance effective January 1, 2017.

The Registrants are currently assessing the impact of adopting this guidance, as well as the transition method they will use.

Reporting Uncertainties about an Entity's Ability to Continue as a Going Concern

In August 2014, the FASB issued accounting guidance which will require management to assess, for each interim and annual period, whether there are conditions or events that raise substantial doubt about an entity's ability to continue as a going concern. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date the financial statements are issued.

When management identifies conditions or events that raise substantial doubt about an entity's ability to continue as a going concern, management is required to disclose information that enables users of the financial statements to understand the principal conditions or events that raised substantial doubt about the entity's ability to continue as a going concern and management's evaluation of the significance of those conditions or events. If substantial doubt about the entity's ability to continue as a going concern has been alleviated as a result of management's plan, the entity should disclose information that allows the users of the financial statements to understand those plans. If the substantial doubt about the entity's ability to continue as a going concern is not alleviated by management's plans, management's plans to mitigate the conditions or events that gave rise to the substantial doubt about the entity's ability to continue as a going concern should be disclosed, as well as a statement that there is substantial doubt the entity's ability to continue as a going concern within one year after the date the financial statements are issued.

For all entities, this guidance should be applied prospectively within the annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted.

The Registrants will adopt this guidance for the annual period ending December 31, 2016. The adoption of this guidance is not expected to have a significant impact on the Registrants.

Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity

In November 2014, the FASB issued guidance that clarifies how current accounting guidance should be interpreted when evaluating the economic characteristics and risks of a host contract of a hybrid financial instrument issued in the form of a share. This guidance does not change the current criteria for determining whether separation of an embedded derivative feature from a hybrid financial instrument is required. Entities are still required to evaluate whether the economic risks of the embedded derivative feature are clearly and closely related to those of the host contract, among other relevant criteria.

An entity should consider the substantive terms and features of the entire hybrid financial instrument, including the embedded derivative feature being evaluated for bifurcation, in evaluating the nature of the host contract to determine whether the host contract is more akin to a debt instrument or more akin to an equity instrument. An entity should assess the relative strength of the debt-like and equity-like terms and features when determining how to weight those terms and features.

For public business entities, this guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 and should be applied using a modified retrospective method for existing hybrid financial instruments issued in the form of a share as of the beginning of the fiscal year the guidance is adopted. Early adoption is permitted. Retrospective application is permitted but not required.

The Registrants will adopt this guidance on January 1, 2016. The adoption of this guidance is not expected to have a significant impact on the Registrants.

Income Statement Presentation of Extraordinary and Unusual Items

In January 2015, the FASB issued accounting guidance that eliminates the concept of extraordinary items, which requires an entity to separately classify, present in the income statement and disclose material events and transactions that are both unusual and occur infrequently. The requirement to report material events or transactions that are unusual or infrequent as a separate component of income from continuing operations has been retained, as has the requirement to separately present the nature and financial effects of each event or transaction in the income statement as a separate component of continuing operations or disclose them within the notes to the financial statements. The scope of these requirements has been expanded to include items that are both unusual and occur infrequently.

For all entities, this guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted provided that an entity applies the guidance from the beginning of the fiscal year of adoption. The guidance may be applied either retrospectively or prospectively.

The Registrants will adopt this guidance on January 1, 2016. The adoption of this guidance is not expected to have a significant impact on the Registrants.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued accounting guidance to simplify the presentation of debt issuance costs by requiring debt issuance costs to be presented on the balance sheet as a direct deduction from the carrying amount of the associated debt liability, consistent with the presentation of debt discounts.

For public business entities, this guidance should be applied retrospectively for financial statements issued for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. Early adoption is permitted.

The Registrants are assessing in which period they will adopt this new guidance. The adoption of this guidance will require the Registrants to reclassify debt issuance costs from assets to long-term debt, and is not expected to have a significant impact on the Registrants.

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

(All Registrants)

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

The following should be read in conjunction with the Registrants' Condensed Consolidated Financial Statements and the accompanying Notes and with the Registrants' 2014 Form 10-K. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted.

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

- "Overview" provides a description of each Registrant's business strategy, a description of key factors expected to impact future earnings and a discussion of important financial and operational developments.

- "Results of Operations" for PPL provides a detailed analysis of earnings by segment, and for PPL Electric, LKE, LG&E and KU, includes a summary of earnings. For all Registrants, "Margins" provides explanations of non-GAAP financial measures and "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income, comparing the three months ended March 31, 2015 with the same period in 2014.

- "Financial Condition - Liquidity and Capital Resources" provides an analysis of the Registrants' liquidity positions and credit profiles. This section also includes a discussion of rating agency actions.

- "Financial Condition - Risk Management" provides an explanation of the Registrants' risk management programs relating to market and credit risk.

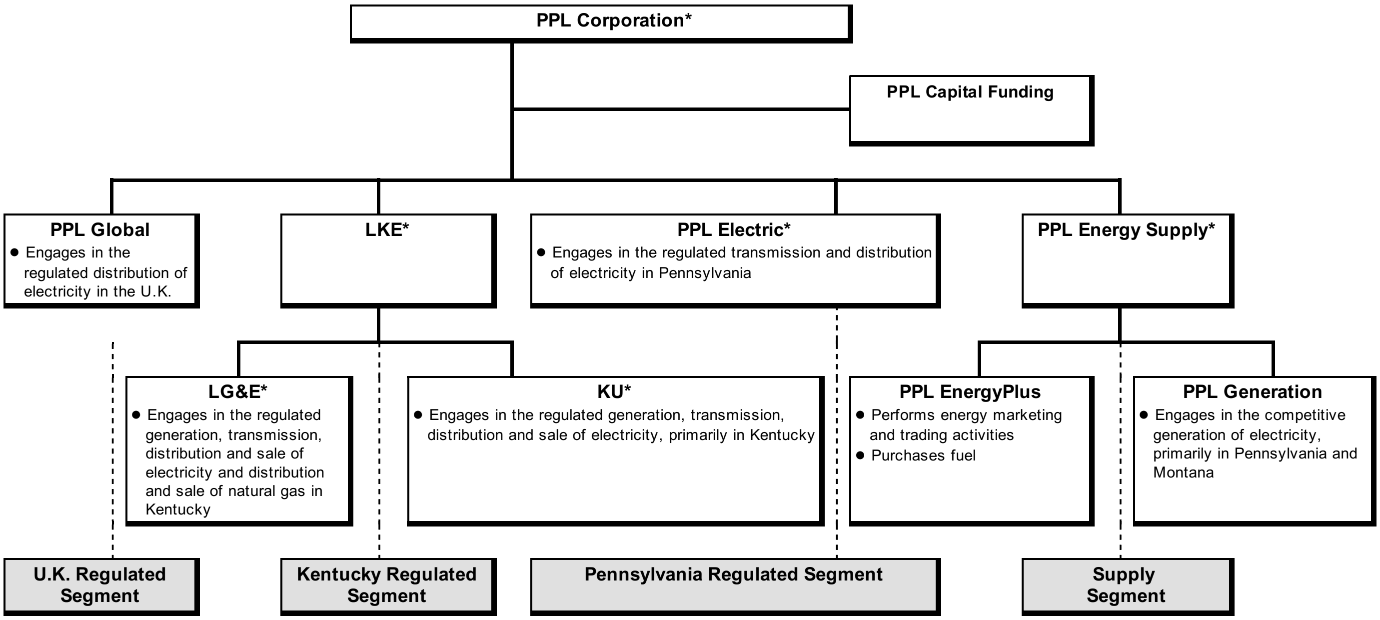
Overview

Introduction

(PPL)

PPL, headquartered in Allentown, Pennsylvania, is an energy and utility holding company. Through subsidiaries, PPL delivers electricity to customers in the U.K., Pennsylvania, Kentucky, Virginia and Tennessee; delivers natural gas to customers in Kentucky; generates electricity from power plants in the northeastern, northwestern and southeastern U.S.; and markets wholesale or retail energy primarily in the northeastern and northwestern portions of the U.S.

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



PPL's reportable segments' results primarily represent the results of its related Subsidiary Registrants, except that the reportable segments are also allocated certain corporate level financing and other costs that are not included in the results of the applicable Subsidiary Registrants. The U.K. Regulated segment does not have a related Subsidiary Registrant.

In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy. See "Business Strategy" and "Financial and Operational Developments - Other Financial and Operational Developments - Anticipated Spinoff of PPL Energy Supply" below for additional information. Beginning in the first quarter of 2015, PPL Energy Supply is filing a separate Form 10-Q.

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

(PPL Electric)

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

(LKE)

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

(LG&E)

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

(KU)

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

Business Strategy

(All Registrants)

The strategy for the regulated businesses of WPD, PPL Electric, LG&E and KU is to provide efficient, reliable and safe operations and strong customer service, maintain constructive regulatory relationships and achieve timely recovery of costs. These regulated businesses also focus on providing competitively priced energy to customers and achieving stable, long-term growth in earnings and rate base, or RAV, as applicable. Both rate base and RAV are expected to grow for the foreseeable future as a result of significant capital expenditure programs to maintain existing assets and to improve system reliability and, for LKE, LG&E and KU, to comply with federal and state environmental regulations related to coal-fired electricity generation facilities.

For the U.K. regulated businesses, effective April 1, 2015 for the RIIO-ED1 price control period, 80% of network related expenditures are added to the RAV and, together with adjustments for inflation as measured by Retail Price Index (RPI) and a return on the RAV, recovered through allowed revenue with the remaining 20% of expenditures being recovered in the current regulatory year. RAV is intended to represent expenditures that have a long-term benefit to WPD (similar to capital projects for the U.S. regulated businesses). The RAV balance at March 31, 2015 will continue to be recovered over 20 years and additions after April 1, 2023 will be recovered over 45 years; a transitional arrangement will gradually change the life over the current price control period which commenced April 1, 2015, resulting in an expected average useful life of 35 years for RAV additions in that period. In addition, incentive targets have been adjusted in RIIO-ED1, resulting in lower overall incentive revenues available to be earned. See "Financial and Operational Developments - Other Financial and Operational Developments - RIIO-ED1" below for additional information.

For the U. S. regulated businesses, recovery of capital project costs is attained through various rate-making mechanisms, including periodic base rate case proceedings, FERC formula rate mechanisms, and other regulatory agency-approved recovery mechanisms. In Kentucky, the KPSC has adopted a series of regulatory mechanisms (ECR, DSM, GLT, fuel adjustment clause, gas supply clause and recovery on certain construction work-in-progress) that reduce regulatory lag and provide for timely recovery of and a return on, as appropriate, prudently incurred costs. In Pennsylvania, the FERC transmission formula rate, DSIC mechanism and other recovery mechanisms are in place to reduce regulatory lag and provide for timely recovery of and a return on, as appropriate, prudently incurred costs.

To manage financing costs and access to credit markets, and to fund capital expenditures, a key objective of the Registrants is to maintain investment grade credit ratings and adequate liquidity positions. In addition, the Registrants have financial and operational risk management programs that, among other things, are designed to monitor and manage exposure to earnings and cash flow volatility related to, as applicable, changes in energy and fuel prices, interest rates, counterparty credit quality and the operating performance of generating units. To manage these risks, PPL generally uses contracts such as forwards, options, swaps and insurance contracts.

(PPL)

In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy. Under the terms of the agreements, at closing, PPL will spin off to PPL shareowners a newly formed entity, Holdco, which at such time will own all of the membership interests of PPL Energy Supply and all of the common stock of Talen Energy. Immediately following the spinoff, Holdco will merge with a special purpose subsidiary of Talen Energy, with Holdco continuing as the surviving company to the merger and as a wholly owned subsidiary of Talen Energy and the sole owner of PPL Energy Supply. Substantially contemporaneous with the spinoff and merger, RJS Power will be contributed by its owners to become a subsidiary of Talen Energy. Following completion of these transactions, PPL shareowners will own 65% of Talen Energy and affiliates of Riverstone will own 35%. PPL will have no continuing ownership interest in, control of, or affiliation with Talen Energy. The transaction is intended to be tax-free to PPL and its shareowners for U.S. federal income tax purposes and is subject to customary closing conditions, including receipt of required regulatory approvals from the NRC, FERC, DOJ and

PUC, all of which were received by mid-April 2015. In addition, there must be available, subject to certain conditions, at least $1 billion of undrawn credit capacity under a revolving credit or similar facility of Talen Energy or one or more of its subsidiaries. Any letters of credit or other credit support measures posted in connection with energy marketing and trading transactions at the time of the spinoff are excluded from this calculation.

In connection with the FERC approval, PPL and RJS Power have agreed that within 12 months after closing of the transaction, Talen Energy will divest approximately 1,300 MW of generating assets in one of two groups of assets (from PPL Energy Supply's existing portfolio, this includes either the Holtwood and Wallenpaupack hydroelectric facilities or the Ironwood facility), and limit PJM energy market offers from assets it would retain in the other group to cost-based offers.

On April 29, 2015, PPL's Board of Directors declared the distribution of Holdco to PPL's shareowners of record on May 20, 2015, with the spinoff to occur on June 1, 2015. Based on the number of shares of PPL common stock outstanding at April 29, 2015, the distribution ratio is expected to be approximately 0.125 shares of Talen common stock for each share of PPL common stock. The final ratio will be determined after the record date. The spinoff will have no effect on the number of PPL common shares owned by PPL shareowners or the number of shares of PPL common stock outstanding.

Talen Energy will own and operate a diverse mix of approximately 14,000 MW (after divestitures to meet FERC market power standards) of generating capacity in certain U.S. competitive energy markets primarily in PJM and ERCOT.

Following the transaction, PPL's focus will be on its regulated utility businesses in the U.K., Kentucky and Pennsylvania, serving more than 10 million customers. PPL intends to maintain a strong balance sheet and manage its finances consistent with maintaining investment grade credit ratings and providing a competitive total shareowner return, including an attractive dividend. Excluding costs required to provide transition services to Talen Energy and following the spinoff transaction, PPL expects to reduce annual ongoing corporate support costs by approximately $75 million.

See "Financial and Operational Developments - Other Financial and Operational Developments - Anticipated Spinoff of PPL Energy Supply" below for additional information.

The strategy for PPL Energy Supply is to optimize the value from its competitive generation asset and marketing portfolios while mitigating near-term volatility in both cash flows and earnings. 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. PPL Energy Supply is focused on maintaining profitability and positive cash flow during this current period of low energy and capacity prices.

Earnings generated by PPL's U.K. subsidiaries are 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.

Financial and Operational Developments

Earnings *(PPL)*

PPL's earnings by reportable segments for the periods ended March 31, were as follows:

	Three Months		
	2015	2014	$ Change
U.K. Regulated	$ 375	$ 206	$ 169
Kentucky Regulated	109	107	2
Pennsylvania Regulated	87	85	2
Supply	95	(75)	170
Corporate and Other (a)	(19)	(7)	(12)
Net Income	$ 647	$ 316	$ 331
EPS - basic	$ 0.97	$ 0.50	$ 0.47
EPS - diluted (b)	$ 0.96	$ 0.49	$ 0.47

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

(b) See Note 4 to the Financial Statements for information on the Equity Units' impact on the calculation of diluted EPS.

The following after-tax gains (losses), in total, which management considers special items, impacted PPL's results for the periods ended March 31. See PPL's "Results of Operations - Segment Earnings" for details of each segment's special items.

	Three Months		
	2015	2014	$ Change
U.K. Regulated	$ 39	$ (58)	$ 97
Supply (a)	95	(75)	170
Corporate and Other (b)	(6)		(6)
Total PPL	$ 128	$ (133)	$ 261

(a) As a result of the anticipated spinoff of PPL Energy Supply, substantially representing PPL's Supply segment, management is now considering the operating results of the Supply segment to be a special item. See Note 8 to the Financial Statements for additional information.
(b) Primarily includes external transaction and transition costs related to the anticipated spinoff of PPL Energy Supply. See Note 8 to the Financial Statements for additional information.

2015 Outlook

(PPL)

In anticipation of the spinoff of PPL Energy Supply, no forward looking information, including an earnings forecast, is being provided for the Supply segment.

Excluding special items, including Supply segment earnings, higher earnings are expected in 2015 compared with 2014, after adjusting 2014 to include certain dissynergies in the Corporate and Other category that were recorded in the Supply segment. The following projections and factors underlying these projections (on an after-tax basis) are provided for PPL's other segments and the Corporate and Other category and the related Registrants.

(PPL's U.K. Regulated Segment)

Excluding special items, higher earnings are projected in 2015 compared with 2014, primarily driven by lower income taxes, lower depreciation expense and effects of foreign currency, partially offset by lower utility revenue as Western Power Distribution transitions to a new eight-year price control period (RIIO-ED1) effective April 1, 2015. The remaining 2015 foreign currency earnings exposure for this segment is 97 percent hedged.

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

Higher earnings are projected in 2015 compared with 2014, primarily driven by anticipated electric and gas base rate increases and returns on additional environmental capital investments, partially offset by higher operation and maintenance expense, higher depreciation and higher financing costs.

(PPL's Pennsylvania Regulated Segment and PPL Electric)

Excluding special items, lower earnings are projected in 2015 compared with 2014, primarily driven by higher operation and maintenance expense, higher depreciation, higher financing costs and a benefit recorded in the first quarter of 2014 for a change in estimate of a regulatory liability, partially offset by higher transmission margins and returns on distribution improvement capital investments.

(PPL's Corporate and Other Category)

Excluding special items, lower costs are projected in 2015 compared with 2014, after adjusting 2014 to include certain dissynergies in the Corporate and Other category that were recorded in the Supply segment, primarily driven by the reduction of those dissynergies in 2015 through corporate restructuring efforts and lower income taxes.

(All Registrants)

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," the rest of this Item 2, Notes 6 and 10 to the Financial Statements and "Item 1A. Risk Factors" in this Form 10-Q (as applicable) and "Item 1. Business" and "Item 1A. Risk Factors" in the Registrants' 2014 Form 10-K for a discussion of the risks, uncertainties and factors that may impact future earnings.

Other Financial and Operational Developments

Economic and Market Conditions

(All Registrants except PPL Electric)

The businesses of PPL Energy Supply, LKE, LG&E and KU are subject to extensive federal, state and local environmental laws, rules and regulations, including those pertaining to CCRs, GHG, effluent limitation guidelines and MATS. See "Financial Condition - Environmental Matters" below for additional information on these requirements. These and other stringent environmental requirements, combined with low energy margins for competitive generation, have led several energy companies, including PPL, PPL Energy Supply, LKE, LG&E and KU, to announce plans either to temporarily or permanently close, and/or impair certain of their coal-fired generating plants.

(PPL)

Given current and forecasted economic and market conditions, the announced transaction with affiliates of Riverstone to form Talen Energy, PPL Energy Supply's current sub-investment grade credit rating and Talen Energy's expected sub-investment grade credit rating, PPL Energy Supply will continue to monitor its business and operational plans, including capital and operation and maintenance expenditures, its hedging strategies and potential plant modifications to burn lower cost fuels. See "Margins - Changes in Non-GAAP Financial Measures - Unregulated Gross Energy Margins" below for additional information on energy margins.

(All Registrants)

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

(PPL)

Anticipated Spinoff of PPL Energy Supply

Following the announcement of the transaction to form Talen Energy as discussed in "Business Strategy" above, efforts were initiated to identify the appropriate staffing for Talen Energy and for PPL and its subsidiaries following completion of the spinoff. Organizational plans were substantially completed in 2014. The new organizational plans identified the need to resize and restructure the organizations and as a result, in 2014, estimated charges for employee separation benefits were recorded. See Note 8 in the 2014 Form 10-K for additional information. The separation benefits include cash severance compensation, lump sum COBRA reimbursement payments and outplacement services. Most separations and payment of separation benefits are expected to be completed by the end of 2015. At March 31, 2015 and December 31, 2014, the recorded liabilities related to the separation benefits were $19 million and $30 million, which are included in "Other current liabilities" on the Balance Sheets.

Additional employee-related costs to be incurred primarily include accelerated stock-based compensation and pro-rated performance-based cash incentive and stock-based compensation awards, primarily for PPL Energy Supply employees and for PPL employees who have become PPL Energy Supply employees in connection with the transaction. These costs will be recognized at the spinoff closing date. PPL estimates these additional costs will be in the range of $30 million to $40 million.

PPL recorded $6 million of third-party costs during the three months ended March 31, 2015 related to this transaction. Of these costs, $2 million were primarily for legal and accounting fees to facilitate the transaction, and are recorded in "Other Income (Expense) - net" on the Statement of Income. An additional $4 million of consulting and other costs were incurred to ready the new Talen Energy organization and reconfigure the remaining PPL service functions. These costs are recorded in "Other operation and maintenance" on the Statement of Income. PPL recorded $27 million of third-party costs in 2014 related to this transaction. PPL currently estimates a range of total third-party costs that will ultimately be incurred of between $60 million and $70 million.

The assets and liabilities of PPL's Supply segment will continue to be classified as "held and used" on PPL's Balance Sheet until the closing of the transaction, at which time the operations of the Supply segment will be classified as discontinued operations. At the close of the transaction, unamortized losses on PPL interest rate swaps recorded in AOCI and designated as hedges of PPL Energy Supply's future interest payments will be reclassified into earnings and reflected in discontinued operations. The amount of these unamortized losses deferred in AOCI at March 31, 2015 was $55 million after-tax.

In conducting its annual goodwill impairment assessment in the fourth quarter of 2014 for its Supply segment reporting unit, PPL determined that the estimated fair value of the Supply segment exceeded its carrying value and no impairment was recognized. PPL had not identified any indicators of impairment as of March 31, 2015, but cannot predict whether an impairment loss will be recorded at the spinoff date. An impairment loss would be recognized by PPL at the spinoff date if the aggregate carrying amount of the Supply segment's assets and liabilities exceed their aggregate fair value at that date and would be reflected in discontinued operations. Upon completion of this transaction, PPL will no longer have a Supply segment.

RIIO-ED1

On April 1, 2015, the RIIO-ED1 eight-year price control period commenced for WPD's four DNOs. In February 2014, Ofgem published formal confirmation that WPD's Business Plans submitted by its four DNOs under RIIO-ED1 were accepted as submitted, or "fast-tracked." Fast tracking affords several benefits to the WPD DNOs including the ability to collect additional revenue equivalent to 2.5% of total annual expenditures during the eight-year price control period, or approximately $43 million annually, greater revenue certainty and a higher level of cost savings retention. See "Item 1. Business - Segment Information - U.K. Regulated Segment" of PPL's 2014 Form 10-K for additional information on RIIO-ED1.

Depreciation

Effective January 1, 2015, after completing a review of the useful lives of its distribution network assets, WPD extended the weighted average useful lives of these assets to 69 years from 55 years. For the three months ended March 31, 2015, this change in useful lives resulted in lower depreciation of $20 million ($16 million after-tax or $0.02 per share). It is expected to result in an annual reduction in depreciation of approximately $81 million ($65 million after-tax or $0.10 per share) in 2015.

Susquehanna Turbine Blade Inspection

PPL Susquehanna continues to make modifications to address the causes of turbine blade cracking at the PPL Susquehanna nuclear plant first identified in 2011. Unit 1 completed its planned refueling and turbine inspection outage in June 2014 and installed newly designed shorter last stage blades on one of the low pressure turbines. This change allowed Unit 1 to run with reduced blade vibration and no identified cracking during 2014. In the first, second and third quarters of 2014, Unit 2 was shut down for blade inspection and replacement, as well as additional maintenance. The financial impact of the Unit 2 outages was not material. Based on the positive experience on Unit 1, the same short blade modifications are currently being installed on two of the three turbines on Unit 2 during the spring 2015 scheduled refueling outage. All remaining turbine blade modifications are scheduled to be performed during planned refueling and maintenance outages. Inspections will be performed over the next several maintenance cycles to validate the performance of the modifications and ensure that the problem has been corrected. PPL Susquehanna does not expect additional unscheduled turbine maintenance outages after these modifications are complete.

IRS Audits for 1998 - 2011

In February 2015, PPL and the IRS Appeals division reached a settlement on the amount of PPL's refund from its open audits for the years 1998 - 2011. The settlement was required to be reviewed and approved by the Joint Committee on Taxation (JCT) before it is considered final. In April 2015, PPL was notified that the JCT approved PPL's settlement. Subject to a final determination of interest on the refund, PPL expects to record a tax benefit in the range of $20 million to $30 million in the second quarter of 2015 related to the settlement of previously unrecognized tax benefits.

(PPL and PPL Electric)

Rate Case Proceedings

On March 31, 2015, PPL Electric filed a request with the PUC for an increase in its annual distribution revenue requirement of approximately $167.5 million. The proposal would result in a rate increase of 3.9% on a total bill basis and is expected to become effective on January 1, 2016. PPL Electric's application includes a request for an authorized return-on-equity of 10.95%. The application is based on a fully projected future test year of January 1, 2016 through December 31, 2016.

Concurrently, PPL Electric filed a petition requesting a waiver of the DSIC cap of 5% of billed revenues and approval to increase the maximum allowable DSIC from 5% to 7.5% for service rendered after January 1, 2016. PPL Electric is requesting that the PUC consolidate these two proceedings and cannot predict the outcome.

(PPL, LKE and KU)

FERC Wholesale Formula Rates

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 a true-up. KU's application proposed an authorized return on equity of 10.7%. Certain elements, including the new formula rate, became effective April 23, 2014, subject to refund. In April 2014, nine municipalities submitted notices of termination, under the original notice period provisions, to cease taking power under the wholesale requirements contracts. Such terminations are to be effective in 2019, except in the case of one municipality with a 2017 effective date. In addition, a tenth municipality which has a previously settled termination date of 2016 has given notice that it will transfer service in June 2015. In July 2014, KU agreed on settlement terms with the two municipal customers that did not provide termination notices and filed the settlement proposal with the FERC for its approval. In August 2014, the FERC issued an order on the interim settlement agreement allowing the proposed rates to become effective pending a final order. If approved, the settlement agreement will resolve the rate case with respect to these two municipalities, including an authorized return on equity of 10% or the return on equity awarded to other parties in this case, whichever is lower. Also in July 2014, KU made a contractually required filing with the FERC that addressed certain rate recovery matters affecting the nine terminating municipalities during the remaining term of their contracts. KU and the terminating municipalities continue settlement discussions in this proceeding. KU cannot currently predict the outcome of its FERC applications regarding its wholesale power agreements with the municipalities.

(PPL, LKE, LG&E and KU)

Rate Case Proceedings

On November 26, 2014, LG&E and KU filed requests with the KPSC for increases in annual base electricity rates for LG&E's electric and gas operations and KU's electric operations. On April 20, 2015, LG&E and KU, and the other parties to the proceeding, filed a unanimous settlement agreement with the KPSC. Among other things, the proposed settlement provides for increases in the annual revenue requirements associated with KU base electric rates of $125 million and LG&E base gas rates of $7 million. The annual revenue requirement associated with base electric rates at LG&E will not increase. The settlement did not establish a specific return on equity with respect to the base rates, however an authorized 10% return on equity will be utilized in the ECR and GLT mechanisms. The settlement agreement provides for deferred recovery of costs associated with Green River Units 3 and 4 through their retirement. The new regulatory asset will be amortized over three years. The settlement also provides regulatory asset treatment for the difference between pension expense currently booked in accordance with LG&E and KU's pension accounting policy and such an expense using a 15 year amortization period for actuarial gains and losses. The proposed settlement remains subject to KPSC approval. If approved, the new rates and all elements of the settlement would be effective July 1, 2015.

Results of Operations

(PPL)

The discussion for PPL provides a review of results by reportable segment. The "Margins" discussion provides explanations of non-GAAP financial measures (Kentucky Gross Margins, Pennsylvania Gross Delivery Margins and Unregulated Gross Energy Margins) and a reconciliation of non-GAAP financial measures to "Operating Income." The "Statement of Income Analysis" discussion addresses significant changes in principal line items on PPL's Statements of Income, comparing the three months ended March 31, 2015 with the same period in 2014. "Segment Earnings, Margins and Statement of Income Analysis" is presented separately for PPL.

Tables analyzing changes in amounts between periods within "Segment Earnings" 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.

(Subsidiary Registrants)

The discussion for each of PPL Electric, LKE, LG&E and KU provides a summary of earnings. The "Margins" discussion includes a reconciliation of non-GAAP financial measures to "Operating Income" and "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income comparing the three months ended March 31, 2015 with the same period in 2014. "Earnings, Margins and Statement of Income Analysis" is presented separately for PPL Electric, LKE, LG&E and KU.

(All Registrants)

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

PPL: Segment Earnings, Margins and Statement of Income Analysis

Segment Earnings

U.K. Regulated Segment

The U.K. Regulated segment consists of PPL Global which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from British pound sterling into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs, and allocated financing costs. The U.K. Regulated segment represents 58% of Net Income for the three months ended March 31, 2015 and 33% of PPL's assets at March 31, 2015.

Net Income for the periods ended March 31 includes the following results:

	Three Months		
	2015	2014	$ Change
Utility revenues	$ 686	$ 637	$ 49
Energy-related businesses	11	11	
Total operating revenues	697	648	49
Other operation and maintenance	103	108	(5)
Depreciation	59	83	(24)
Taxes, other than income	36	38	(2)
Energy-related businesses	7	7	
Total operating expenses	205	236	(31)
Other Income (Expense) - net	88	(24)	112
Interest Expense	100	122	(22)
Income Taxes	105	60	45
Net Income	$ 375	$ 206	$ 169

The changes in the results of the U.K. Regulated segment between these periods were due to the factors set forth below, which reflect certain items that management considers special and effects of movements in foreign currency exchange on separate lines within the table and not in their respective Statement of Income line items. See below for additional detail of the special items.

	Three Months
U.K.	
Utility revenues	$ 33
Other operation and maintenance	(3)
Depreciation	20
Interest expense	5
Income taxes	(6)
U.S.	
Interest expense and other	9
Income taxes	7
Foreign currency exchange, after-tax	7
Special items, after-tax	97
Total	$ 169

U.K.

- Higher utility revenues primarily due to $42 million from the April 1, 2014 price increase, partially offset by $10 million of lower volume.
- Lower depreciation expense primarily due to a $20 million impact of an extension of the network asset lives. See Note 2 to the Financial Statements for additional information.

The following after-tax gains (losses), which management considers special items, also impacted the U.K. Regulated segment's results during the periods ended March 31.

	Income Statement Line Item	Three Months 2015	Three Months 2014
Foreign currency-related economic hedges, net of tax of $(20), $3 (a)	Other Income (Expense)-net	$ 37	$ (6)
WPD Midlands acquisition-related adjustment, net of tax of $(1), $0	Other operation and maintenance	2	
Change in WPD line loss accrual, net of tax of $0, $13 (b)	Utility		(52)
Total		$ 39	$ (58)

(a) Represents unrealized gains (losses) on contracts that economically hedge anticipated GBP denominated earnings.
(b) In March 2014, Ofgem issued its final decision on the DPCR4 line loss incentives and penalties mechanism. As a result, WPD increased its existing liability by $65 million, pre-tax, for over-recovery of line losses. See Note 6 to the Financial Statements for additional information.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations of LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain financing costs are allocated to the Kentucky Regulated segment. The Kentucky Regulated segment represents 17% of Net Income for the three months ended March 31, 2015 and 27% of PPL's assets at March 31, 2015.

Net Income for the periods ended March 31 includes the following results:

	Three Months 2015	Three Months 2014	$ Change
Utility revenues	$ 899	$ 934	$ (35)
Fuel	253	277	(24)
Energy purchases	92	124	(32)
Other operation and maintenance	209	206	3
Depreciation	95	86	9
Taxes, other than income	14	13	1
Total operating expenses	663	706	(43)
Other Income (Expense) - net	(1)	(2)	1
Interest Expense	55	55	
Income Taxes	71	64	7
Net Income	$ 109	$ 107	$ 2

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

	Three Months
Kentucky Gross Margins	$ 14
Other operation and maintenance	(2)
Depreciation	(4)
Other Income (Expense) - net	1
Income taxes	(7)
Total	$ 2

- See "Margins - Changes in Non-GAAP Financial Measures" for an explanation of Kentucky Gross Margins.
- Higher depreciation expense primarily due to PP&E additions, net.
- Higher income taxes due to higher pre-tax income which increased income taxes by $4 million and the establishment of a valuation allowance on a deferred tax asset of $3 million.

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric. The Pennsylvania Regulated segment represents 13% of Net Income for the three months ended March 31, 2015 and 16% of PPL's assets at March 31, 2015.

Net Income for the periods ended March 31 includes the following results:

	Three Months		
	2015	2014	$ Change
Utility revenues	$ 630	$ 592	$ 38
Energy purchases			
External	227	189	38
Intersegment	9	27	(18)
Other operation and maintenance	133	134	(1)
Depreciation	51	45	6
Taxes, other than income	35	32	3
Total operating expenses	455	427	28
Other Income (Expense) - net	2	2	
Interest Expense	31	29	2
Income Taxes	59	53	6
Net Income	$ 87	$ 85	$ 2

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

	Three Months
Pennsylvania Gross Delivery Margins	$ 13
Other operation and maintenance	2
Depreciation	(6)
Interest expense	(2)
Other	1
Income taxes	(6)
Total	$ 2

- See "Margins - Changes in Non-GAAP Financial Measures" for an explanation of Pennsylvania Gross Delivery Margins.
- Higher depreciation expense primarily due to transmission PP&E additions, net as well as additions related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure.
- Higher income taxes primarily due to higher pre-tax income.

Supply Segment

The Supply segment primarily consists of PPL Energy Supply's wholesale, retail, marketing and trading activities, as well as its competitive generation operations. In addition, certain financing and other costs are allocated to the Supply segment. The Supply segment represents 15% of Net Income for the three months ended March 31, 2015 and 22% of PPL's assets at March 31, 2015.

In June 2014, PPL and PPL Energy Supply, which primarily represents PPL's Supply segment, executed definitive agreements with affiliates of Riverstone to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy. Upon completion of this transaction, PPL will no longer have a Supply segment. See Note 8 to the Financial Statements for additional information.

Net Income for the periods ended March 31 includes the following results:

	Three Months		
	2015	2014	$ Change
Energy revenues			
External (a) (b)	$ 833	$ (1,107)	$ 1,940
Intersegment	9	27	(18)
Energy-related businesses	104	125	(21)
Total operating revenues	946	(955)	1,901
Fuel (a)	351	482	(131)
Energy purchases (a) (c)	1	(1,804)	1,805
Other operation and maintenance	226	229	(3)
Depreciation	77	75	2
Taxes, other than income	15	18	(3)
Energy-related businesses	98	124	(26)
Total operating expenses	768	(876)	1,644

	Three Months		
	2015	2014	$ Change
Other Income (Expense) - net	7	6	1
Interest Expense	38	46	(8)
Income Taxes	52	(52)	104
Income (Loss) from Discontinued Operations		(8)	8
Net Income	$ 95	$ (75)	$ 170

(a) Includes the impact from energy-related economic activity. See "Commodity Price Risk (Non-trading) - Economic Activity" in Note 14 to the Financial Statements for additional information.
(b) 2014 includes significant realized and unrealized losses on physical and financial commodity sales contracts due to the unusually cold weather experienced in the first quarter of 2014.
(c) 2014 includes significant realized and unrealized gains on physical and financial commodity purchase contracts due to the unusually cold weather experienced in the first quarter of 2014.

The changes in the results of the Supply segment between these periods were due to the factors set forth below, which reflect amounts classified as Unregulated Gross Energy Margins and certain other items on separate lines and not in their respective Statement of Income line items. See below for additional detail of these other items.

	Three Months
Unregulated Gross Energy Margins	$ (58)
Other operation and maintenance	8
Other Income (Expense) - net	1
Interest expense	9
Other	2
Income taxes	5
Energy-related businesses	5
Discontinued operations, after-tax	27
Other items, after-tax	171
Total	$ 170

- See "Margins - Changes in Non-GAAP Financial Measures" for an explanation of Unregulated Gross Energy Margins.
- Lower other operation and maintenance primarily due to lower labor costs attributable to restructuring activities.
- Lower interest expense primarily due to certain PPL Capital Funding debt no longer being associated with the Supply segment in 2015 and represents a dissynergy for PPL related to the spinoff of PPL Energy Supply.

The following after-tax gains (losses), reflected as "Other items, after-tax" in the table above, also impacted the Supply segment's results during the periods ended March 31.

	Income Statement Line Item	Three Months	
		2015	2014
Adjusted energy-related economic activity - net, net of tax of $(18), $95	(a)	$ 27	$ (139)
Kerr Dam Project impairment, net of tax of $0, $8 (b)	Discontinued Operations		(10)
Corette closure costs, net of tax of $2, $0 (c)	Other operation and maintenance	(3)	
Spinoff of PPL Energy Supply:			
Transition costs, net of tax of $0, $0	Other operation and maintenance	(1)	
Employee transitional services, net of tax of $1, $0	Other operation and maintenance	(1)	
Total		$ 22	$ (149)

(a) Represents unrealized gains (losses), after-tax, on economic activity. See "Commodity Price Risk (Non-trading) - Economic Activity" in Note 14 to the Financial Statements for additional information. Amounts have been adjusted for insignificant option premiums.
(b) In 2014, an arbitration panel issued its final decision holding that the conveyance price payable to PPL Montana was $18 million. As a result, PPL determined the Kerr Dam Project was impaired and recorded a pre-tax charge of $18 million. See Note 13 to the Financial Statements for additional information.
(c) Operations were suspended and the Corette plant was retired in March 2015.

Margins

Non-GAAP Financial Measures

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

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

- "Pennsylvania Gross Delivery Margins" is a single financial performance measure of the electricity delivery operations of the Pennsylvania Regulated segment and PPL Electric, 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 reconciliation table below (in "Energy purchases from affiliate" in PPL Electric's reconciliation table). As a result, this measure represents the net revenues from the Pennsylvania Regulated segment's and PPL Electric's electricity delivery operations.

- "Unregulated Gross Energy Margins" is a single financial performance measure of the Supply segment's competitive energy activities, which are managed on a geographic basis. In calculating this measure, energy revenues, including operating revenues associated with certain businesses 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, recorded in "Taxes, other than income," and operating expenses associated with certain businesses classified as discontinued operations. This performance measure is relevant 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 "Unregulated wholesale energy," "Unregulated retail energy" or "Energy purchases" on the Statements of Income. This performance measure includes PLR revenues from energy sales to PPL Electric by PPL EnergyPlus, which are reflected in "PLR intersegment utility revenue (expense)" in the reconciliation table below. "Unregulated Gross Energy Margins" excludes 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 the 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. Adjusted energy-related economic activity includes the ineffective portion of qualifying cash flow hedges and premium amortization associated with options. Unrealized gains and losses related to this activity are deferred and included in "Unregulated Gross Energy Margins" over the delivery period of the item that was hedged or upon realization.

These measures are not intended to replace "Operating Income," which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and report their results of operations. Management believes these measures provide additional useful criteria to make investment decisions. These performance measures are used, in conjunction with other information, by senior management and PPL's Board of Directors to manage the operations and analyze actual results compared with budget.

Reconciliation of Non-GAAP Financial Measures

The following table contains the components from the Statement of Income that are included in the non-GAAP financial measures and a reconciliation to PPL's "Operating Income" for the periods ended March 31.

	2015 Three Months					2014 Three Months				
	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	$ 899	$ 630		$ 685 (c)	$ 2,214	$ 934	$ 592		$ 636 (c)	$ 2,162
PLR intersegment utility revenue (expense) (d)		(9)	$ 9				(27)	$ 27		
Unregulated wholesale energy			614	(93)(e)	521			(665)	(792)(e)	(1,457)
Unregulated retail energy			324	(14)(e)	310			377	(29)(e)	348
Energy-related businesses				120	120				141	141
Total Operating Revenues	899	621	947	698	3,165	934	565	(261)	(44)	1,194
Operating Expenses										
Fuel	253		351		604	277		481		758
Energy purchases	92	227	152	(150)(e)	321	124	189	(1,219)	(588)(e)	(1,494)
Other operation and maintenance	24	26	4	614	668	23	25	7	613	668
Depreciation	7			286	293	2			298	300
Taxes, other than income	1	33	12	55	101		29	13	59	101
Energy-related businesses			2	109	111			2	136	138
Total Operating Expenses	377	286	521	914	2,098	426	243	(716)	518	471
Income (Loss) from Discontinued Operations								29	(29)(f)	
Total	$ 522	$ 335	$ 426	$ (216)	$ 1,067	$ 508	$ 322	$ 484	$ (591)	$ 723

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.
(c) Primarily represents WPD's utility revenue.
(d) Primarily related to PLR supply sold by PPL EnergyPlus to PPL Electric.
(e) Includes energy-related economic activity, which is subject to fluctuations in value due to market price volatility. See "Commodity Price Risk (Non-trading) - Economic Activity" in Note 14 to the Financial Statements. Amounts have been adjusted for insignificant option premiums.
(f) Represents the revenues associated with the hydroelectric generating facilities located in Montana that are classified as discontinued operations. These revenues are not reflected in "Operating Income" on the Statements of Income.

Changes in Non-GAAP Financial Measures

The following table shows the non-GAAP financial measures by PPL's reportable segment and by component, as applicable, for the three months ended March 31 as well as the change between periods. The factors that gave rise to the changes are described following the table.

	Three Months		
	2015	2014	$ Change
Kentucky Regulated			
Kentucky Gross Margins			
LG&E	$ 230	$ 226	$ 4
KU	292	282	10
LKE	$ 522	$ 508	$ 14
Pennsylvania Regulated			
Pennsylvania Gross Delivery Margins			
Distribution	$ 242	$ 249	$ (7)
Transmission	93	73	20
Total	$ 335	$ 322	$ 13
Supply			
Unregulated Gross Energy Margins			
Eastern U.S.	$ 405	$ 435	$ (30)
Western U.S.	21	49	(28)
Total	$ 426	$ 484	$ (58)

Kentucky Gross Margins

Kentucky Gross Margins increased primarily due to returns on additional environmental capital investments of $18 million ($10 million at LG&E and $8 million at KU) and higher demand revenue of $7 million ($6 million at KU and $1 million at LG&E) partially offset by lower sales volume of $10 million ($6 million at KU and $4 million at LG&E). The change in sales volume was primarily attributable to milder winter weather conditions in 2015 compared to 2014.

Pennsylvania Gross Delivery Margins

Distribution

Distribution margins decreased primarily due to a $12 million benefit recorded in the first quarter of 2014 as a result of a change in estimate of a regulatory liability partially offset by a $4 million favorable effect of distribution improvement capital investments and a $4 million impact of favorable weather.

Transmission

Transmission margins increased primarily due to increased capital investments.

Unregulated Gross Energy Margins

Eastern U.S.

Eastern margins decreased primarily due to lower capacity prices of $69 million, unusually cold weather conditions in 2014 as discussed below of $38 million, net change on commodity positions of $28 million and full-requirement sales contracts of $22 million, partially offset by higher baseload energy prices of $75 million and favorable asset performance of $49 million.

During the first quarter of 2014, the PJM region experienced unusually cold weather conditions, higher demand and congestion patterns, causing rising natural gas and electricity prices in spot and near-term forward markets. Due to these market dynamics, PPL Energy Supply captured opportunities on unhedged generation, which were offset primarily by losses incurred by under-hedged full-requirement sales contracts and retail electric portfolios which were not fully hedged or able to be fully hedged given the extreme load conditions and lack of market liquidity.

Western U.S.

Western margins decreased primarily due to the sale of the Montana hydroelectric generating facilities in November 2014.

Statement of Income Analysis --

Utility Revenues

The increase (decrease) in utility revenues for the period ended March 31, 2015 compared with 2014 was due to:

	Three Months
Domestic:	
PPL Electric (a)	$ 38
LKE (b)	(35)
Total Domestic	3
U.K.:	
Price (c)	42
Foreign currency exchange rates	(48)
Volume	(10)
Line loss accrual adjustments (d)	65
Total U.K.	49
Total	$ 52

(a) See "Pennsylvania Gross Delivery Margins" for further information.
(b) See "Kentucky Gross Margins" for further information.
(c) The increase was due to a price increase effective April 1, 2014.
(d) The increase was due to unfavorable accrual adjustments in 2014 based on Ofgem's final decision on the DPCR4 line loss incentives and penalties. See Note 6 to the Financial Statements for additional information.

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related increase (decrease) during the period ended March 31, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months
Unregulated wholesale energy (a)	$ 1,978
Unregulated retail energy	(38)
Fuel	(154)
Energy purchases (b)	1,815

(a) 2014 includes significant realized and unrealized losses on physical and financial commodity sales contracts due to the unusually cold weather
(b) 2014 includes significant realized and unrealized gains on physical and financial commodity purchase contracts due to the unusually cold weather.

Energy-Related Businesses

Net contributions from energy-related businesses increased by $6 million for the period ended March 31, 2015 compared with 2014 primarily due to higher margins on existing construction projects at the mechanical contracting and engineering subsidiaries.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the period ended March 31, 2015 compared with 2014 was due to:

		Three Months
Domestic:		
Fossil and hydroelectric plants (a)	$	4
PPL EnergyPlus (b)		(9)
PPL Electric storm costs		(10)
PPL Electric Act 129		5
External transition costs associated with the spinoff of PPL Energy Supply		4
Uncollectible accounts		3
Other		9
U.K.:		
Network maintenance		(5)
Foreign currency exchange rates		(7)
Pension		(4)
Engineering management		9
WPD Midlands acquisition-related adjustment		(3)
Other		4
Total	$	

(a) The increase was primarily due to costs related to the retirement of the Corette plant in March 2015.
(b) The decrease was primarily due to lower labor costs attributable to restructuring activities.

Depreciation

Depreciation decreased by $7 million for the three months ended March 31, 2015 compared with 2014, primarily due to a $20 million reduction from an extension of the WPD network asset lives partially offset by additions to PP&E, net. See Note 2 to the Financial Statements for additional information on the extension of WPD network asset lives.

Other Income (Expense) - net

Other income (expense) - net increased by $118 million for the three months ended March 31, 2015 compared with 2014, primarily due to an increase of $112 million from realized and unrealized gains on foreign currency contracts to economically hedge GBP denominated earnings from WPD.

See Note 12 to the Financial Statements for additional information.

Interest Expense

The increase (decrease) in interest expense for the period ended March 31, 2015 compared with 2014 was due to:

		Three Months
Loss on extinguishment of debt (a)	$	(9)
Foreign currency exchange rates		(7)
Other		1
Total	$	(15)

(a) In March 2014, PPL Capital Funding remarketed and exchanged junior subordinated notes that were originally issued in April 2011 as a component of PPL's 2011 Equity Units.

Income Taxes

The increase (decrease) in income taxes for the period ended March 31, 2015 compared with 2014 was due to:

	Three Months
Change in pre-tax income at current period tax rates	$ 165
Valuation allowance adjustments	3
U.S. income tax on foreign earnings net of foreign tax credit	(12)
Intercompany interest on U.K. financing entities	(6)
Impact of lower U.K. income tax rates	6
Other	(2)
Total	$ 154

See Note 5 to the Financial Statements for additional information.

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

Income (Loss) from Discontinued Operations (net of income taxes) for the three months ended March 31, 2014 includes the results of operations of the Montana hydroelectric generating facilities, which were sold in November 2014. See "Discontinued Operations - Montana Hydro Sale" in Note 8 to the Financial Statements for additional information.

PPL Electric: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended March 31,	
	2015	2014
Net Income	$ 87	$ 85

Earnings increased slightly for the three month period in 2015 compared with 2014 primarily due to higher margins from additional transmission capital investments, partially offset by higher depreciation expense. The first quarter of 2014 also benefited from a change in estimate of a regulatory liability.

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

	Three Months
Pennsylvania Gross Delivery Margins	$ 13
Other operation and maintenance	2
Depreciation	(6)
Other	1
Interest expense	(2)
Income taxes	(6)
Total	$ 2

Margins

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

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended March 31.

	2015 Three Months			2014 Three Months		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 630		$ 630	$ 592		$ 592
Operating Expenses						
Energy purchases	227		227	189		189
Energy purchases from affiliate	9		9	27		27
Other operation and maintenance	26	$ 107	133	25	$ 109	134
Depreciation		51	51		45	45
Taxes, other than income	33	2	35	29	3	32
Total Operating Expenses	295	160	455	270	157	427
Total	$ 335	$ (160)	$ 175	$ 322	$ (157)	$ 165

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

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related increase (decrease) during the period ended March 31, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months
Operating revenues	$ 38
Energy purchases	38
Energy purchases from affiliate	(18)

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the period ended March 31, 2015 compared with 2014 was due to:

	Three Months
Vegetation management	$ (2)
Storm costs	(10)
Act 129	5
Uncollectible accounts	3
Corporate service costs	3
Total	$ (1)

Depreciation

Depreciation increased by $6 million for the three months ended March 31, 2015 compared with 2014, primarily due to transmission PP&E additions, net as well as additions related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure.

Income Taxes

The increase (decrease) in income taxes for the period ended March 31, 2015 compared with 2014 was due to:

	Three Months
Change in pre-tax income at current period tax rates	$ 5
Other	1
Total	$ 6

See Note 5 to the Financial Statements for additional information.

LKE: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended March 31,	
	2015	2014
Net Income	$ 117	$ 115

Earnings increased slightly for the three month period in 2015 compared with 2014 primarily due to returns on additional environmental capital investments and higher demand revenue partially offset by lower sales volume, higher depreciation expense and higher income tax expense. The change in sales volume was primarily attributable to milder winter weather conditions in 2015 compared to 2014.

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

	Three Months
Margins	$ 14
Other operation and maintenance	(2)
Depreciation	(4)
Other Income (Expense)- net	1
Income taxes	(7)
Total	$ 2

Margins

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

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended March 31.

	2015 Three Months			2014 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 899		$ 899	$ 934		$ 934
Operating Expenses						
Fuel	253		253	277		277
Energy purchases	92		92	124		124
Other operation and maintenance	24	$ 185	209	23	$ 183	206
Depreciation	7	88	95	2	84	86
Taxes, other than income	1	13	14		13	13
Total Operating Expenses	377	286	663	426	280	706
Total	$ 522	$ (286)	$ 236	$ 508	$ (280)	$ 228

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

Statement of Income Analysis --

Certain Operating Revenues and Expenses included in "Margins"

The following Statement of Income line items and their related decrease during the period ended March 31, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months
Operating revenues	$ 35
Fuel	24
Energy purchases	32

Depreciation

Depreciation increased by $9 million for the three months ended March 31, 2015 compared with 2014 primarily due to additions to PP&E, net.

Income Taxes

Income taxes increased by $7 million for the three months ended March 31, 2015 compared with 2014 due to the change in pre-tax income of $4 million and the establishment of a valuation allowance on a deferred tax asset of $3 million.

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

Earnings

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Net Income	$ 53	$ 52

Earnings increased slightly for the three month period in 2015 compared with 2014 primarily due to returns on additional environmental capital investments partially offset by lower sales volume and higher depreciation expense. The change in sales volume was primarily attributable to milder winter weather conditions in 2015 compared to 2014.

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

	Three Months
Margins	$ 4
Other operation and maintenance	2
Depreciation	(2)
Other Income (Expense) - net	1
Interest expense	(1)
Income taxes	(3)
Total	$ 1

Margins

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

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended March 31.

	2015 Three Months			2014 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 439		$ 439	$ 479		$ 479
Operating Expenses						
Fuel	103		103	117		117
Energy purchases, including affiliate	91		91	124		124
Other operation and maintenance	11	$ 85	96	11	$ 87	98
Depreciation	3	39	42	1	37	38
Taxes, other than income	1	6	7		6	6
Total Operating Expenses	209	130	339	253	130	383
Total	$ 230	$ (130)	$ 100	$ 226	$ (130)	$ 96

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

Statement of Income Analysis --

Certain Operating Revenues and Expenses included in "Margins"

The following Statement of Income line items and their related decrease during the period ended March 31, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months
Retail and wholesale	$ 25
Electric revenue from affiliate	15
Fuel	14
Energy purchases	30
Energy purchases from affiliate	3

Depreciation

Depreciation increased by $4 million for the three months ended March 31, 2015 compared with 2014 primarily due to additions to PP&E, net.

KU: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended March 31,	
	2015	2014
Net Income	$ 78	$ 77

Earnings increased slightly for the three month period in 2015 compared with 2014 primarily due to returns on additional environmental capital investments and higher demand revenue partially offset by lower sales volume, higher expenses related to scheduled maintenance outages and higher depreciation expense. The change in sales volume was primarily attributable to milder winter weather conditions in 2015 compared to 2014.

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

	Three Months
Margins	$ 10
Other operation and maintenance	(5)
Depreciation	(2)
Other Income (Expense)- net	(1)
Income taxes	(1)
Total	$ 1

Margins

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

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended March 31.

	2015 Three Months			2014 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 485		$ 485	$ 498		$ 498
Operating Expenses						
Fuel	150		150	160		160
Energy purchases, including affiliate	26		26	43		43
Other operation and maintenance	13	$ 91	104	12	$ 86	98
Depreciation	4	49	53	1	47	48
Taxes, other than income		7	7		7	7
Total Operating Expenses	193	147	340	216	140	356
Total	$ 292	$ (147)	$ 145	$ 282	$ (140)	$ 142

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

Statement of Income Analysis --

Certain Operating Revenues and Expenses included in "Margins"

The following Statement of Income line items and their related decrease during the period ended March 31, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months
Retail and wholesale	$ 10
Electric revenue from affiliate	3
Fuel	10
Energy purchases	2
Energy purchases from affiliate	15

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance expense for the period ended March 31, 2015 compared with 2014 was due to:

	Three Months
Timing and scope of generation maintenance	$ 2
Pension	3
Storm expenses	(2)
Other	3
Total	$ 6

Depreciation

Depreciation increased by $5 million for the three months ended March 31, 2015 compared with 2014 primarily due to additions to PP&E, net.

Financial Condition

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

Liquidity and Capital Resources

(All Registrants)

The Registrants had the following at:

	PPL (a)	PPL Electric	LKE	LG&E	KU
March 31, 2015					
Cash and cash equivalents	$ 1,335	$ 35	$ 40	$ 17	$ 23
Short-term investments	135				
Short-term debt	1,595	85	484	216	193
Notes payable with affiliates			40		
December 31, 2014					
Cash and cash equivalents	$ 1,751	$ 214	$ 21	$ 10	$ 11
Short-term investments	120				
Short-term debt	1,466		575	264	236
Notes payable with affiliates			41		

(a) At March 31, 2015, $416 million of cash and cash equivalents were denominated in GBP. If these amounts would be remitted as dividends, PPL would not anticipate a material incremental U.S. tax cost. Historically, dividends paid by foreign subsidiaries have been limited to distributions of the current year's earnings. See Note 5 to the Financial Statements in PPL's 2014 Form 10-K for additional information on undistributed earnings of WPD.

Net cash provided by (used in) operating, investing and financing activities for the three month period ended March 31, and the changes between periods, were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
2015					
Operating activities	$ 673	$ (45)	$ 451	$ 251	$ 229
Investing activities	(990)	(225)	(317)	(173)	(144)
Financing activities	(97)	91	(115)	(71)	(73)
2014					
Operating activities	$ 931	$ (4)	$ 310	$ 149	$ 191
Investing activities	(1,183)	(42)	(206)	(116)	(154)
Financing activities	392	63	(109)	(32)	(37)
Change - Cash Provided (Used)					
Operating activities	$ (258)	$ (41)	$ 141	$ 102	$ 38
Investing activities	193	(183)	(111)	(57)	10
Financing activities	(489)	28	(6)	(39)	(36)

Operating Activities

The components of the change in cash provided by (used in) operating activities for the three months ended March 31, 2015 compared with 2014 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Net income	$ 331	$ 2	$ 2	$ 1	$ 1
Non-cash components	(255)		31	50	15
Working capital	(171)	(31)	126	68	37
Defined benefit plan funding	(136)	(14)	(15)	(13)	(12)
Other operating activities	(27)	2	(3)	(4)	(3)
Total	$ (258)	$ (41)	$ 141	$ 102	$ 38

(PPL)

PPL had a $258 million decrease in cash provided by operating activities in 2015 compared with 2014.

- Net income improved by $331 million between the periods. However, this included an additional $255 million of net non-cash benefits, including a $331 million decrease in unrealized losses on hedging activities, which was partially offset by a $150 million increase in deferred income tax expense. The net $76 million increase from net income and non-cash components in 2015 compared with 2014 reflects higher revenues in the U.K. and higher margins in the Pennsylvania and Kentucky regulated segments.

- The $171 million decrease in cash from changes in working capital was primarily due to decreases in accounts payable, in part due to lower swaps payable and the impact of market price changes on electric trading and timing of payments. The decrease also reflects lower taxes payable and other current liabilities. These cash outflows were partially offset by the positive impact of lower unbilled revenues.

- Defined benefit plan funding was $136 million higher in 2015.

(PPL Electric)

PPL Electric had a $41 million increase in cash used in operating activities in 2015 compared with 2014.

- Net income improved by $2 million between the periods. There was no change in net non-cash components of net income.

- The $31 million decline in cash from changes in working capital was partially due to a decrease in accounts payable with affiliates (primarily due to lower federal income taxes payable to PPL) partially offset by a decrease in accounts receivable.

- Defined benefit plan funding was $14 million higher in 2015.

(LKE)

LKE had a $141 million increase in cash provided by operating activities in 2015 compared with 2014.

- LKE's non-cash components of net income included a $9 million increase in depreciation expense due to additional assets in service since the first quarter of 2014, a $1 million increase in deferred income taxes primarily due to an increase in accelerated depreciation over book depreciation of $34 million, partially offset by a decrease in utilization of Federal net operating losses of $36 million, and a net $21 million change in regulatory assets and regulatory liabilities due to the timing of rate recovery mechanisms.
- The increase in cash from working capital was driven primarily by a decrease in income tax receivable as a result of receiving payment from PPL for the use of excess tax depreciation deductions in 2014, a decrease in coal inventory due to fewer purchases and a decrease in natural gas stored underground due to increased withdrawals, partially offset by a decrease in accounts payable due to the timing of fuel purchases.

(LG&E)

LG&E had a $102 million increase in cash provided by operating activities in 2015 compared with 2014.

- LG&E's non-cash components of net income included a $4 million increase in depreciation expense due to additional assets in service since the first quarter of 2014, a $25 million increase in deferred income taxes primarily due to an increase in accelerated depreciation over book depreciation of $18 million, and a net $18 million increase in regulatory assets and regulatory liabilities due to the timing of rate recovery mechanisms.
- The increase in cash from working capital was driven primarily by a decrease in income tax receivable as a result of receiving payment from LKE for the use of excess tax depreciation deductions in 2014, a decrease in accounts receivable from affiliates due to timing of intercompany settlements associated with capital expenditures and inventory, a decrease in coal inventory due to fewer purchases and a decrease in natural gas stored underground due to increased withdrawals, partially offset by a decrease in accounts payable due to the timing of fuel purchases.

(KU)

KU had a $38 million increase in cash provided by operating activities in 2015 compared with 2014.

- KU's non-cash components of net income included a $5 million increase in depreciation expense due to additional assets in service since the first quarter of 2014 and a $9 million increase in deferred income taxes primarily due to an increase in accelerated depreciation over book depreciation of $16 million, offset by a $6 million Federal net operating loss accrual.
- The increase in cash from working capital was driven primarily by a decrease in income tax receivable as a result of receiving payments from LKE for the use of excess tax depreciation deductions in 2014, and a decrease in coal inventory due to fewer purchases, partially offset by a decrease in accounts payable due to the timing of fuel purchases and a decrease in accounts payable to affiliates due to timing of intercompany settlements associated with capital expenditures and inventory.

Investing Activities

(All Registrants)

Expenditures for Property, Plant and Equipment

The primary use of cash within investing activities is expenditures for PP&E. The change in these expenditures for the three months ended March 31, 2015 compared with 2014 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
(Increase) Decrease	$ (50)	$ (23)	$ (49)	$ (57)	$ 6

The increase in expenditures for PP&E for PPL was primarily due to the changes in project expenditures at PPL Electric, LG&E and KU, partially offset by lower expenditures at WPD. The increase in expenditures for PPL Electric was primarily due to increases in expenditures for the Northeast Pocono reliability project, smart grid projects and other various projects, partially offset by the near completion of the Susquehanna-Roseland transmission project. The increase in expenditures for LG&E was primarily due to environmental air projects at LG&E's Mill Creek plant, partially offset by lower expenditures for the construction of Cane Run Unit 7. The decrease in expenditures for KU was related to lower expenditures for the construction of Cane Run Unit 7 and CCR projects at KU's Ghent and E.W. Brown plants, partially offset by higher expenditures for environmental air projects at KU's Ghent and E.W. Brown plants.

Other Significant Changes in Components of Investing Activities

For PPL, the change in investing activities for the three months ended March 31, 2015 compared with 2014 reflects decreases of $324 million in additional cash restricted for collateral requirements to support PPL Energy Supply's commodity hedging program. This was primarily due to an increase in forward prices in the three months ended March 31, 2014.

PPL also had investing inflows of $56 million for the three months ended March 31, 2014 from U.S. Department of Treasury grants for the Rainbow hydroelectric expansion projects.

PPL Electric received $150 million during the three months ended March 31, 2014 on notes receivable from affiliates.

Financing Activities

(All Registrants)

The components of the change in cash provided by (used in) financing activities for the three months ended March 31, 2015 compared with 2014 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Long-term debt issuances/retirements, net	$ 238	$ 10			
Stock issuances/redemptions, net	20				
Dividends	(16)	(12)		$ 4	$ 7
Capital contributions/distributions, net		(15)	$ 41		(40)
Change in short-term debt, net	(745)	45	(46)	(43)	(3)
Other financing activities	14		(1)		
Total	$ (489)	$ 28	$ (6)	$ (39)	$ (36)

For the three months ended March 31, 2015, PPL required $489 million less cash from financing activities primarily due to lower cash requirements to support PPL Energy Supply's commodity hedging program and the ability to use cash from operating activities and cash-on-hand to support the significant capital expenditure programs of its subsidiaries.

For the three months ended March 31, 2015, PPL Electric required $28 million more cash from financing activities. In the first quarter of 2014, PPL Electric financed its capital expenditures program with proceeds from a $150 million note with an affiliate. In the first quarter of 2015, PPL Electric financed its capital expenditures program with cash-on-hand and additional short-term debt.

See Note 7 to the Financial Statements in this Form 10-Q for information on 2015 short and long-term debt activity, equity transactions and PPL dividends. See the Registrants' 2014 Form 10-K for information on 2014 activity.

Credit Facilities

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. Amounts borrowed under these credit facilities are reflected in "Short-term debt" on the Balance Sheets. At March 31, 2015, the total committed borrowing capacity and the use of that capacity under these credit facilities was as follows:

External (All Registrants)

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	$ 750		$ 32	$ 718
PPL Energy Supply Credit Facility	3,000	$ 600	267	2,133
PPL Electric Credit Facility	300		86	214
LKE Credit Facility	75	75		
LG&E Credit Facility	500		216	284
KU Credit Facilities	598		391	207
Total LKE	1,173	75	607	491
Total U.S. Credit Facilities (a)	$ 5,223	$ 675	$ 992	$ 3,556
Total U.K. Credit Facilities (b)	£ 1,055	£ 277		£ 778

(a) The commitments under the U.S. credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than the following percentages of the total committed capacity: PPL - 7%, PPL Electric - 7%, LKE - 21%, LG&E - 7% and KU - 37%.
(b) The amounts borrowed at March 31, 2015 were USD-denominated borrowings of $200 million and GPB-denominated borrowings which equated to $226 million. At March 31, 2015, the USD equivalent of unused capacity under the U.K. committed credit facilities was $1.2 billion.

The commitments under the U.K. credit facilities are provided by a diverse bank group, with no one bank providing more than 14% of the total committed capacity.

As a result of the proposed spinoff transaction, PPL Energy Supply has syndicated a $1.85 billion credit facility which is currently fully committed. This syndicated credit facility will replace the existing $3 billion PPL Energy Supply syndicated credit facility and will be effective upon closing of the spinoff transaction. See "Overview - Business Strategy" and "Financial and Operational Developments - Other Financial and Operational Developments - Anticipated Spinoff of PPL Energy Supply" above for additional information.

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

Intercompany (LKE, LG&E and KU)

	Committed Capacity	Borrowed	Other Used Capacity	Unused Capacity
LKE Credit Facility	$ 225	$ 40		$ 185
LG&E Money Pool (a)	500		$ 216	284
KU Money Pool (a)	500		193	307

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

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

Commercial Paper *(All Registrants)*

PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's Syndicated Credit Facility. The following commercial paper programs were in place at March 31, 2015:

	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Electric	$ 300	$ 85	$ 215
LG&E	350	216	134
KU	350	193	157
Total LKE	700	409	291
Total PPL	$ 1,000	$ 494	$ 506

Common Stock Dividends *(PPL)*

In February 2015, PPL declared its quarterly common stock dividend, payable April 1, 2015, at 37.25 cents per share (equivalent to $1.49 per annum). Future dividends, declared at the discretion of the Board of Directors, will be dependent upon future earnings, cash flows, financial and legal requirements and other factors.

Rating Agency Actions

(All Registrants)

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

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

The rating agencies have taken the following actions related to the Registrants and their subsidiaries during 2015:

In January 2015, Fitch withdrew its ratings for PPL, PPL Capital Funding, PPL Energy Supply, PPL Electric, LKE, LG&E, and KU.

Ratings Triggers

(All Registrants except PPL Electric)

Various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, interest rate and foreign currency instruments (for PPL), contain provisions that require the posting of additional collateral or permit the counterparty to terminate the contract, if PPL's, LKE's, LG&E's or KU's or their subsidiaries' credit rating, as applicable, were to fall below investment grade. See Note 14 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral requirements for PPL, LKE and LG&E for derivative contracts in a net liability position at March 31, 2015.

(All Registrants)

For additional information on the Registrants' liquidity and capital resources, see "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Registrants' 2014 Form 10-K.

Risk Management

Market Risk

(All Registrants)

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

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These 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, LKE, LG&E and KU)

LG&E's and KU's retail electric and natural gas rates and municipal wholesale electric 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 their business operations. LG&E and KU sell 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 14 to the Financial Statements for additional information.

(PPL and PPL Electric)

PPL Electric is exposed to market price and volumetric risks from its obligation as a 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.

(PPL)

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. See Note 14 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 2020.

The following tables sets forth the changes in the net fair value of non-trading commodity derivative contracts for the period ended March 31. See Notes 13 and 14 to the Financial Statements for additional information.

	Gains (Losses) Three Months	
	2015	2014
Fair value of contracts outstanding at the beginning of the period	$ 53	$ 107
Contracts realized or otherwise settled during the period	133	505
Fair value of new contracts entered into during the period (a)	(5)	(16)
Other changes in fair value	(92)	(737)
Fair value of contracts outstanding at the end of the period	$ 89	$ (141)

(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 March 31, 2015, based on the 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)	$ 53	$ (34)	$ 13		$ 32
Prices based on significant unobservable inputs (Level 3)	32	23	2		57
Fair value of contracts outstanding at the end of the period	$ 85	$ (11)	$ 15		$ 89

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.

Commodity Price Risk (Trading)

PPL Energy Supply's trading commodity derivative contracts range in maturity through 2020. The following table sets forth changes in the net fair value of trading commodity derivative contracts for the periods ended March 31. See Notes 13 and 14 to the Financial Statements for additional information.

	Gains (Losses)	
	Three Months	
	2015	2014
Fair value of contracts outstanding at the beginning of the period	$ 48	$ 11
Contracts realized or otherwise settled during the period	(30)	
Fair value of new contracts entered into during the period (a)	(7)	(13)
Other changes in fair value	35	33
Fair value of contracts outstanding at the end of the period	$ 46	$ 31

(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 March 31, 2015, based on the 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)	$ (6)	$ (11)	$ (9)		$ (26)
Prices based on significant unobservable inputs (Level 3)	4	33	33	$ 2	72
Fair value of contracts outstanding at the end of the period	$ (2)	$ 22	$ 24	$ 2	$ 46

VaR Models

A VaR model is utilized to measure commodity price risk in unregulated gross energy margins for the 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 three months ended March 31, 2015 was as follows.

	Trading	Non-Trading
95% Confidence Level, Five-Day Holding Period		
Period End	$ 4	$ 12
Average for the Period	4	10
High	4	12
Low	4	8

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 March 31, 2015.

Interest Rate Risk (All Registrants)

The Registrants and their subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. The Registrants and their subsidiaries utilize various financial derivative instruments to adjust the mix of fixed and floating interest rates in their debt portfolios, adjust the duration of their debt portfolios and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under the risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolios due to changes in the absolute level of interest rates.

The following interest rate hedges were outstanding at March 31, 2015.

	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through
PPL				
Cash flow hedges				
Interest rate swaps (c)	$ 1,600	$ (183)	$ (54)	2045
Cross-currency swaps (d)	1,262	47	(162)	2028
Economic hedges				
Interest rate swaps (e)	179	(52)	(3)	2033
LKE				
Cash flow hedges				
Interest rate swaps (c)	1,000	(122)	(40)	2045
Economic hedges				
Interest rate swaps (e)	179	(52)	(3)	2033
LG&E				
Cash flow hedges				
Interest rate swaps (c)	500	(61)	(20)	2045
Economic hedges				
Interest rate swaps (e)	179	(52)	(3)	2033
KU				
Cash flow hedges				
Interest rate swaps (c)	500	(61)	(20)	2045

(a) Includes accrued interest, if applicable.
(b) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability. Sensitivities represent a 10% adverse movement in interest rates, except for cross-currency swaps which also includes foreign currency exchange rates.
(c) Changes in the fair value of such cash flow hedges are recorded in equity or as regulatory assets or regulatory liabilities, if recoverable through regulated rates, and reclassified into earnings in the same period during which the item being hedged affects earnings.
(d) Cross-currency swaps are utilized to hedge the principal and interest payments of WPD's U.S. dollar-denominated senior notes. Changes in the fair value of these instruments are recorded in equity and reclassified into earnings in the same period during which the item being hedged affects earnings.
(e) Realized changes in the fair value of such economic hedges are recoverable through regulated rates and any subsequent changes in the fair value of these derivatives are included in regulatory assets or regulatory liabilities.

The Registrants are exposed to a potential increase in interest expense and to changes in the fair value of their debt portfolios. The estimated impact of a 10% adverse movement in interest rates at March 31, 2015 is shown below.

	PPL	PPL Electric	LKE	LG&E	KU
Increase in interest expense	Not Significant	Not Significant	Not Significant	Not Significant	Not Significant
Increase in fair value of debt	$ 662	$ 128	$ 133	$ 43	$ 79

Foreign Currency Risk (PPL)

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.

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.

The following foreign currency hedges were outstanding at March 31, 2015.

	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Maturities Ranging Through
Net investment hedges (b)	£ 217	$ 34	$ (32)	2016
Economic hedges (c)	1,306	169	(177)	2017

(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.
(c) To economically hedge the translation of expected earnings denominated in GBP to U.S. dollars.

NDT Funds - Securities Price Risk (PPL)

In connection with certain NRC requirements, PPL Susquehanna maintains trust funds to fund certain costs of decommissioning the PPL Susquehanna nuclear plant (Susquehanna). At March 31, 2015, these funds were invested primarily in domestic equity securities and fixed-rate, fixed-income securities and are reflected at fair value on the 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 March 31, 2015, a hypothetical 10% increase in interest rates and a 10% decrease in equity prices would have resulted in an estimated $74 million reduction in the fair value of the trust assets. See Notes 13 and 17 to the Financial Statements for additional information regarding the NDT funds.

Credit Risk *(All Registrants)*

See Notes 13 and 14 to the Financial Statements in this Form 10-Q and "Risk Management - Credit Risk" in the Registrants' 2014 Form 10-K for additional information.

Foreign Currency Translation *(PPL)*

The value of the British pound sterling fluctuates in relation to the U.S. dollar. Changes in this exchange rate resulted in a foreign currency translation loss of $77 million for the three months ended March 31, 2015, which primarily reflected a $199 million decrease to PP&E and goodwill offset by a decrease of $122 million to net liabilities. Changes in this exchange rate resulted in a foreign currency translation gain of $135 million for the three months ended March 31, 2014, which primarily reflected a $334 million increase to PP&E and goodwill offset by an increase of $199 million to net liabilities. The impact of foreign currency translation is recorded in AOCI.

Related Party Transactions *(All Registrants)*

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

Acquisitions, Development and Divestitures

(All Registrants)

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with the projects, sell, cancel or expand them, execute tolling agreements or pursue other options. See Note 8 to the Financial Statements for information on the more significant activities.

(PPL)

See Note 8 to the Financial Statements for information on the anticipated spinoff of PPL Energy Supply and the completed Montana hydro sale.

Environmental Matters

(All Registrants except PPL Electric)

Extensive federal, state and local environmental laws and regulations are applicable to PPL's, LKE's, LG&E's and KU's air emissions, water discharges and the management of hazardous and solid waste, as well as other aspects of the Registrants' businesses. The cost of compliance or alleged non-compliance cannot be predicted with certainty but could be material. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed. Costs may take the form of increased capital expenditures or operating and maintenance expenses, monetary fines, penalties or other restrictions. Many of these environmental law considerations are also applicable to the operations of key suppliers, or customers, such as coal producers and industrial power users, and may impact the cost for their products or their demand for the Registrants' services.

The following is a discussion of the more significant environmental matters. See Note 10 to the Financial Statements and "Item 1. Business - Environmental Matters" for additional information on environmental matters.

Climate Change

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, as applicable, to the Registrants' generation assets, electricity transmission and delivery systems, as well as impacts on the Registrants' customers. In addition, changed weather patterns could potentially reduce annual rainfall in areas where PPL, PPL Energy Supply, LKE, LG&E and KU have hydroelectric generating facilities or where river water is used to cool their fossil and nuclear (as applicable) powered generators. The Registrants cannot currently predict whether their businesses will experience these potential risks or estimate the cost of their related consequences.

In June 2013, President Obama released his Climate Action Plan which reiterates the goal of reducing GHG emissions in the U.S. through such actions as regulating power plant emissions, promoting increased use of renewables and clean energy technology, and establishing more restrictive energy efficiency standards. Additionally, the Climate Action Plan calls for the U.S. to prepare for the impacts of climate change. Requirements related to this plan could affect the Registrants and others in the industry as modifications may be needed to electricity delivery systems to improve the ability to withstand major storms in order to meet those requirements. As further described below, the EPA has proposed rules pursuant to this directive, which it expects to finalize in the second or third quarter of 2015. The EPA has also announced that it will develop a federal implementation plan which would apply to any states that fail to submit an acceptable state implementation plan. The EPA's authority to promulgate these regulations under Section 111 of the Clean Air Act when the sources are already regulated under Section 112 is under challenge in the D.C. Circuit Court. Oral arguments were heard on April 16, 2015.

In January 2014, the EPA issued a revised proposal to regulate carbon dioxide emissions from new power plants. The proposed limits for coal-fired plants can only be achieved through carbon capture and sequestration, a technology that is not presently commercially viable and, therefore, effectively preclude the construction of new coal-fired plants. The proposed standards for new gas-fired plants may also not be continuously achievable. The preclusion of new coal-fired plants and the compliance difficulties posed for new gas-fired plants could have a significant industry-wide impact.

In June 2014, the EPA issued a proposed regulation addressing carbon dioxide emissions from existing power plants. The existing plant proposal contains stringent, state-specific rate-based reduction goals to be achieved in two phases (2020-2029 and 2030 and beyond). The EPA believes it has offered some flexibility to the states as to how state compliance plans can be crafted, including the option to demonstrate compliance on a mass basis and through multi-state collaborations. The EPA is also proposing potential state plan extensions based on the type of plan filed (single or multi-state). PPL has analyzed the proposal and identified potential impacts and solutions in comments filed on December 1, 2014. PPL also submitted Supplemental Comments to FERC through EEI, advocating for reliability coordination and relief in response to technical conferences hosted by FERC on the reliability implications of implementing this rule. The regulation of carbon dioxide emissions from existing plants could have a significant industry-wide impact depending on the structure and stringency of the final rule and state implementation plans.

Waters of the United States (WOTUS)

In April 2014, the EPA and the U.S. Army Corps of Engineers published a proposed rule that could greatly expand the Clean Water Act definition of Waters of the United States. If the definition is expanded as proposed, permits and other regulatory requirements may be imposed for many matters presently not covered (including vegetation management for transmission lines and activities affecting storm water conveyances and wetlands), the implications of which could be significant. The EPA plans to make certain changes to the proposed regulation based on comments received. The U.S. House and Senate are considering legislation to block this regulation. Until a final rule is issued, the Registrants cannot predict the outcome of the pending rulemaking. A final rule is expected by summer 2015.

Coal Combustion Residuals (CCRs)

On April 17, 2015, the EPA published its final rule regulating CCRs, imposing extensive new requirements, including location restrictions, design and operating standards, groundwater monitoring and corrective action requirements and closure and post-closure care requirements on CCR impoundments and landfills that are located on active power plants and not closed. Under the rule, the EPA will regulate CCRs as non-hazardous under Subtitle D of RCRA and allow beneficial use of CCRs, with some restrictions. The CCR rule will become effective on October 14, 2015. This self-implementing rule requires posting of compliance documentation on a publicly accessible website and is enforceable through citizen suits. PPL expects that its plants using surface impoundments for management and disposal of CCRs or the past management of CCRs and continued use to manage waste waters will be most impacted by this rule. The rule's requirements for covered CCR impoundments and landfills include commencement or completion of closure activities generally between three and ten years from certain triggering events. PPL, LKE, LG&E and KU also anticipate incurring capital or operation and maintenance costs prior to that time to address other provisions of the rule, such as groundwater monitoring and disposal facility modifications, or to implement various compliance strategies.

PPL, LKE, LG&E and KU are reviewing the rule and are still evaluating its financial and operational impact. It is expected that these requirements will result in increases to existing AROs which will be recorded in the second quarter of 2015. PPL, LKE, LG&E and KU are not yet able to determine an estimate of the expected increases to the existing AROs. PPL, LKE, LG&E and KU believe relevant costs relating to this rule are subject to future rate recovery before the respective state regulatory agencies, or the FERC, as applicable.

Effluent Limitation 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 also contain some requirements that would affect the inspection and operation of CCR facilities, if finalized as proposed. The proposal contains several alternative approaches, some of which could significantly impact PPL's, PPL Energy Supply's, LKE's, LG&E's and KU's coal-fired plants. The final regulation is expected to be issued by the third or fourth quarter of 2015. At the present time, PPL, 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. Pending finalization of the ELGs, certain states (including Pennsylvania and Kentucky) and environmental groups are proposing more stringent technology-based limits in permit renewals. Depending on the final limits imposed, the costs of compliance could vary significantly from the current capital expenditures projections and costs could be imposed ahead of federal timelines.

Clean Water Act 316(b)
The EPA's final 316(b) rule for existing facilities became effective in October 2014, and regulates cooling water intake structures and their impact on aquatic organisms. States are allowed considerable authority to make site-specific determinations under the rule. The rule requires existing facilities to choose between several options to reduce the impact to aquatic organisms that become trapped against water intake screens (impingement) and to determine the intake structure's impact on aquatic organisms pulled through a plant's cooling water system (entrainment). Plants already equipped with closed-cycle cooling, an acceptable option, would likely not incur substantial costs. Once-through systems would likely require additional technology to comply with the rule. Mill Creek Unit 1 and Brunner Island (all units) are the only units expected to be impacted. PPL, LKE, LG&E and KU are evaluating compliance strategies but do not presently expect the compliance costs to be material.

MATS
In February 2012, the EPA finalized the MATS rule requiring fossil-fuel fired plants to reduce emissions of mercury and other hazardous air pollutants by April 16, 2015. The rule was challenged by industry groups and states, and was upheld by the D.C. Circuit Court in April 2014. A group of states subsequently petitioned the U.S. Supreme Court to review this decision and on March 25, 2015, oral arguments were heard as to one issue - whether or not EPA unreasonably refused to consider costs when determining whether the MATS regulation was appropriate and necessary. A U.S. Supreme Court decision is expected by June 30, 2015. The rule provides for a three-year compliance deadline with the potential for one- and two-year extensions as provided under the statute. PPL, LKE, LG&E and KU have completed installation or upgrading of relevant environmental controls at affected plants or have received compliance extensions, as applicable.

PPL believes that installation of chemical additive systems and other controls may be necessary at certain coal-fired plants in Pennsylvania, the capital cost of which is not expected to be significant. PPL continues to analyze the potential impact of MATS on operating costs. With respect to PPL's Montana plants, modifications to the air pollution controls installed at Colstrip are required, the cost of which is not expected to be significant. Operations were suspended and the Corette plant was retired in March 2015 due to expected market conditions and the costs to comply with the MATS requirements.

LG&E's March 2015 retirement of one coal-fired generating unit at Cane Run and LG&E's and KU's anticipated retirement of remaining coal-fired electricity generating units located at Cane Run and Green River in 2015 and 2016 are in response to MATS and other environmental regulations. The retirement of these units is not expected to have a material impact on the financial condition or results of operations of PPL, LKE, LG&E or KU.

CSAPR
The EPA's CSAPR addresses the interstate transport of fine particulates and ozone by regulating emissions of sulfur dioxide and nitrogen oxide. In accordance with an October 2014 U.S. Court of Appeals decision, CSAPR establishes interstate allowance trading programs for sulfur dioxide and nitrogen oxide emissions from fossil-fueled plants in two phases: Phase 1 commenced in January 2015 and Phase 2 commences in 2017. Sulfur dioxide emissions are subject to an annual trading

program and nitrogen oxide emissions are subject to annual and ozone season programs. Oral arguments pertaining to outstanding challenges to the EPA's CSAPR were heard before the D.C. Circuit Court during February 2015.

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

Regional Haze

Under the EPA's regional haze programs (developed to eliminate man-made visibility degradation by 2064), states are required to make reasonable progress every decade through the application, among other things, of Best Available Retrofit Technology (BART) on power plants commissioned between 1962 and 1977. To date, the focus of regional haze regulation has been on the western U.S. As for the eastern U.S., the EPA determined that region-wide reductions under the CSAPR trading program could, in most instances, be utilized under state programs to satisfy BART requirements for sulfur dioxide and nitrogen oxides. However, the EPA's determination is being challenged by environmental groups and others.

LG&E's Mill Creek Units 3 and 4 are required to reduce sulfuric acid mist emissions because they were determined to have a regional haze impact. These reductions are required in the regional haze state implementation plan that the Kentucky Division for Air Quality submitted to the EPA. LG&E is currently installing sorbent injection technology to comply with these reductions, the costs of which are not expected to be significant.

In Montana, the EPA finalized a Federal Implementation Plan (FIP) of the Regional Haze Rules in September 2012, with stricter emissions limits for PPL Energy Supply's Colstrip Units 1 & 2 based on the installation of new controls (no limits or additional controls were specified for Colstrip Units 3 & 4), and stricter emission limits for the Corette plant (which are not based on additional controls). The cost of the additional controls for Colstrip Units 1 & 2 could be significant. PPL Energy Supply was meeting the stricter permit limits at Corette without any significant changes to operations, although other requirements led to the suspension of operations and the retirement of Corette in March 2015 (see "MATS" discussion above). Both PPL and environmental groups have appealed the final FIP to the U.S. Court of Appeals for the Ninth Circuit and litigation is ongoing.

National Ambient Air Quality Standards

In 2008, the EPA revised the National Ambient Air Quality Standard for ozone. As a result, states in the ozone transport region (OTR), including Pennsylvania, are required by the Clean Air Act to impose additional reductions in nitrogen oxide emissions based upon reasonably available control technologies (RACT). The PADEP is finalizing a RACT rule in 2015 requiring some fossil-fueled plants to operate at more stringent nitrogen oxide emission rates. The EPA proposed to further strengthen the ozone standard in November 2014, which could lead to further nitrogen oxide reductions for PPL's fossil-fueled plants within the OTR. The EPA is under court order to finalize the standard by October 1, 2015. States are also obligated to address interstate transport issues associated with new ozone standards through the establishment of "good neighbor" state implementation plans for those states that are found to contribute significantly to another states' non-attainment. The EPA recently sent a policy memo to state agencies to facilitate the development of these plans for the 2008 standard, including modeling data showing which states are contributing. The implementation of such plans could have an impact on the structure and stringency of CSAPR Phase 2 reductions (discussed above), or it could lead to the development of a new ozone transport rule. Non-OTR states, including Kentucky, are working together to evaluate further nitrogen oxide reductions from fossil-fueled plants with SCRs. The nature and timing of any additional reductions resulting from these evaluations cannot be determined at this time.

In 2010, the EPA finalized a new, more stringent ambient air standard for sulfur dioxide and required states to identify areas that meet the standard and areas that are in "non-attainment". In July 2013, the EPA finalized non-attainment designations for parts of the country, including part of Jefferson County in Kentucky and part of Yellowstone County in Montana. Attainment is due for both areas by 2018. Pursuant to a consent decree between the EPA and Sierra Club approved on March 2, 2015, states are working to finalize designations for other areas by the 2017 or 2020 deadline depending on which designation methodology is used. PPL, PPL Energy Supply, LKE, LG&E and KU anticipate that some of the measures required for compliance with the CSAPR, the MATS, or the Regional Haze Rules (as discussed above), such as upgraded or new sulfur dioxide scrubbers at certain 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 sulfur dioxide standard. If additional reductions were to be required, the financial impact could be significant. The short-term impact on the Corette plant from the EPA's final designation of part of Yellowstone County in Montana as non-attainment is not expected to be significant, as the plant's operations were suspended and the plant was retired in March 2015. In addition, MDEQ submitted a request to the EPA for a determination that this area is in attainment. If the EPA agrees with this request, then the deadlines associated with non-attainment would be suspended.

In December 2012, the EPA finalized a new, more stringent, annual National Ambient Air Quality Standard for fine particulates. The rules were challenged by the D.C. Circuit Court and upheld in May 2014. Final designations for the 2012 particulate standard were published in January 2015. Non-attainment areas in Pennsylvania and Kentucky were identified; however, EPA recently approved state implementation plan revisions for both states that improved these classifications. PPL Energy Supply, LG&E and KU plants in Pennsylvania and Kentucky will not be expected to make further reductions towards achieving attainment.

New Accounting Guidance *(All Registrants)*

See Notes 2 and 19 to the Financial Statements for a discussion of new accounting guidance adopted and pending adoption.

Application of Critical Accounting Policies *(All Registrants)*

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following table summarizes the accounting policies by Registrant that are particularly important to an understanding of the reported financial condition or results of operations, and require management to make estimates or other judgments of matters that are inherently uncertain. See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Registrants' 2014 Form 10-K for a discussion of each critical accounting policy.

	PPL	PPL Electric	LKE	LG&E	KU
Defined Benefits	X	X	X	X	X
Loss Accruals	X	X	X	X	X
Income Taxes	X	X	X	X	X
Asset Impairments (Excluding Investments)	X		X	X	X
AROs	X		X	X	X
Price Risk Management	X		X	X	X
Regulatory Assets and Liabilities	X	X	X	X	X
Revenue Recognition - unbilled revenue		X	X	X	X

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The Registrants' principal executive officers and principal financial officers, based on their evaluation of the Registrants' disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) have concluded that, as of March 31, 2015, the Registrants' disclosure controls and procedures are effective to ensure that material information relating to the Registrants and their consolidated subsidiaries is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, particularly during the period for which this quarterly report has been prepared. The aforementioned principal officers have concluded that the disclosure controls and procedures are also effective to ensure that information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive and principal financial officers, to allow for timely decisions regarding required disclosure.

(b) Change in internal controls over financial reporting.

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

PPL Corporation

Following the announcement of the transaction to spin off PPL Energy Supply, LLC to form Talen Energy, management determined the appropriate staffing for Talen Energy and for PPL and its subsidiaries. During the three months ended March 31, 2015, staffing changes, including the consolidation of certain positions and transition of responsibilities, resulted in changes in certain individuals responsible for executing internal controls. However, changes to system applications, business processes and the associated internal controls were not significant. Management has taken steps to minimize the risk from the changes in individuals executing internal controls.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

- "Item 3. Legal Proceedings" in each Registrant's 2014 Form 10-K; and
- Notes 6 and 10 to the Financial Statements.

Item 1A. Risk Factors

There have been no material changes in the Registrants' risk factors from those disclosed in "Item 1A. Risk Factors" of the Registrants' 2014 Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

Item 6. Exhibits

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

1(a)	- Equity Distribution Agreement, dated February 26, 2015, by and among PPL Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated (Exhibit 1.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 26, 2015)
1(b)	- Equity Distribution Agreement, dated February 26, 2015, by and among PPL Corporation and Morgan Stanley & Co. LLC (Exhibit 1.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 26, 2015)
*1(c)	- Final Terms of the Western Power Distribution (East Midlands) plc £25,000,000 1.676% Index Linked Notes due September 24, 2052 under the £3,000,000,000 Euro Medium Term Note Programme
*[_]10(a)	- Service Agreement, dated March 16, 2015, between Western Power Distribution (South West) plc and Robert A. Symons
*[_]10(b)	- Amendment No. 6 to PPL Corporation Directors Deferred Compensation Plan, dated as of April 15, 2015
*12(a)	- PPL Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(b)	- PPL Electric Utilities Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(c)	- LG&E and KU Energy LLC and Subsidiaries Computation of Ratio of Earnings to Fixed Charges
*12(d)	- Louisville Gas and Electric Company Computation of Ratio of Earnings to Fixed Charges
*12(e)	- Kentucky Utilities Company Computation of Ratio of Earnings to Fixed Charges

Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended March 31, 2015, filed by the following officers for the following companies:

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

Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended March 31, 2015, furnished by the following officers for the following companies:

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

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

SIGNATURES

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

PPL Corporation
(Registrant)

Date: May 7, 2015

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

PPL Electric Utilities Corporation
(Registrant)

Date: May 7, 2015

/s/ Dennis A. Urban, Jr.
Dennis A. Urban, Jr.
Controller
(Principal Financial Officer and Principal Accounting Officer)

LG&E and KU Energy LLC
(Registrant)

Louisville Gas and Electric Company
(Registrant)

Kentucky Utilities Company
(Registrant)

Date: May 7, 2015

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

FINAL TERMS

22 April 2015

Western Power Distribution (East Midlands) plc

Issue of £25,000,000 1.676 per cent. Index Linked Notes due 24 September 2052
(to be consolidated and form a single Series with the existing £40,000,000 1.676 per cent. Index Linked Notes due 24 September 2052 issued on 24 September 2013 and the £25,000,000 1.676 per cent. Index Linked Notes due 24 September 2052 issued on 1 October 2013)

under the £3,000,000,000
Euro Medium Term Note Programme

Part A
Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the prospectus dated 10 September 2013, which are incorporated by reference into the Prospectus dated 14 April 2015. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC), as amended (the **Prospectus Directive**) and must be read in conjunction with the Prospectus dated 14 April 2015, which constitutes a base prospectus *f*or the purposes of the Prospectus Directive, including the Conditions incorporated by reference in the Prospectus. The Prospectuses are available for viewing at www.westernpower.co.uk and during normal business hours at Avonbank, Feeder Road, Bristol BS2 0TB and copies may be obtained from Avonbank, Feeder Road, Bristol BS2 0TB. The Prospectus and the applicable Final Terms will also be published on the website of the London Stock Exchange: www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

1.	Issuer:	Western Power Distribution (East Midlands) plc
2.	(i) Series Number:	2013-1
	(ii) Tranche Number:	3
	(iii) Date on which the Notes will be consolidated and form a single Series	The Notes will be consolidated and form a single Series with the existing £40,000,000 1.676 per cent. Index Linked Notes due 24 September 2052 issued on 24 September 2013 and the £25,000,000 1.676 per cent. Index Linked Notes due 24 September 2052 issued on 1 October 2013 (the **Existing Notes**) on exchange of the Temporary Global Note for interests in the permanent Global Note, as referred to in paragraph 24(i) below, which is expected to occur on or about 40 days after the Issue Date (subject to certification of non-U.S. beneficial ownership).
3.	Specified Currency or Currencies:	Pound Sterling (**£**)
4.	Aggregate Nominal Amount:	
	(i) Series Number:	£90,000,000 with effect from the date on which the Temporary Global Note is exchanged for interests in the permanent Global Note, as described under paragraphs 2(iii) and 24(i).
	(ii) Tranche:	£25,000,000

5.	(i) Issue Price of Tranche:	143.747 per cent. of the Aggregate Nominal Amount of the Tranche, plus accrued interest of £35,067.91 in respect of the period from, and including, 24 March 2015 to, but excluding, the Issue Date.
6.	(i) Specified Denominations:	£100,000
	(ii) Calculation Amount: (Applicable to Notes in definitive form)	£100,000
7.	(i) Issue Date:	23 April 2015
	(ii) Interest Commencement Date:	24 March 2015
8.	Maturity Date:	24 September 2052
9.	Interest Basis:	Index Linked Interest (further particulars specified below)
10.	Redemption Basis:	Index Linked Redemption
11.	Change of Interest Basis or Redemption/ Payment Basis:	Not Applicable
12.	Put/Call Options:	Investor Put (further particulars specified below)
13.	Date approval by Committee of the Board of Directors for issuance of Notes obtained:	22 April 2015
	Provisions Relating to Interest (if any) Payable	
14.	**Fixed Rate Note Provisions**	Applicable (paragraph 17 (Index Linked Interest Note Provisions) below is also applicable)
	(i) Rate of Interest:	1.676 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	24 March and 24 September in each year up to and including the Maturity Date
	(iii) Fixed Coupon Amount(s): (Applicable to Notes in definitive form)	£838 per Calculation Amount
	(iv) Broken Amount(s): (Applicable to Notes in definitive form)	Not Applicable
	(v) Day Count Fraction:	Actual/Actual ICMA
	(vi) Determination Date(s):	24 March and 24 September in each year
15.	**Floating Rate Note Provisions**	Not Applicable

16.	**Zero Coupon Note Provisions**	Not Applicable
17.	**Index Linked Interest Note Provisions**	Applicable
	(i) Rate of Interest:	Fixed, calculated in accordance with paragraph 14 above
	(ii) Minimum Indexation Factor:	Not Applicable
	(iii) Maximum Indexation Factor:	Not Applicable
	(iv) Base Index Figure:	249.7
	(v) Limited Indexation Month(s):	Not Applicable
	(vi) Reference Gilt:	0.250 per cent. Index-Linked Treasury Stock due 2052
	(vii) Index Figure applicable	3 months lag
18.	Ratings Downgrade Rate Adjustment	Not Applicable
	Provisions Relating to Redemption	
19.	Index Linked Redemption Provisions	Applicable
	(i) Minimum Indexation Factor:	Not Applicable
	(ii) Maximum Indexation Factor:	Not Applicable
	(iii) Base Index Figure:	249.7
	(iv) Reference Gilt:	0.250 per cent. Index-Linked Treasury Stock due 2052
	(v) Index Figure applicable	3 months lag
	(vi) Redeemable in part:	Not Applicable
20.	**Issuer Call**	Not Applicable
21.	**Investor Put**	Applicable. Condition 6(g) (*Redemption at the Option of the Noteholders on a Restructuring Event*) applies.
	(i) Optional Redemption Date(s):	On the Put Date (as specified in the relevant Put Event Notice) (where Condition 6(g) (*Redemption at the Option of the Noteholders on a Restructuring Event*) applies)
	(ii) Notice Period:	As per Condition 6(g) (*Redemption at the Option of the Noteholders on a Restructuring Event*)
	(iii) Optional Redemption Amount(s):	£100,000 (as adjusted in accordance with Condition 7(a) and paragraph 19 (Index Linked Redemption Provisions) above) per Calculation Amount

22.	Final Redemption Amount:	£100,000 (as adjusted in accordance with Condition 7(a) and paragraph 19 (Index Linked Redemption Provisions) above) per Calculation Amount
23.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required):	£100,000 (as adjusted in accordance with Condition 7(a) and paragraph 19 (Index Linked Redemption Provisions) above) per Calculation Amount
	General Provisions Applicable to the Notes	
24.	Form of Notes:	Bearer
	(i) if issued in Bearer form:	Temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note.
	New Global Note/NSS:	Yes (NGN)
25.	Additional Financial Centre(s) or other special provisions relating to payment dates:	Not Applicable
26.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	Yes

Signed on behalf of

Western Power Distribution (East Midlands) plc

……………………………………..

By:

Part B
Other Information

1.	**Listing and Admission to Trading**		
	(i) Listing and admission to trading:		Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the UK Listing Authority with effect from 23 April 2015.
	(ii) Estimate of total expenses related to admission to trading:		£1,750
2.	**Ratings**		
	Ratings		The Notes to be issued have been rated: Baa1 (Stable) by Moody's Investors Service Limited (**Moody's**) BBB (Positive) by Standard & Poor's Credit Market Services Europe Limited (**S&P**) Each of Moody's and S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**)
3.	**Interests of Natural and Legal Persons Involved in the Issue**		
4.	**Reasons for the Offer, Estimated Net Proceeds and Total Expenses**		
	(i) Reasons for the offer		The net proceeds of the offer will be used by the Issuer for its general corporate purposes.
	(ii) Estimated net proceeds:		£36,804,532.30
	(iii) Estimated total expenses:		Not Applicable
5.	**Operational Information**		
	(i) ISIN Code:		Until consolidation with the Existing Notes: Temporary ISIN: XS1223860666 Upon consolidation with the Existing Notes: ISIN: XS0974143439
	(ii) Common Code:		Until consolidation with the Existing Notes: Temporary Common Code: 122386066 Upon consolidation with the Existing Notes: Common Code: 097414343

(iii) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s):	Not Applicable
(iv) Delivery:	Delivery against payment
(v) Names and addresses of additional Paying Agent(s) (if any):	Not Applicable

Exhibit 10(a)

SERVICE AGREEMENT

AGREEMENT dated the 16th day of March 2015

BETWEEN

(1) **WESTERN POWER DISTRIBUTION (SOUTH WEST) plc** ("the Company") whose registered office is at Avonbank, Feeder Road Bristol BS2 0TB

and

(2) **ROBERT ARTHUR SYMONS** ("the Director") whose address is Trevear Farm, St Issey, Wadebridge, Cornwall PL27 7RQ

This Agreement is intended to consolidate and replace the Director's Service Contract dated 29 February 2000 and amendments to such Service Contract by letters dated 31 January 2002, 11 May 2006, and 10 December 2013 between the two parties.

References in this Agreement to "Group" shall mean the Company and any holding company of the Company or any subsidiary or subsidiary undertaking of the Company or the Company's holding company as defined in the Companies Act 2006 and any reference to the Company shall, where the context so requires or implies, include a reference to any company which controls the Company or which the Company controls or any subsidiary or any subsidiary undertaking.

NOW IT IS HEREBY AGREED:

1. Appointment and Term

(a) The Director is appointed to serve the Company as Chief Executive in caordance with the terms and conditions of this Agreement from the thirty first day of March 2000 (the "Employment"). The Director's employment with the Company and by a former Electricity Board (as defined in the Electricity Act 1989) from the 6 September 1971 will be treated as continuous with this Employment. The Employment will continue until:

(i) it is determined in accordance with Clause 14; or

(ii) the expiry of 6 months' notice to terminate this Agreement given by the Company to the Director or 6 months' notice to terminate this Agreement given by the Director to the Company

(b) The Company may without prior notice suspend and/or exclude the Director from all or any premises of the Company or the Group for any period not exceeding 6 months provided that throughout such period the Director's salary and other contractual benefits shall continue to be paid and the Director shall keep himself available for work notwithstanding that the Company shall not be obliged to provide any work for the Director during such period.

2. Duties

During the Employment, the Director must:

(a) in relation to the Group perform the duties and exercise the functions as may from time to time reasonably be assigned to or vested in him by the Chairman of the Company,

(b) well and faithfully serve the Company to the best of his knowledge, power and ability and use his utmost endeavours to promote the interests and welfare of the Group; and

(c) comply with all lawful and reasonable requests, instructions and regulations made by the Chairman or by anyone authorised by him and promptly provide such explanations, information and assistance as to his activities in the business of the Group as are reasonable.

3. **Place and Time of Work**

(a) The Company's hours of work are from 8.30 am to 5.00 pm Monday to Friday.
However the Director will be required and expected to devote to the affairs of the Group the whole of his time and attention during normal business hours and at such other times as his duties may reasonably require.

(b) The Director shall perform his duties at the head office of the Company or at such other place as the Company shall reasonably require from time to time. If the Director is required subsequently to relocate the Company shall pay all reasonable expenses in accordance with the Company's relocation scheme in force from time to time.

4. **Conflicts of Interest**

The Director must:

(a) not during his Employment hereunder (except in the proper performance of his duties or with the prior written consent of the Company) be directly or indirectly engaged, concerned or interested in any other business or activity (where such engagement concern or interest may reasonably be expected to interfere with the performance of his duties in the Employment) provided that this provision shall not inhibit the holding (directly or through nominees) of quoted investments as long as not more than 5 per cent of the shares or stock of any class of any one company shall be so held;

(b) comply with the Company's Code of Ethics as approved by the Company and as may be modified from time to time.

5. **Remuneration**

(a) As remuneration for his services in the Employment the Director shall (unless and until otherwise agreed) receive a base salary at the rate of £535,000 per annum as of the date of this Agreement which shall accrue from day to day and be payable in instalments monthly, such salary being inclusive of any fees to which the Director may be entitled as a Director of any company in the Group.

(b) The Company shall review the Director's salary as provided for in the sub-clause above annually and any changes consequent upon the said review shall take effect from 1st April of the same year.

(c) In addition to the salary referred to above, the Director shall be eligible to participate at the Company's discretion in any bonus or incentive schemes for senior executives and/or directors that the Company may operate from time to time subject to and in accordance with the rules of such schemes. Any awards made to the Director under any bonus or incentive scheme, prior to the date of this Agreement, shall be unaffected by entering into this agreement.

6. **Expenses**

The Director shall be reimbursed such expenses as are properly and reasonably incurred by him in the performance of his duties and are detailed in the Company's policy on expenses from time to time. The Director shall produce such vouchers and receipts if practical as may be required.

7. **Pension**

The Director was a participant in the Electricity Supply Pension Scheme ("ESPS") until 6 April 2006, at which time he ceased to accrue any benefits under the ESPS. The Director elected to begin drawing on his pension benefits under the ESPS as of 20 March 2012. The Director's pension benefits determined by the ESPS and the enhanced benefits provided to the Director from time to time shall not be affected by the entering into of this Agreement and shall continue to be governed by the rules of the ESPS.

Given the Director is drawing pension benefits while in Service with the Company, the Company procures that if the Director dies thereafter while in service with the Company, a lump sum benefit will be payable from either a policy of life insurance that satisfies the conditions below, or directly by the Company. The lump sum shall be £4.75 million indexed on each policy anniversary in line with the index of retail prices. The conditions to be satisfied are that the policy does not constitute a registered pension scheme; is not issued, or held in connection with, nor forms an agreement under, a registered pension scheme; and the provision of this benefit does not otherwise prejudice the Director's enhanced protection.

8. **Car**

The Director shall be entitled to car usership benefits and private fuel benefits in accordance with the Company's Executive User Car Scheme as published and varied from time to time. In addition, the Director shall be entitled to Chauffer services as needed in performance of his duties.

The total value of the Director's Car benefits under this paragraph shall be capped at an amount of £20,000 annually. The Director shall reimburse the Company at the end of each year for any benefits received in excess of £20,000.

9. **Private Medical Insurance**

The Director, his wife and dependent children up to age 21, or up to age 25 if in full time education, shall be entitled to participate in a private medical insurance scheme to be provided by and at the expense of the Company.

1 0. **Holidays**

(a) In addition to the usual bank and public holidays, the Director shall be entitled to 25 working days' holiday in each Company Holiday Year (1st April to 31st March) to be taken at a time or times agreed with him by the Chairman of the Company. Accrued but untaken holiday will lapse at the end of the Holiday Year in which the entitlement arises and may not be carried forward for use in the next Holiday Year unless otherwise agreed with the Chairman.

(b) Upon the termination of the Employment for whatever reason the Director:

(i) shall be entitled to payment in lieu of accrued but untaken holiday entitlement for the current Holiday Year, and

(ii) may be required to repay the Company any salary received in respect of holiday taken in excess of his proportionate holiday entitlement.

11. **Illness**

(a) Should the Director be prevented by sickness, injury or other incapacity from properly performing his duties in the Employment he shall report the fact directly or indirectly to the Chairman of the Company as soon as is reasonably practicable.

(b) For sickness, injury or other incapacity of seven days or less, upon his return to work, the Director shall complete an Absence Self-Certificate. For sickness, injury or other incapacity of eight days or more the Director must obtain a doctor's statement which he shall submit to the Company at appropriate intervals.

(c) Provided the Director complies with sub-clauses (a) and (b) above he shall be entitled to receive his full basic rate of remuneration (to include any statutory sick pay or social security benefits payable) for the first twenty six weeks of any sickness, injury or other incapacity in any one year of employment under this Agreement (whether such weeks are consecutive or in aggregate). For the next twenty six week period payment shall be at half the Director's basic rate of remuneration for so much of the next twenty six week period as the Director suffers sickness, injury or other incapacity m any one year.

(d) For any injury or illness in excess of eight days or in the case of persistent or recurring injury or illness the Company shall be entitled to approach the Director's own doctor having obtained on each occasion the Director's specific prior consent and/or to require the Director to attend a medical examination with a doctor nominated by the Company at the Company's expense.

12. **Confidentiality**

The Director must not at any time without the previous consent in writing of the Company, other than in the course of his duties, divulge or make known to anyone any secrets or any technical, commercial, financial or other information of a confidential nature relating to the business or customers of the Group save to the extent that such information has become a matter of public record. All papers and documents used by the Director in the course of this Employment are and will remain the property of the Company and must be delivered up to the Company on termination of the Agreement. This clause operates independently of the existence of the Agreement.

13. **Non-Solicitation**

By accepting this Employment and continuing to be employed by the Company the Director undertakes and covenants with the Company that unless otherwise agreed and consented to by the Company the Director shall not during this Employment nor for a period of twelve months it has come to an end solicit, entice, procure or endeavour to persuade any other director, officer, manager, supervisor or senior technical or sales employee of the Company or the Group with whom the Director shall have had personal contact or dealings during the course of his employment to leave the employment of the Group.

14. **Summary Termination**

Without prejudice to any remedy which it may have against the Director for breach or non-performance of any of the provisions of this Agreement the Company may by notice in writing to the Director forthwith determine this Agreement if he:

(a) becomes bankrupt or makes any composition or enters into any deed of arrangement with his creditors; or

(b) is prevented by law from holding the office of director; or

(c) is guilty of;

(i) any gross misconduct; or

(ii) gross negligence in the performance of his duties; or

(iii) any breach of any fundamental term of this Agreement; or

(iv) persistent neglect of his duties or persistent non-observance of any condition of this Agreement (provided that in each case the Company shall first have given due written warning of such neglect or non-observance as the case may be).

15. **Change of Control**

The Director shall be entitled to certain benefits related to a change in control of the Company. For the purposes of this clause,

(a) Relevant Event means either;

(i) the giving of notice by the Company or the termination of the Director's employment (other than for reason of gross misconduct or material breach of contract on the Director's part (an "excluded reason"); or

(ii) without a Director's express written consent, after written notice to his Employing Company, and after a thirty (30) day opportunity for the Employing Company to cure, the continuing occurrence of any of the following events:

a. Inconsistent Duties. A meaningful and detrimental alteration in the Director's position or in the nature or status of his responsibilities from those in effect immediately prior to the Change in Control;

b. Reduced Salary. A reduction of five percent (5%) or more by the Employing Company in either of the following: (i) the Director's highest annual base salary rate as in effect at any time during the twelve (12) month period immediately preceding the date of the Change in Control ("Base Salary") (except for a less than ten percent (10%), across-the-board Base Salary rate reduction similarly affecting at least ninety five percent (95%) of all Employees of the Employing Company); or (ii) the sum of the Director's Base Salary plus target bonus under the Employing Company's short term bonus plan, as in effect immediately prior to the Change in Control (except for a less than ten percent (10%), across-the-board reduction of Base Salary plus target bonus under such short term plan similarly affecting at least ninety-five percent (95%) of all Employees of the Employing Company);

c. Pension and Compensation Plans. The failure by the Employing Company to continue in effect any "pension plan or agreement" or "compensation plan or agreement" in which the Director participates as of the date of the Change in Control or the elimination of the Director's participation in any such plan (except for across-the board plan changes or terminations similarly affecting at least ninety-five percent (95%) of all Employees of the Employing Company). For purposes of this subsection (c), a "pension plan or agreement" shall mean any written arrangement executed by an authorized officer of the Employing Company which provides for payments upon retirement; and a "compensation plan or agreement" shall mean any written arrangement executed by an authorized officer of the Employing Company which provides for periodic, non-discretionary compensatory payments to employees in the nature of bonuses;

d. Relocation. A change in the Director's work location to a location more than fifty (50) miles from the facility where the Director was located immediately prior to the Change in Control, unless such new work location is within fifty (50) miles from the Director's principal place of residence at the time of the Change in Control. The acceptance, if any, by the Director by an Employing Company at a work location which is outside the fifty (50) mile radius set forth in this Section shall not be a waiver of the Director's right to refuse subsequent transfer by the Employing Company to a location which is more than fifty (50) miles from the Director's principal place of residence at the time of the Change in Control, and such subsequent, unconsented transfer shall be "Relevant Event" under this Policy; or

e. Benefits and Perquisites. The taking of any action by the Employing Company that would directly or indirectly materially reduce the benefits enjoyed by the Director under the Employing Company's retirement, life insurance, medical, health and accident, disability, deferred compensation or savings plans in which the Director was participating immediately prior to the Change in Control, or the failure by the Employing Company to provide the Director with the number of paid vacation days to which the Director is entitled on the basis of years of service with the Employing Company in accordance with the Employing Company's normal vacation policy in effect immediately prior to the Change in Control (except for across-the-board plan or vacation policy changes or plan terminations similarly affecting at least ninety-five percent (95%) of all Employees of the Employing Company).

Relevant Event shall not include the Director's Death or Disability. The fact that the Director may be eligible for Retirement shall not prevent him from resigning for a Relevant Event provided a Relevant Event shall have occurred. Any dispute as to whether a Relevant Event shall have occurred or been cured on a timely basis shall be resolved by the PPL Corporation Board of Directors. Any such resolution by the PPL Board of Directors shall be binding on the Employing Company and the Director.

The Relevant Event occurs if the Director's employment is involuntarily terminated by the Employing Company at any time during the two (2) year period following a Change in Control for any reason other than for Cause or who shall voluntarily terminate his employment with his Employment Company for a Relevant Event at any time during the two (2) year period following a Change of Control. Notwithstanding anything to the contrary above, a Relevant Event does not occur if the Director:

w. is on leave of absence as of his Termination Date, unless such Director is capable of returning to work within twelve (12) weeks of such leave of absence from work;

x. voluntarily terminates his employment with the Employing Company other than for a Relevant Event;

y. has his employment terminated by the Employing Company for Cause; or

z. terminates from employment by reason of his Death or Disability.

(b) Change of Control means where;

(i) the Company comes under the control of any person or persons acting in concert (as those terms are defined for the time being in the City Code on Takeovers and Mergers) not having control of the Company at the date of this agreement; or

(ii) the person or persons having the right to control, directly or indirectly, a majority of the votes which may ordinarily be cast at general meetings of the Company or the right to control the composition of the Board, cease to have those rights,

Change of control does not occur where PPL maintains at least 50% equity or voting interest.

(c) To the extent that terms used in this clause are not defined elsewhere in this Agreement, the definitions set out in clause 46 of the Electricity Supply Pension Scheme shall apply.

(d) If a Relevant Event occurs the Company shall

(i) pay to the Director within 7 days of the termination of his employment a sum equal to two times his taxable pay (as would fall to be included in the amount shown on the annual forms P 60 and PlID) received from the Company during the twelve months immediately preceding the Change of Control;

(ii) procure that the Director's benefits under the Electricity Supply Pension Scheme which have accrued at the date of termination of employment are augmented by crediting him with two additional years' Pensionable Service subject to the Director contributing 6% of his Pensionable Salary to the pension scheme and the Company shall make such additional contributions to the Electricity Supply Pension Scheme as are necessary to secure that augmentation and, if this is not possible, due to Inland Revenue limits, procure the payment of such cash sum as is of equivalent value;

(iii) procure the payment of pension benefits to the Director by the Electricity Supply Pension Scheme in accordance with the provisions of the letter from the Company to him dated 23 March 2000 on the basis of his termination of employment being caused by reorganisation, such benefits to include the augmentation described in above.

(e) Subject to any rights accrued at the date of termination of the Director's employment under the provisions of any pension scheme of the Company, any payment by the Company pursuant to this clause shall be made in full and final settlement of all and any claims arising from or in connection with the Director's employment or its termination or his office of Director and its loss in each case in respect of the Company or the Group.

(f) All payments to be made pursuant to this clause shall be paid less any necessary withholdings.

(g) The Director hereby agrees that he shall not bring any claim before any court or employment tribunal relating to his employment and/or its termination except in so far as such claim is brought solely to enforce the provisions of this clause. The Director agrees to enter into an agreed form of compromise agreement on or around the date of termination of his employment to give effect to this clause.

(h) The Director is also entitled to certain benefits related to a change in control of the Company as set forth in the Agreement dated 11 May 2006 by and between PPL Corporation and the Director, which is attached to this Agreement as Attachment A.

16. **Resignation from Directorships Following Termination of Employment**

Upon termination of this Employment for whatever reason the Director must forthwith tender his resignation as a Director of any Group company without compensation.

The Director hereby irrevocably authorises the Company to appoint some person in his name and on his behalf to sign any documents and do any things necessary to give effect thereto, if the Director shall fail to sign or do the same himself The Director shall also promptly return all Company property, equipment and documents (including all copies) to the Company.

17. **Effect of Termination of this Agreement**

The expiry or termination of this Agreement howsoever arising shall not operate to affect any of the provisions hereof which are expressed to operate or have effect thereafter and shall not prejudice the exercise of any right to remedy of either party accrued beforehand.

18. **Disciplinary and Grievance Procedure**

If the Director is dissatisfied with any disciplinary action or has any grievance concerning this Employment he should raise the matter with the Chairman.

19. **Patents, Secrets, Processes and Improvements**

(a) Any discovery or invention or secret process or improvement in procedure made or discovered by the Director while in the service of the Company whether before or after the date of this Agreement with or in any way affecting or relating to the business of the Company or of any company in the Group or capable of being used or adapted for use therein or in connection therewith shall forthwith be disclosed to the Company and shall belong to and be the absolute property of the Company.

(b) The Director shall, if and whenever required so to do by the Company at the expense of the Company, apply to join with the Company in applying for letters patent or other equivalent protection in the United Kingdom and in any part of the world for any such discovery, invention, process or improvement as aforesaid and shall at the expense of the Company execute and do all instruments and things necessary for vesting the said letters patent or other equivalent protection when obtained and all rights, title to, and interest in the same in the Company absolutely and as sole beneficial owner or in such other person as the Company may specify. The Director hereby irrevocably appoints the Company to be his attorney in his name and on his behalf to execute and to do any such instrument or thing and generally to use his name for the purpose of giving to the Company the full benefit of the provisions of this clause but not otherwise in favour of any third party a certificate in writing signed by any Director or the Secretary of the Company that any instrument or act falls within the authority hereby conferred shall be conclusive evidence that such is the case.

20. **Governing Law**

This Agreement and the Employment shall be governed by and construed in accordance with English law in all respects. The parties agree that the English Courts and Tribunals shall have exclusive jurisdiction to determine any disputes or claims arising under or in connection with this Agreement, the Employment or the termination of either or both of them.

21. **Notices**

Any notice to be given hereunder shall be writing. Notice to the Director shall be sufficiently served by being delivered personally to him or by being sent by first class post addressed to him at his usual or last known place of abode. Any notice if so posted shall be deemed served upon the first day following that on which it was posted. Notice to the Company shall be sufficiently served by being delivered to the Company Secretary at the Registered Office of the Company.

SIGNED on behalf of the Company
by R L Klingensmith, Chairman ……………………………………………...
in the presence of:

Witness signature ……………………………………………..
Name (block capitals) ……………………………………………..
Address ……………………………………………..
……………………………………………..

SIGNED by the Director R A Symons in the presence of:	……………………………………………..
Witness signature	……………………………………………..
Name (block capitals)	……………………………………………..
Address	……………………………………………..
	……………………………………………..

ATTACHMENT A

AGREEMENT

THIS AGREEMENT, effective as of May 11, 2006 is made by and between PPL Corporation, a Pennsylvania corporation and Robert A. Symons (the "Executive").

WHEREAS, the Company considers it essential to the best interests of its shareowners to foster the continued employment of key management personnel by the Company or any Group Company;

WHEREAS, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly-held corporations, the possibility of a Change in Control (as defined in the last Section hereof) exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel employed by the Company or any Group Company to the detriment of the Company and its shareowners;

WHEREAS, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control; and

WHEREAS, the Executive is employed by Western Power Distribution (South West) plc (a Group Company) and accordingly it is intended that any entitlements arising under the arrangements applying in respect of his employment by Western Power Distribution (South West) plc, shall not be prejudiced by any terms of this Agreement, and shall be set off against the entitlements of the Executive under this Agreement.

NOW THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Executive hereby agree as follows:

1. Defined Terms

The definitions of capitalized terms used in this Agreement are provided in the last Section hereof.

2. **Effect of Agreement**

2.1 The parties acknowledge and agree that nothing in this Agreement shall disapply, replace, prejudice or otherwise affect the Executive's entitlements under the WPD Employment Contract and nor shall this Agreement be interpreted as a guarantee by the Company of any such entitlements.

2.2 Save in respect of the obligation referred to in Section 6.1(c) below where the circumstances that give rise to any entitlement of the Executive under the terms of this Agreement also give rise to an entitlement of the Executive under the WPD Employment Contract, the obligation of the Company to make any payment or provide any benefit under this Agreement shall be limited solely to the extent that such payment or benefit due under this Agreement shall exceed the Executive's entitlement to a corresponding type or description of payment or benefit under the WPD Employment Contract. For the avoidance of doubt an entitlement to a benefit of a particular type or description under the WPD Employment Contract shall only be set off against the corresponding type or description of benefit provided for under this Agreement. In respect of the obligation referred to in Section 6.l(c) below, the obligation of the Company to make a payment or provide a benefit shall be limited to the extent that such payment or benefit shall exceed the value of any augmentation payable under clause 14.A.2(b) of the WPD Employment Contract (or such clause as shall have replaced such clause).

2.3 The provisions of this section 2 override any terms of this Agreement which are inconsistent with these provisions and the parties confirm that their intention is that the Executive's entitlements under this Agreement are cumulative to the extent they exceed any entitlement to a corresponding type or description of benefit under the WPD Employment Contract.

3. **Term of Agreement**

The Term of this Agreement shall commence on the date hereof and shall continue in effect through December 31, 2007; provided, however, that commencing on January 1,
2007 and each January 1 thereafter, the Term shall automatically be extended for one additional year unless, either the Company or the Executive gives at least 15 months advance notice of termination by, not later than September 30 of the year preceding the year in which the Term is then scheduled to expire, giving notice not to extend the Term; and further provided, however, that if a Change in Control shall have occurred during the Term, the Term shall expire no earlier than thirty-six (36) months beyond the month in which such Change in Control occurred. Notwithstanding the foregoing in the event that (a) prior to the occurrence of a Change in Control or Potential Change in Control, the Executive's Employment is terminated for any reason or the Executive is no longer Vice President- United Kingdom, PPL Global, LLC , or (b) following the occurrence of a Potential Change in Control but prior to the occurrence of a Change in Control, the Executive is no longer Vice President - United Kingdom, PPL Global, LLC, and such change does not constitute Good Reason under the circumstances described in clauses (B) and (C) of the second sentence of Section 6.1 hereof (treating all references in paragraphs (i) through (vi) of the definition of Good Reason to a "Change in Control" as references to a "Potential Change in Control") then this Agreement shall terminate as of the date that the Executive's Employment is terminated, or the Executive's position or title has been so changed, as the case may be.

4. **Company's Covenants Summarized**

In order to induce the Executive to remain in the Employment and in consideration of the Executive's covenants set forth in Section 5 hereof, the Company agrees, under the conditions described herein (and subject to Section 2.2 above), to pay the Executive the Severance Payments and the other payments and benefits described herein. Except as provided in Section 8.1 hereof, no Severance Payments shall be payable under this Agreement unless there shall have been (or, under the terms of the second sentence of Section 6.1 hereof, there shall be deemed to have been) a termination of the

Executive's Employment following a Change in Control and during the Term. This Agreement shall not be construed as creating an express or implied contract of employment with the Company and, except as otherwise agreed to in writing between the Executive and the Company, the Executive shall not have any right to be retained in the employ of the Company.

5. **The Executive's Covenants**

The Executive agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control during the Term, the Executive will remain in the Employment until the earliest of (i) a date which is six (6) months after the date of such Potential Change of Control, (ii) the date of a Change in Control, (iii) the date of termination by the Executive of the Executive's Employment for Good Reason or by reason of death, Disability or Retirement, or (iv) the termination of the Executive's Employment for any reason.

6. **Severance Payments**

6.1 Subject to Sections 2.2, 6.2, 6.5 and 6.6 hereof, the Company shall pay the Executive the payments, and provide the Executive the benefits, described in this Section 6.1 (the "Severance Payments") upon the termination of the Executive's Employment following a Change in Control and during the Term, unless such termination is (i) for Cause, (ii) by reason of death, Disability or Retirement, or (iii) by the Executive without Good Reason. For purposes of this Agreement, the Executive's Employment shall be deemed to have been terminated following a Change in Control without Cause or by the Executive with Good Reason if (A) the Executive's Employment is terminated without Cause prior to a Change in Control (whether or not a Change in Control ever occurs) and such termination was at the request or direction of a Person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control or (B) if the Executive terminates his Employment for Good Reason prior to a Change in Control (whether or not a Change in Control ever occurs) and the circumstance or event which constitutes Good Reason occurs at the request or direction of such Person, or (C) the Executive's Employment is terminated without Cause or by the Executive for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs). For purposes of any determination regarding the applicability of the immediately preceding sentence, any position taken by the Executive shall be presumed to be correct unless the Company establishes to the Board by clear and convincing evidence that such position is not correct.

(a) The Company shall pay to the Executive a lump sum severance payment, in cash, equal to two times the sum of (i) the Executive's base salary as in effect immediately prior to the Date of Termination or, if higher, in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason; (ii) the Executive's annual rate of Pension Compensation Adjustment as in effect immediately prior to the Date of Termination or, if higher, in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason; and (iii) the highest annual bonus earned by the Executive pursuant to any annual bonus or incentive plan maintained in relation to the Employment in respect of any of the last three fiscal years ending immediately prior to the fiscal year in which occurs the Date of Termination or, if higher, immediately prior to the fiscal year in which occurs the first event or circumstance constituting Good Reason (including as an amount so paid any amount that would have been so paid but for the Executive's request that the amount not be paid, for example where the Executive requests to exchange some or all of any annual bonus for grants of restricted stock awards or stock options in accordance with the Company's Cash Incentive Premium Exchange Programme). For purposes of determining the value of the annual bonus earned by the Executive in any calendar year, the value of any other restricted stock awards or stock options earned by the Executive in any such year shall not be included in the value of the annual bonus for such year;

(b) The Executive is not eligible for PPL Corporation's or PPL Global, LLC's life, disability, accident, and health insurance benefits, and therefore there is no provision for any extension of such benefits after the Date of Termination.

(c) In addition to the retirement benefits to which the Executive may be entitled under each Pension Plan, if any, or any successor plan thereto, the Company shall pay the Executive a lump sum amount, in cash, equal to the actuarial equivalent value of twenty four (24) additional months of service credit under the Pension Plan (calculated as if the Executive was an active member of the Pension Plan at the Date of Termination) less (i) the value of the Pension Compensation Adjustment that would have been received by the Executive during the said twenty four month period (assuming he had continued in employment that entitled him to payment of the Pension Compensation Adjustment) based on the level of annual compensation/remuneration paid to him at the Date of Termination; (ii) the value of the contributions that would have been paid by the Executive during the said twenty four month period if he had' been an active member of the Pension Plan; (iii) interest in respect of (i) and (ii) above. For purposes of this Section 6.l(c), "actuarial equivalent" shall be determined using the same assumptions utilized under the PPL Supplemental Executive Retirement Plan or any successor plan, immediately prior to the Date of Termination, or, if more favorable to the Executive, immediately prior to the first occurrence of an event or circumstance constituting Good Reason.

(d) The Executive is not eligible for PPL Corporation's or PPL Global, LLC's post-retirement health care or life insurance plans, and therefore there is no provision for any extension of such benefits after the Date of Termination.

(e) The Company shall provide the Executive with outplacement services suitable to the Executive's position for a period of two years or, if earlier, until the first acceptance by the Executive of an offer of employment.

6.2

(a) Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive in connection with a Change in Control or the termination of the Executive's Employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any Person whose actions result in a Change in Control or any Person affiliated with the Company or such Person) (all such payments and benefits, including the Severance Payments, being hereinafter called "Total Payments") would be subject (in whole or part), to the Excise Tax, then the cash Severance Payments shall be reduced (if necessary to zero) to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax (after taking into account any reduction in the Total Payments provided by reason of section 280G of the Code in such other plan, arrangement or agreement) and all other Severance Payments shall thereafter be reduced (if necessary, to zero) so that no portion of the Total Payments is subject to the Excise Tax, if (i) the net amount of such Total Payments, as so reduced, (and after deduction of the net amount of federal, state and local income tax on such reduced Total Payments) is greater than (ii) the excess of (x) the net amount of such Total Payments, without reduction (but after deduction of the net amount of federal, state and local income tax on such Total Payments), over (y) the amount of Excise Tax to which the Executive would be subject in respect of such Total Payments.

(b) For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of section 280G(b) of the Code shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which, in the opinion of tax counsel selected by the accounting firm that was, immediately prior to the Change in Control, the Company's independent auditor (the "Auditor"), does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code, (including by reason of section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which constitutes reasonable compensation for services actually rendered, within the meaning of section 280G(b)(4)(B) of the Code, in excess of the Base Amount allocable to such reasonable compensation, and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code. Prior to the payment date set forth in Section 6.3 hereof, the Company shall provide the Executive with its calculation of the amounts referred to in this Section and such supporting materials as are reasonably necessary for the Executive to evaluate the Company's calculations. If the Executive objects to the Company's calculations, the Company shall pay to the Executive such portion of the Severance Payments (up to 100% thereof) as the Executive determines is necessary to result in the Executive receiving the greater of clauses (i) and (ii) of Section 6.2(a) hereof.

(c) If it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding that, notwithstanding the good faith of the Executive and the Company in applying the terms of this Section 6.2, the Total

Payments paid to or for the Executive's benefit are in an amount that would result in any portion of such Total Payments being subject to the Excise Tax, then, if such repayment would result in (i) no portion of the remaining Total Payments being subject to the Excise Tax and (ii) a dollar-for-dollar reduction in the Executive's taxable income and wages for purposes of federal, state and local income and employment taxes, the Executive shall have an obligation to pay the Company upon demand an amount equal to the sum of (i) the excess of the Total Payments paid to or for the Executive's benefit over the Total Payments that could have been paid to or for the Executive's benefit without any portion of such Total Payments being subject to the Excise Tax; and (ii) interest on the amount set forth in clause (i) of this sentence at the rate provided in section 1274(b)(2)(B) of the Code from the date of the Executive's receipt of such excess until the date of such payment.

6.3 The payments provided in subsection 6.1(a) and (c) hereof shall be made not later than the fifth day following the Date of Termination; provided, however, that if the amounts of such payments, and the limitation on such payments set forth in Section 6.2 hereof, cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined in good faith by the Company, of the minimum amount of such payments to which the Executive is clearly entitled and shall pay the remainder of such payments (together with interest on the unpaid remainder (or on such payments to the extent the Company fails to make such payments when due) at 120% of the rate provided in section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth (30th) day after the Date of Termination. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth (5th) business day after demand by the Company (together with interest at 120% of the rate provided in section 1274(b)(2)(B) of the Code). At the time that payments are made under this Agreement, the Company shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).

6.4 The Company also shall pay to the Executive all legal fees and expenses incurred by the Executive in disputing in good faith any issue hereunder or in seeking in good faith to obtain or enforce any benefit or right provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of section 4999 of the Code to any payment or benefit provided hereunder. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

6.5 The payment and/or provision of the Severance Payments described in Section 6.1 shall be conditional upon the Executive first having entered into a compromise agreement in a form to be determined by the Company (the "Compromise Agreement") with:

(a) the Company; and/or

(b) any Group Company; and/or

(c) any Successor

under the terms of which the Executive shall waive any claim, right, entitlement, or liability owing, whether under contract or statute, in connection with his Employment and/or the termination of such Employment but excluding any claim, right, entitlement or liability owing under contract that the Executive may have against WPD South West under the terms of the WPD Employment Contract or any right he may have under the Pension Plan.

6.6 If the Executive is awarded any compensation or damages by a court or tribunal pursuant to any action, claim or proceedings in any court or tribunal in the United Kingdom against the Company, any Group Company, any Successor, or any of its or their officers, employees or agents in respect of any matter that is the subject of the waiver contained in the Compromise Agreement ("Proceedings"), the Executive shall repay to the Company or such Group Company as the case may be, immediately upon demand, the Severance Payments or such amount of the Severance Payments as shall be equivalent to the total amount of the compensation or damages (including interest) awarded, together with the full amount of any legal fees incurred by the Company or such Group Company or Successor in defending such Proceedings. Any part of the Severance Payments which remains outstanding shall cease to be payable under this Agreement with effect from the date of commencement of Proceedings.

7. **No Mitigation**

The Company agrees that, if the Executive's Employment terminates during the Term, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 6 hereof. Further, the amount of any payment or benefit provided for in this Agreement shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

8. **Successors; Binding Agreement**

8.1 In addition to any obligations imposed by law upon any successor to the Company or PPL Global, LLC, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company or PPL Global, LLC to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive were to terminate the Executive's Employment for Good Reason after a Change in Control, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

8.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

9. **Notices**

For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed, to the Executive at the last known address maintained in the Company's personnel records, and to the Company, to the address set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company: PPL Corporation
Two North 9th Street
Allentown, Pennsylvania 18101
Attention: Corporate Secretary

10. **Miscellaneous**

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or any lack of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement supersedes any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof, which have been made by either party. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Pennsylvania. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed. The obligations of the Company and the Executive under this Agreement that by their nature may require either partial or total performance after the expiration of the Term (including, without limitation, those under Section 6 hereof) shall survive such expiration.

11. **Validity; Pooling**

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect. In the event that the Company is party to a transaction that is otherwise intended to qualify for "pooling of interests" accounting treatment then (a) this Agreement shall, to the extent practicable, be interpreted so as to permit such accounting treatment, and (b) to the extent that the application of clause (a) of this Section 11 does not preserve the availability of such accounting treatment, then, to the extent that any provision of this Agreement disqualifies the transaction as a "pooling" transaction (including, if applicable, the entire Agreement), such provision shall be null and void as of the date hereof. All determinations under this Section 11 shall be made by the accounting firm whose opinion with respect to "pooling of interests" is required as a condition to the consummation of such transaction.

12. **Counterparts**

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

13. **Settlement of Disputes; Arbitration**

The Board shall make all determinations as to the Executive's right to benefits under this Agreement. Any denial by the Board of a claim for benefits under this Agreement shall be stated in writing and delivered or mailed to the Executive and such notice shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon, and shall be written in a manner that may be understood without legal or actuarial counsel. In addition, the Board shall afford a reasonable opportunity to the Executive for a review of the decision denying the Executive's claim and, in the event of continued disagreement, the Executive may appeal within a period of 60 days after receipt of notification of denial. Failure to perfect an appeal within the
60-day period shall make the decision conclusive. Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Philadelphia, Pennsylvania in accordance with the rules of the American Arbitration Association then in effect; provided, however, that the evidentiary standards set forth in this Agreement shall apply. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

14. **Definitions**

For purposes of this Agreement, the following terms shall have the meanings indicated below:

(a) "Base Amount" shall have the meaning set forth in section 280G(b)(3) of the Code.

(b) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

(c) "Board" shall mean the Board of Directors of the Company.

(d) "Cause" for termination of the Executive's Employment shall mean (i) the willful and continued failure by the Executive to substantially perform the Executive's duties (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive) after a written demand for substantial performance is delivered to the Executive, which demand specifically identifies the manner in which the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Company or its subsidiaries, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, (x) no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's act, or failure to act, was in the best interest of the Company or any Group Company, and (y) in the event of a dispute concerning the application of this provision, no claim by the Company that Cause exists shall be given effect unless the Company establishes to the Board by clear and convincing evidence that Cause exists.

(e) "Change in Control" means the occurrence of any one of the following events:

(i) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareowners was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended;

(ii) any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors;

(iii) there is consummated a merger or consolidation of the Company or PPL Global, LLC, other than (I) a merger or consolidation which would result in the voting securities of the Company and PPL Global, LLC outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, at least 60% of the combined voting power of the securities of the Company and at least 60% of the combined voting power of the securities of PPL Global, LLC, or at least 60% of the combined voting power of the securities of such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or (II) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (excluding in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities;

(iv) the shareowners of the Company approve a plan of complete liquidation or dissolution of the Company;

(v) the Board adopts a resolution to the effect that a "Change in Control" has occurred or is anticipated to occur;

(vi) all or substantially all of the assets of subsidiaries of PPL Global, LLC that are located in the United Kingdom are sold, or all or substantially all of the United Kingdom assets of the subsidiaries of PPL Global, LLC are transferred to the ownership of one or more business entities that have less than 50% of their ownership interests attributable to PPL Global, LLC and its subsidiaries after such transfer and PPL Global, LLC does not exercise active operational control of such entity or entities;

(vii) either (a) WPD South West comes under the control of any person or persons acting in concert (as those terms are defined for the time being in the City Code on Takeovers and Mergers of the United Kingdom) not having control of WPD South West at the date of this Agreement, or (b) the person or persons having the right to control, directly or indirectly, a majority of the votes which may ordinarily be cast at general meetings of WPD South West or the right to control the composition of the Board of Directors of WPD South West, cease to have those rights, provided, under (a) or (b), the Company does not maintain an equity or voting interest of at least 50%.

(f) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(g) "Company" shall mean PPL Corporation and, except in determining, under Section 14(e) hereof, whether or not any Change in Control of the Company has occurred in connection with such succession, shall include its subsidiaries and any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(h) "Date of Termination" shall mean the date on which the Employment terminates.

(i) "Disability" shall be deemed the reason for the termination of the Executive's Employment, if, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from the full-time performance of the Executive's duties for a period of six (6) consecutive months, the Executive shall have been given a Notice of Termination for Disability, and, within thirty (30) days after such Notice of Termination is given, the Executive shall not have returned to the full-time performance of the Executive's duties.

(j) "Employment" shall mean the employment of the Executive by WPD South West or by any other Group Company (or Successor) as shall employ the Executive at the relevant time.

(k) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(1) "Excise Tax" shall mean any excise tax imposed under section 4999 of the Code.

(m) "Executive" shall mean the individual named in the first paragraph of this Agreement.

(n) "Good Reason" for termination of the Executive's Employment by such Executive shall mean the occurrence (without the Executive's express written consent) after a Change in Control, or prior to a Change in Control under the circumstances described in clauses (B) and (C) of the second sentence of Section 6.1 hereof (treating all references in paragraphs (i) through (vi) below to a "Change in Control" as references to a "Potential Change in Control"), of any one of the following acts, or failures to act:

(i) the assignment to the Executive of any duties inconsistent with the Executive's status as an executive officer or key employee of the Company or a substantial adverse alteration in the nature or status of the Executive's responsibilities from those in effect immediately prior to a Change in Control;

(ii) a reduction of the Executive's annual base salary as in effect on the date of this Agreement, or as the same may be increased from time to time, except for across-the-board decreases uniformly affecting management, key employees and salaried employees of the business unit in which the Executive is then employed;

(iii) the relocation of the Executive's principal work location to a location more than 30 miles from the vicinity of such work location immediately prior to a Change in Control or the Executive being required to be based anywhere other than such principal place of employment (or permitted relocation thereof) except for required travel on business to an extent substantially consistent with the Executive's present business travel obligations;

(iv) the failure to pay to the Executive any portion of the Executive's current compensation or to pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program applying to the Employment, within seven (7) days of the date such compensation is due, except for across-the-board compensation deferrals uniformly affecting management, key employees and salaried employees of the business unit in which the Executive is then employed;

(v) the failure to continue in effect any compensation or benefit plan in which the Executive participates immediately prior to a Change in Control which is material to the Executive's total compensation, or any substitute plans adopted prior to a Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount or timing of payment of benefits provided and the level of the Executive's participation relative to other participants, as existed immediately prior to the Change in Control; or

(vi) the failure to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company's pension, savings, life insurance, medical, health and accident, or disability plans in which the Executive was participating immediately prior to a Change in Control, except for across-the-board changes to any such plans uniformly affecting all participants in such plans, the taking of any other action which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of the Change in Control, or the failure to provide the Executive with the number of paid vacation days to which the Executive is entitled on the basis of years of service in accordance with the normal vacation policy at the time of the Change in Control.

The Executive's right to terminate his or her Employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. The Executive's continued Employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

For purposes of any determination regarding the existence of Good Reason, any claim by the Executive that Good Reason exists shall be presumed correct unless the Company established to the Board by clear and convincing evidence that Good Reason does not exist.

(o) "Group Company" shall mean the Company, PPL Global, LLC and any subsidiary of the Company or PPL Global, LLC.

(p) "Notice of Termination" shall mean notice to terminate the Employment given by WPD South West or such other Group Company as shall employ the Executive at the relevant time.

(q) "Pension Compensation Adjustment" shall have the meaning set out in the WPD Employment Contract.

(r) "Pension Plan" shall mean any tax-qualified, supplemental or excess defined benefit pension plan maintained by WPD South West (or any other Group Company) and any other agreement entered into between the Executive and WPD South West (or any other Group Company) which is designed to provide the Executive with supplemental retirement benefits.

(s) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof; provided, however, a Person shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareowners of the Company in substantially the same proportions as their ownership of stock of the Company.

(t) "Potential Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(i) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(ii) any Person publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control;

(iii) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 5% or more of the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors; or

(iv) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(u) "Retirement" shall be deemed the reason for the termination by the Executive of the Executive's Employment if such employment is terminated in accordance with the applicable retirement policy, including early retirement, generally applicable to its salaried employees.

(v) "Severance Payments" shall have the meaning set forth in Section 6.1 hereof.

(w) "Successor" shall mean any person (whether a corporation or otherwise) who shall succeed any Group Company as the employer of the Executive in connection with any Change in Control.

(x) "Term" shall mean the period of time described in Section 3 hereof (including any extension, continuation or termination described therein).

(y) "Total Payments" shall mean those payments described in Section 6.2 hereof.

(z) "WPD Employment Contract" shall mean the arrangements applying as at the date of the relevant Change in Control in respect of the Executive's employment by WPD South West (and to the extent applicable at that time, the 2002 Letter and the 2006 Letter) or such other Group Company as shall employ the Executive at that time.

(aa) "WPD South West" shall mean Western Power Distribution (South West) plc whose registered office is at Avonbank, Feeder Road, Bristol BS2 OTB.

(bb) "2002 Letter" shall mean the letter dated 31 January 2002 from WPD South West to the Executive (setting out amendments to his service contract dated 29 February 2000).

(cc) "2006 Letter" shall mean the letter dated 1 March 2006 from WPD South West to the Executive (setting out special terms in respect of his pension benefits).

PPL CORPORATION

By
William F. Hecht Date
Chairman and CEO

Robert A. Symons Date

Exhibit 10(b)

AMENDMENT NO. 6

TO

PPL CORPORATION

DIRECTORS DEFERRED COMPENSATION PLAN

WHEREAS, PPL Services Corporation ("PPL") assumed sponsorship of the PPL Corporation Directors Deferred Compensation Plan (the "Plan") effective July 1, 2000; and

WHEREAS, the Plan was most recently amended and restated effective February 14, 2000, and subsequently amended by Amendments No. 1, 2, 3, 4 and 5; and

WHEREAS, PPL desires to further amend the Plan and the PPL Corporation Employee Benefit Plan Board has authorized the following changes.

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

I. Effective as of the Separation Time, Paragraph 7.1 is amended to read:

(e)

(i) Notwithstanding anything to the contrary, upon the Separation Time, Participant's Stock Account shall be credited for each share of PPL Corporation Common Stock in such Stock Account with a number of Talen Energy Corporation ("Talen") Restricted Stock Units to be calculated to be the same as the number of shares of common stock of Talen ("Talen Common Stock") that would be received in respect of PPL Corporation Common Stock pursuant to the Separation Agreement and the Transaction Agreement. Each restricted stock unit of Talen (each, a "Talen Restricted Stock Unit") that is credited to Participant's Stock Account shall be subject to vesting, transfer and settlement restrictions that are substantially identical to such vesting, transfer and settlement restrictions that applied to Participant's Stock Units immediately before the Separation Time; provided, however, that in no event shall a Participant be permitted (A) to elect to convert all or any portion of such Participant's Stock Account or Cash Account into additional Talen Restricted Stock Units or (B) to convert the Talen Restricted Stock Units into Stock Units of PPL Corporation Common Stock; and provided further that the EBPB may impose any additional restrictions on Participants' ability (if at all) to convert Talen Restricted Stock Units as the EBPB may determine in its sole discretion.

(ii) Notwithstanding Section 7.1(c), as of each date a cash dividend or other distribution (other than distributions in the form of additional shares of Talen Common Stock) is paid or made with respect to the Talen Common Stock to holders of record on any record date after the Separation Date, the Participant's Cash Account shall be credited with an amount of cash equal to the product of: (i) the cash amount of such dividend or cash value of such distribution paid with respect to one share of Talen Common Stock, multiplied by (ii) the number of Talen Restricted Stock Units held by the Participant, with the fair market value of any such non-cash dividend or distribution to be determined by the EBPB, in good faith. As of each date a dividend or other distribution in the form of additional shares of Talen Common Stock is paid or made with respect to the Talen Common Stock to holders of record on any record date after the Separation Date, the Participant's Stock Account shall be credited with additional shares of Talen Common Stock equal to the product of (x) the number of shares of Talen Common Stock paid or made with respect to one share of Talen Common Stock multiplied by (y) the number of Talen Restricted Stock Units held by the Participant in such Participant's Stock Account. Any such amounts credited to the Participant's Cash Account or Stock Account, as applicable, shall be paid to the Participant at the same time(s) when the shares of Talen Common Stock underlying the Participant's Talen Restricted Stock Units are delivered to the Participant. The EBPB may determine to impose transfer restrictions on any shares of Talen Common Stock issued to a Participant to the extent that the EBPB determines that such restrictions are necessary or advisable for purposes of applicable securities laws or otherwise.

(f) Capitalized terms used in this Paragraph 7.1 but not otherwise defined shall have the definitions ascribed to such term in the Employee Matters Agreement by and among PPL Corporation, Talen, C/R Energy Jade, LLC, Sapphire Power Holdings LLC and Raven Power Holdings LLC, dated as of June 9, 2014 (the "EMA").

II. Except as provided for in this Amendment No. 6, all other provisions of the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, this Amendment No. 6 is executed this _____ day of _____________, 2015.

PPL SERVICES CORPORATION

By: ____________________________
Title: ____________________________

Exhibit 12(a)

PPL CORPORATION AND SUBSIDIARIES

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

(Millions of Dollars)

	3 Months Ended March 31, 2015	Years Ended December 31, 2014(a)	2013(a)	2012(a)	2011(a)	2010(a)
Earnings, as defined:						
Income from Continuing Operations Before Income Taxes (b)	**$ 915**	$ 2,364	$ 1,260	$ 2,009	$ 2,050	$ 1,218
Adjustment to reflect earnings from equity method investments on a cash basis (c)	**(2)**			34	1	7
	913	2,364	1,260	2,043	2,051	1,225
Total fixed charges as below	**258**	1,095	1,096	1,065	1,022	698
Less:						
Capitalized interest	**6**	33	46	43	42	24
Preferred security distributions of subsidiaries on a pre-tax basis				5	23	21
Interest expense and fixed charges related to discontinued operations		10	14	12	6	34
Total fixed charges included in Income from Continuing Operations Before Income Taxes	**252**	1,052	1,036	1,005	951	619
Total earnings	**$ 1,165**	$ 3,416	$ 2,296	$ 3,048	$ 3,002	$ 1,844
Fixed charges, as defined:						
Interest charges (d)	**$ 255**	$ 1,073	$ 1,058	$ 1,019	$ 955	$ 637
Estimated interest component of operating rentals	**3**	22	38	41	44	39
Preferred security distributions of subsidiaries on a pre-tax basis				5	23	21
Fixed charges of majority-owned share of 50% or less-owned persons						1
Total fixed charges (e)	**$ 258**	$ 1,095	$ 1,096	$ 1,065	$ 1,022	$ 698
Ratio of earnings to fixed charges	**4.5**	3.1	2.1	2.9	2.9	2.6
Ratio of earnings to combined fixed charges and preferred stock dividends (f)	**4.5**	3.1	2.1	2.9	2.9	2.6

Exhibit 12(b)

PPL ELECTRIC UTILITIES CORPORATION AND SUBSIDIARIES

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

(Millions of Dollars)

	3 Months Ended March 31,	Years Ended December 31,				
	2015	**2014**	**2013**	**2012**	**2011**	**2010**
Earnings, as defined:						
Income Before Income Taxes	**$ 146**	$ 423	$ 317	$ 204	$ 257	$ 192
Total fixed charges as below	**33**	131	117	107	105	102
Total earnings	**$ 179**	$ 554	$ 434	$ 311	$ 362	$ 294
Fixed charges, as defined:						
Interest charges (a)	**$ 32**	$ 127	$ 113	$ 104	$ 102	$ 101
Estimated interest component of operating rentals	**1**	4	4	3	3	1
Total fixed charges (b)	**$ 33**	$ 131	$ 117	$ 107	$ 105	$ 102
Ratio of earnings to fixed charges	**5.4**	4.2	3.7	2.9	3.4	2.9
Preferred stock dividend requirements on a pre-tax basis				$ 6	$ 21	$ 23
Fixed charges, as above	**$ 33**	$ 131	$ 117	107	105	102
Total fixed charges and preferred stock dividends	**$ 33**	$ 131	$ 117	$ 113	$ 126	$ 125
Ratio of earnings to combined fixed charges and preferred stock dividends	**5.4**	4.2	3.7	2.8	2.9	2.4

Exhibit 12(c)

LG&E AND KU ENERGY LLC AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Successor (a)						Predecessor (b)
	3 Months Ended Mar. 31, 2015	**Year Ended Dec. 31, 2014**	**Year Ended Dec. 31, 2013**	**Year Ended Dec. 31, 2012**	**Year Ended Dec. 31, 2011**	**2 Months Ended Dec. 31, 2010**	**10 Months Ended Oct. 31, 2010**
Earnings, as defined:							
Income from Continuing Operations Before Income Taxes	**$ 193**	$ 553	$ 551	$ 331	$ 419	$ 70	$ 300
Adjustment to reflect earnings from equity method investments on a cash basis (c)	**(2)**	(1)	(1)	33	(1)		(4)
Mark to market impact of derivative instruments						2	(20)
	191	552	550	364	418	72	276
Total fixed charges as below	**44**	173	151	157	153	25	158
Total earnings	**$ 235**	$ 725	$ 701	$ 521	$ 571	$ 97	$ 434
Fixed charges, as defined:							
Interest charges (d) (e)	**$ 42**	$ 167	$ 145	$ 151	$ 147	$ 24	$ 153
Estimated interest component of operating rentals	**2**	6	6	6	6	1	5
Total fixed charges	**$ 44**	$ 173	$ 151	$ 157	$ 153	$ 25	$ 158
Ratio of earnings to fixed charges	**5.3**	4.2	4.6	3.3	3.7	3.9	2.7

Exhibit 12(d)

LOUISVILLE GAS AND ELECTRIC COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Successor (a)						Predecessor (b)
	3 Months Ended Mar. 31, 2015	**Year Ended Dec. 31, 2014**	**Year Ended Dec. 31, 2013**	**Year Ended Dec. 31, 2012**	**Year Ended Dec. 31, 2011**	**2 Months Ended Dec. 31, 2010**	**10 Months Ended Oct. 31, 2010**
Earnings, as defined:							
Income Before Income Taxes	**$ 86**	**$ 272**	$ 257	$ 192	$ 195	$ 29	$ 167
Mark to market impact of derivative instruments						1	(20)
	86	**272**	257	192	195	30	147
Total fixed charges as below	**14**	**51**	36	44	46	8	40
Total earnings	**$ 100**	**$ 323**	$ 293	$ 236	$ 241	$ 38	$ 187
Fixed charges, as defined:							
Interest charges (c) (d)	**$ 13**	**$ 49**	$ 34	$ 42	$ 44	$ 8	$ 38
Estimated interest component of operating rentals	**1**	**2**	2	2	2		2
Total fixed charges	**$ 14**	**$ 51**	$ 36	$ 44	$ 46	$ 8	$ 40
Ratio of earnings fixed charges	**7.1**	**6.3**	8.1	5.4	5.2	4.8	4.7

Exhibit 12(e)

KENTUCKY UTILITIES COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Successor (a)						Predecessor (b)
	3 Months Ended Mar. 31, 2015	**Year Ended Dec. 31, 2014**	**Year Ended Dec. 31, 2013**	**Year Ended Dec. 31, 2012**	**Year Ended Dec. 31, 2011**	**2 Months Ended Dec. 31, 2010**	**10 Months Ended Oct. 31, 2010**
Earnings, as defined:							
Income Before Income Taxes	**$ 125**	**$ 355**	$ 360	$ 215	$ 282	$ 55	$ 218
Adjustment to reflect earnings from equity method investments on a cash basis (c)	**(2)**	**(1)**	(1)	33	(1)		(4)
	123	**354**	359	248	281	55	214
Total fixed charges as below	**20**	**80**	73	72	73	11	71
Total earnings	**$ 143**	**$ 434**	$ 432	$ 320	$ 354	$ 66	$ 285
Fixed charges, as defined:							
Interest charges (d)	**$ 19**	**$ 77**	$ 70	$ 69	$ 70	$ 10	$ 69
Estimated interest component of operating rentals	**1**	**3**	3	3	3	1	2
Total fixed charges	**$ 20**	**$ 80**	$ 73	$ 72	$ 73	$ 11	$ 71
Ratio of earnings to fixed charges	**7.2**	**5.4**	5.9	4.4	4.8	6.0	4.0

CERTIFICATION

I, WILLIAM H. SPENCE, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 7, 2015

/s/ William H. Spence
William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

CERTIFICATION

I, VINCENT SORGI, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 7, 2015

/s/ Vincent Sorgi
Vincent Sorgi
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

CERTIFICATION

I, GREGORY N. DUDKIN, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 7, 2015

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

CERTIFICATION

I, DENNIS A. URBAN, JR., certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 7, 2015

/s/ Dennis A. Urban, Jr.

Dennis A. Urban, Jr.
Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 7, 2015

/s/ Victor A. Staffieri

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

Exhibit 31(f)

CERTIFICATION

I, KENT W. BLAKE, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 7, 2015

/s/ Kent W. Blake

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

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 7, 2015

/s/ Victor A. Staffieri

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

Exhibit 31(h)

CERTIFICATION

I, KENT W. BLAKE, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 7, 2015

/s/ Kent W. Blake

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

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 7, 2015

/s/ Victor A. Staffieri

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

CERTIFICATION

I, KENT W. BLAKE, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 7, 2015

/s/ Kent W. Blake

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

Exhibit 32(a)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2015

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, William H. Spence, the Principal Executive Officer of the Company, and Vincent Sorgi, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2015

/s/ William H. Spence
William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

/s/ Vincent Sorgi
Vincent Sorgi
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

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

Exhibit 32(b)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ELECTRIC UTILITIES CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2015

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Gregory N. Dudkin, the Principal Executive Officer of the Company, and Dennis A. Urban, Jr., the Principal Financial Officer and Principal Accounting Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: May 7, 2015

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

/s/ Dennis A. Urban, Jr.
Dennis A. Urban, Jr.
Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

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

Exhibit 32(c)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LG&E AND KU ENERGY LLC'S FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2015

In connection with the quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "Company") for the quarter ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: May 7, 2015

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

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

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

Exhibit 32(d)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LOUISVILLE GAS AND ELECTRIC COMPANY'S FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2015

In connection with the quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "Company") for the quarter ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: May 7, 2015

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

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

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

Exhibit 32(e)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR KENTUCKY UTILITIES COMPANY'S FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2015

In connection with the quarterly report on Form 10-Q of Kentucky Utilities Company (the "Company") for the quarter ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: May 7, 2015

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

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

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

FORM 8-K

LOUISVILLE GAS & ELECTRIC CO /KY/ - N/A

Filed: April 22, 2015 (period: April 21, 2015)

Report of unscheduled material events or corporate changes.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 21, 2015

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
333-173665	**LG&E and KU Energy LLC** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-2893	**Louisville Gas and Electric Company** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150
1-3464	**Kentucky Utilities Company** (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 7 – Regulation FD

Item 7.01 Regulation FD Disclosure

A copy of the Companies' below-described press release is furnished as Exhibit 99.1 to this report.

Section 8 - Other Events

Item 8.01 Other Events

On April 21, 2015, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU" and, together with LG&E, the "Companies") issued a press release announcing that they have entered into a unanimous settlement agreement with the intervenors in their proceedings commenced in November 2014 before the Kentucky Public Service Commission ("KPSC") regarding increases in base electric rates at LG&E and KU and base gas rates at LG&E. Subject to KPSC review and approval, the rate changes could become effective on or after July 1, 2015.

The proposed settlement provides for increases in the annual revenue requirements associated with KU base electric rates of $125 million and LG&E base gas rates of $7 million. The annual revenue requirement associated with base electric rates at LG&E will not increase. No return on equity was established for base rates, however the settlement authorizes a 10% return on equity with respect to the Companies' environmental cost recovery and gas line tracker rate mechanisms. The settlement agreement also provides for deferred recovery of portions of certain pension-related and plant-related costs.

A hearing on the settlement took place on April 21, 2015. An order with respect to the rate proceedings is anticipated from the KPSC on or before June 30, 2015.

Section 9 - Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(a) Exhibits

99.1 - Press Release dated April 21, 2015 announcing the unanimous rate proceeding settlement of Louisville Gas and Electric Company and Kentucky Utilities Company.

Statements in this report and the accompanying press release, including statements with respect to future events and their timing, including the Companies' potential regulatory outcomes regarding the requested rate increases, rate mechanisms and future rates or returns on equity ultimately authorized or achieved, as well as statements as to future costs or expenses, regulation, corporate strategy and performance, are "forward-looking statements" within the meaning of the federal securities laws. Although the Companies believe that the expectations and assumptions reflected in these forward-looking statements are reasonable, these expectations, assumptions and statements are subject to a number of risks and uncertainties, and actual results may differ materially from the results discussed in the statements. The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: subsequent phases or rate relief and regulatory cost recovers; market demand and prices for electricity; political, regulatory or economic conditions in states and regions where the Companies conduct business; and the progress of actual construction, purchase or repair of assets or operations subject to tracker mechanisms. Any such forward-looking statements should be considered in light of such important factors and in conjunction with PPL Corporation's, LG&E and KU Energy LLC's and the Companies' Form 10-K and other reports on file with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

PPL CORPORATION

By: /s/ Stephen K. Breininger
Stephen K. Breininger
Vice President and Controller

LG&E AND KU ENERGY LLC

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

LOUISVILLE GAS AND ELECTRIC COMPANY

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

KENTUCKY UTILITIES COMPANY

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

Dated: April 22, 2015

Media Contact: Chris Whelan
24-hour media hotline:
1-888-627-4999

April 21, 2015

LG&E, KU and interested parties reach unanimous settlement in rate proceedings
No increase to the monthly basic service charge

(LOUISVILLE, Ky.) — Louisville Gas and Electric Company and Kentucky Utilities Company have reached a unanimous settlement agreement with all of the parties in the base rate cases before the Kentucky Public Service Commission. The settlement agreement was filed with the KPSC today and remains subject to KPSC approval.

Under the settlement agreement, the monthly basic service charge for LG&E and KU residential customers will not change. Instead, the per-kilowatt charge will be modified to provide additional annual cost-recovery revenues of $125 million for KU, incorporating costs associated with the new 640-megawatt natural gas combined-cycle generating plant at the company's Cane Run site among other investments. KU owns 78 percent of that facility, with LG&E owning the remaining 22 percent.

The settlement agreement provides no increase in revenues for LG&E's electric operations and a $7 million increase in LG&E's gas operations. The average KU residential customer bill will increase by approximately $9 per month. The average LG&E electric customer will see a slight reduction of 10 cents per month, while the average LG&E gas customer will see a monthly increase of approximately $1.25 per month.

A settlement does not attach specific dollars or concessions to any particular issue in the case, but provides an overall settlement that on balance is a fair, just and reasonable result. This means that no return on equity was established with respect to base rates; however, the average customer's monthly bill will reflect a 10 percent return on equity investment related to the environmental cost recovery mechanism and the gas line tracker mechanism. The settlement agreement also provides for deferred cost recovery of a portion of the costs associated with pensions and KU's Green River plant which is currently scheduled to be retired in April 2016.

In addition to LG&E and KU, parties to the unanimous settlement agreement included: the Attorney General of the Commonwealth of Kentucky; the Kentucky Industrial Utilities Customers; the Lexington-Fayette Urban County Government; the Kroger Company; the Community Action Council of Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties; Kentucky Cable Telecommunications Association; Kentucky School Boards Association; Sierra Club; Wal-Mart Stores East, LP and Sam's East; Association of Community Ministries; and Metropolitan Housing Coalition.

“The open and direct dialogue between all parties enabled this settlement agreement,” said Kent Blake, chief financial officer. “While it is likely no single party got everything they wanted, this settlement agreement provided all parties with an agreement they could support in the best interests of our customers.”

LG&E and KU also agreed to a minimum annual contribution of shareholder funds of $1.15 million to low-income programs. The current Home Energy Assistance program also will become a permanent program under the companies’ tariffs and maintain its current rate of 25 cents per meter.

The agreement also provides for an extension of the collection period for residential customer deposits from four to six months. Additionally, LG&E and KU have agreed to develop an energy efficiency filing for Kentucky’s school districts and reaffirmed their commitment to study the feasibility of energy efficiency programs for industrial customers.

If approved, the new rates and all elements of the settlement agreement with the utilities and interested parties would take effect July 1.

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Louisville Gas and Electric Company and Kentucky Utilities Company, part of the PPL Corporation (NYSE: PPL) family of companies, are regulated utilities that serve a total of 1.2 million customers and have consistently ranked among the best companies for customer service in the United States. LG&E serves 321,000 natural gas and 400,000 electric customers in Louisville and 16 surrounding counties. Kentucky Utilities serves 543,000 customers in 77 Kentucky counties and five counties in Virginia. More information is available at www.lge-ku.com *and* www.pplweb.com.

FORM 10-Q

PPL CORP - PPL

Filed: August 03, 2015 (period: June 30, 2015)

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

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended June 30, 2015

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _________ to ___________

Commission File Number	Registrant; State of Incorporation; Address and Telephone Number	IRS Employer Identification No.
1-11459	**PPL Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-2758192
1-905	**PPL Electric Utilities Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-0959590
333-173665	**LG&E and KU Energy LLC** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-2893	**Louisville Gas and Electric Company** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150
1-3464	**Kentucky Utilities Company** (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

PPL Corporation	Yes X	No ___
PPL Electric Utilities Corporation	Yes X	No ___
LG&E and KU Energy LLC	Yes X	No ___
Louisville Gas and Electric Company	Yes X	No ___
Kentucky Utilities Company	Yes X	No ___

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files).

PPL Corporation	Yes X	No ___
PPL Electric Utilities Corporation	Yes X	No ___
LG&E and KU Energy LLC	Yes X	No ___
Louisville Gas and Electric Company	Yes X	No ___
Kentucky Utilities Company	Yes X	No ___

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
PPL Corporation	[X]	[ ]	[ ]	[ ]
PPL Electric Utilities Corporation	[ ]	[ ]	[X]	[ ]
LG&E and KU Energy LLC	[ ]	[ ]	[X]	[ ]
Louisville Gas and Electric Company	[ ]	[ ]	[X]	[ ]
Kentucky Utilities Company	[ ]	[ ]	[X]	[ ]

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

PPL Corporation	Yes ___	No X
PPL Electric Utilities Corporation	Yes ___	No X
LG&E and KU Energy LLC	Yes ___	No X
Louisville Gas and Electric Company	Yes ___	No X
Kentucky Utilities Company	Yes ___	No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

PPL Corporation	Common stock, $0.01 par value, 669,969,737 shares outstanding at July 24, 2015.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at July 24, 2015.
LG&E and KU Energy LLC	PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC.
Louisville Gas and Electric Company	Common stock, no par value, 21,294,223 shares outstanding and all held by LG&E and KU Energy LLC at July 24, 2015.
Kentucky Utilities Company	Common stock, no par value, 37,817,878 shares outstanding and all held by LG&E and KU Energy LLC at July 24, 2015.

This document is available free of charge at the Investors section of PPL Corporation's website at www.pplweb.com. However, information on this website does not constitute a part of this Form 10-Q.

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

FORM 10-Q
FOR THE QUARTER ENDED June 30, 2015

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

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

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GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its subsidiaries

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

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

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

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

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

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

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

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

PPL EU Services - PPL EU Services Corporation, a subsidiary of PPL that, beginning in 2015, provides support services and corporate functions such as financial, supply chain, human resources and information technology services primarily to PPL Electric and its affiliates.

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

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

PPL WPD Limited - an indirect U.K. subsidiary of PPL Global. PPL WPD Limited holds a liability for a closed defined benefit pension plan and a receivable with WPD plc.

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

Subsidiary Registrant(s) - Registrants that are direct or indirect wholly owned subsidiaries of PPL: PPL Electric, LKE, LG&E and KU.

WPD - refers to WPD plc and its subsidiaries together with a sister company PPL WPD Ltd.

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

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

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

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

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

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

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

Other terms and abbreviations

£ - British pound sterling.

2014 Form 10-K - Annual Report to the SEC on Form 10-K for the year ended December 31, 2014 Form 10-K.

Act 11 - Act 11 of 2012 that became effective on April 16, 2012. The Pennsylvania legislation authorizes the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, a DSIC.

Act 129 - Act 129 of 2008 that became effective in October 2008. The law amends the Pennsylvania Public Utility Code and creates an energy efficiency and conservation program and smart metering technology requirements, adopts new PLR electricity supply procurement rules, provides remedies for market misconduct and changes to the Alternative Energy Portfolio Standard (AEPS).

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.

Basis - when used in the context of derivatives and commodity trading, the commodity price differential between two locations, products or time periods.

Cane Run Unit 7 - a natural gas combined-cycle unit in Kentucky, jointly owned by LG&E and KU, which provides electric generating capacity of 640 MW (141 MW and 499 MW to LG&E and KU).

CCR(s) - Coal Combustion Residual(s). CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes.

Clean Air Act - federal legislation enacted to address certain environmental issues related to air emissions, including acid rain, ozone and toxic air emissions.

Clean Water Act - federal legislation enacted to address certain environmental issues relating to water quality including effluent discharges, cooling water intake, and dredge and fill activities.

COBRA - Consolidated Omnibus Budget Reconciliation Act, which provides individuals the option to temporarily continue employer group health insurance coverage after termination of employment.

CPCN - Certificate of Public Convenience and Necessity. Authority granted by the KPSC pursuant to Kentucky Revised Statute 278.020 to provide utility service to or for the public or the construction of certain plant, equipment, property or facility for furnishing of utility service to the public.

Customer Choice Act - the Pennsylvania Electricity Generation Customer Choice and Competition Act, legislation enacted to restructure the state's electric utility industry to create retail access to a competitive market for generation of electricity.

DNO - Distribution Network Operator in the U.K.

DOJ - U.S. Department of Justice.

DPCR4 - Distribution Price Control Review 4, the U.K. five-year rate review period applicable to WPD that commenced April 1, 2005.

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

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

DSIC - the Distribution System Improvement Charge authorized under Act 11, which is an alternative ratemaking mechanism providing more-timely cost recovery of qualifying distribution system capital expenditures.

DSM - Demand Side Management. Pursuant to Kentucky Revised Statute 278.285, the KPSC may determine the reasonableness of DSM plans proposed by any utility under its jurisdiction. Proposed DSM mechanisms may seek full recovery of costs and revenues lost by implementing DSM programs and/or incentives designed to provide financial rewards to the utility for implementing cost-effective DSM programs. The cost of such programs shall be assigned only to the class or classes of customers which benefit from the programs.

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 - Edison Electric Institute, the association that represents U.S. investor-owned electric companies.

ELG(s) - Effluent Limitation Guidelines, regulations promulgated by the EPA.

EPA - Environmental Protection Agency, a U.S. government agency.

EPS - earnings per share.

Equity Unit(s) - a PPL equity unit, issued in April 2011, consisting of a 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.

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.

FGD - flue-gas desulfurization, a pollution control process for the removal of sulfur dioxide from exhaust gas.

Fitch - Fitch, Inc., a credit rating agency.

GAAP - Generally Accepted Accounting Principles in the U.S.

GBP - British pound sterling.

GHG - greenhouse gas(es).

GLT - Gas Line Tracker. The KPSC approved LG&E's recovery of costs associated with gas service lines, gas risers, leak mitigation, and gas main replacements. Rate recovery became effective on January 1, 2013.

Holdco - Talen Energy Holdings, Inc., a Delaware corporation, which was formed for the purposes of the June 1, 2015 spinoff of PPL Energy Supply, LLC.

If-Converted Method - A method applied to calculate diluted EPS for a company with outstanding convertible debt. The method is applied as follows: Interest charges (after-tax) applicable to the convertible debt are added back to net income and the convertible debt is assumed to have been converted to equity at the beginning of the period, and the resulting common shares are treated as outstanding shares. Both adjustments are made only for purposes of calculating diluted EPS. This method was applied to PPL's Equity Units prior to settlement.

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

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

LIBOR - London Interbank Offered Rate.

MATS - Mercury and Air Toxics Standards, regulations promulgated by the EPA.

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

MW - megawatt, one thousand kilowatts.

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

NERC - North American Electric Reliability Corporation.

NGCC - Natural gas-fired combined-cycle generating plant.

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.

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.

NRC - Nuclear Regulatory Commission, the U.S. federal agency that regulates nuclear power facilities.

OCI - other comprehensive income or loss.

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

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

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

PP&E - property, plant and equipment.

PPL EnergyPlus - prior to the June 1, 2015 spinoff of PPL Energy Supply, PPL EnergyPlus, LLC, a subsidiary of PPL Energy Supply that marketed and traded wholesale and retail electricity and gas, and supplied energy and energy services in competitive markets.

PPL Energy Supply - prior to the June 1, 2015 spinoff , PPL Energy Supply, LLC, a subsidiary of PPL Energy Funding and the parent company of PPL EnergyPlus and other subsidiaries.

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

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

RAV - regulatory asset value. This term, used within the U.K. regulatory environment, is also commonly known as RAB or regulatory asset base. RAV is based on historical investment costs at time of privatization, plus subsequent allowed additions less annual regulatory depreciation, and represents the value on which DNOs earn a return in accordance with the regulatory cost of capital. RAV is indexed to Retail Price Index (RPI) in order to allow for the effects of inflation. Since the beginning of DPCR5 in April 2010, RAV additions have been based on a percentage of annual total expenditures, which will continue from April 2015 under RIIO-ED1. RAV is intended to represent expenditures that have a long-term benefit to WPD (similar to capital projects for the U.S. regulated businesses that are generally included in rate base).

RCRA - Resource Conservation and Recovery Act of 1976.

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.

RIIO-ED1 - RIIO represents "Revenues = Incentive + Innovation + Outputs." RIIO-ED1 refers to the initial eight-year rate review period applicable to WPD which commenced April 1, 2015.

Riverstone - Riverstone Holdings LLC, a Delaware limited liability company and ultimate parent company of the entities that own the competitive power generation business contributed to Talen Energy other than the competitive power generation business contributed by virtue of the spinoff of a newly formed parent of PPL Energy Supply.

RJS Power - RJS Generation Holdings LLC, a Delaware limited liability company controlled by Riverstone, that owns the competitive power generation business contributed by its owners to Talen Energy other than the competitive power generation business contributed by virtue of the spinoff of a newly formed parent of PPL Energy Supply.

RMC - Risk Management Committee.

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.

SCRs - selective catalytic reduction, a pollution control process for the removal of nitrogen oxide from exhaust gas.

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

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

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

Smart meter - an electric meter that utilizes smart metering technology.

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

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

Talen Energy - Talen Energy Corporation, the Delaware corporation formed to be the publicly traded company and owner of the competitive generation assets of PPL Energy Supply and certain affiliates of Riverstone.

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

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.

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

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

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.

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.

FORWARD-LOOKING INFORMATION

Statements contained in this Form 10-Q concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in each Registrant's 2014 Form 10-K and in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements.

- fuel supply;
- 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 customer energy use;
- availability of existing generation facilities;
- the duration of and cost associated with unscheduled outages at our generating facilities;
- transmission and distribution system conditions and operating costs;
- expansion of alternative sources of electricity generation;
- 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;
- the effectiveness of our risk management techniques, including hedging;
- our ability to attract and retain qualified employees;
- volatility in market demand and prices for energy and transmission services;
- competition in retail and wholesale power and natural gas markets;
- 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 defined benefit plans, and the potential cash funding requirements if fair value declines;
- interest rates and their effect on pension and retiree medical liabilities and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial markets and economic conditions;
- new accounting requirements or new interpretations or applications of existing requirements;
- changes in securities and credit ratings;
- changes in foreign currency exchange rates for British pound sterling;
- current and future environmental conditions, regulations and other requirements and the related costs of compliance, including environmental capital expenditures, emission allowance costs and other expenses;
- changes in political, regulatory or economic conditions in states, regions or countries where the Registrants or their subsidiaries conduct business;
- receipt of necessary governmental permits, approvals and rate relief;
- new state, federal or foreign legislation or regulatory developments;
- the outcome of any rate cases or other cost recovery or revenue filings by PPL Electric, LG&E, KU or WPD;
- the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures; and
- business dispositions or acquisitions and our ability to realize expected benefits from such business transactions.

Any such forward-looking statements should be considered in light of such important factors and in conjunction with other documents of the Registrants on file with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for the Registrants to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and the Registrants undertake no obligation to update the information contained in such statement to reflect subsequent developments or information.

PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Operating Revenues				
Utility	**$ 1,765**	$ 1,830	**$ 3,979**	$ 3,992
Energy-related businesses	**16**	19	**32**	35
Total Operating Revenues	**1,781**	1,849	**4,011**	4,027
Operating Expenses				
Operation				
Fuel	**214**	232	**467**	508
Energy purchases	**170**	171	**499**	510
Other operation and maintenance	**454**	447	**897**	887
Depreciation	**216**	230	**432**	455
Taxes, other than income	**76**	77	**162**	160
Energy-related businesses	**13**	14	**26**	28
Total Operating Expenses	**1,143**	1,171	**2,483**	2,548
Operating Income	**638**	678	**1,528**	1,479
Other Income (Expense) - net	**(102)**	(74)	**(14)**	(103)
Interest Expense	**215**	208	**424**	424
Income from Continuing Operations Before Income Taxes	**321**	396	**1,090**	952
Income Taxes	**71**	166	**288**	333
Income from Continuing Operations After Income Taxes	**250**	230	**802**	619
Income (Loss) from Discontinued Operations (net of income taxes) (Note 8)	**(1,007)**	(1)	**(912)**	(74)
Net Income (Loss)	**$ (757)**	**$** 229	**$ (110)**	**$** 545
Earnings Per Share of Common Stock:				
Income from Continuing Operations After Income Taxes Available to PPL Common Shareowners:				
Basic	**$ 0.37**	$ 0.35	**$ 1.20**	$ 0.96
Diluted	**$ 0.37**	$ 0.34	**$ 1.19**	$ 0.94
Net Income (Loss) Available to PPL Common Shareowners:				
Basic	**$ (1.13)**	$ 0.35	**$ (0.17)**	$ 0.84
Diluted	**$ (1.13)**	$ 0.34	**$ (0.17)**	$ 0.83
Dividends Declared Per Share of Common Stock	**$ 0.3725**	$ 0.3725	**$ 0.7450**	$ 0.7450
Weighted-Average Shares of Common Stock Outstanding (in thousands)				
Basic	**668,415**	653,132	**667,698**	642,002
Diluted	**671,286**	665,792	**670,013**	664,927

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income (loss)	**$ (757)**	$ 229	**$ (110)**	$ 545
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Foreign currency translation adjustments, net of tax of $6, $5, $1, $6	**(83)**	(3)	**(149)**	128
Available-for-sale securities, net of tax of ($3), ($15), ($9), ($21)	**2**	14	**7**	19
Qualifying derivatives, net of tax of ($11), $4, ($7), $29	**21**	(1)	**27**	(47)
Defined benefit plans:				
Prior service costs, net of tax of $4, $0, $4, $0	**(6)**		**(6)**	
Net actuarial gain (loss), net of tax of ($36), $2, ($36), $2	**53**	(2)	**52**	(2)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Available-for-sale securities, net of tax of $1, $1, $2, $2	**(1)**	(1)	**(2)**	(2)
Qualifying derivatives, net of tax of ($24), $5, ($20), $1	**27**	(5)	**10**	14
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $1, $0			**(1)**	
Defined benefit plans:				
Prior service costs, net of tax of $0, ($1), $0, ($2)		1		2
Net actuarial loss, net of tax of ($12), ($8), ($25), ($17)	**38**	28	**76**	55
Total other comprehensive income (loss)	**51**	31	**14**	167
Comprehensive income (loss)	**$ (706)**	$ 260	**$ (96)**	$ 712

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Six Months Ended June 30, 2015	2014
Cash Flows from Operating Activities		
Net income (loss)	**$ (110)**	$ 545
Loss from discontinued operations (net of income taxes)	**912**	74
Income from continuing operations (net of income taxes)	**802**	619
Adjustments to reconcile Income from continuing operations (net of taxes) to net cash provided by operating activities - continuing operations		
Depreciation	**432**	455
Amortization	**27**	35
Defined benefit plans - expense	**32**	27
Deferred income taxes and investment tax credits	**256**	253
Unrealized (gains) losses on derivatives, and other hedging activities	**62**	69
Adjustment to WPD line loss accrual		65
Stock-based compensation expense	**38**	20
Other	**11**	1
Change in current assets and current liabilities		
Accounts receivable	**(74)**	(95)
Accounts payable	**(83)**	(46)
Unbilled revenues	**79**	94
Prepayments	**(61)**	(19)
Taxes payable	**(129)**	52
Accrued interest	**(87)**	(107)
Other current liabilities	**(91)**	(38)
Other	**13**	40
Other operating activities		
Defined benefit plans - funding	**(289)**	(186)
Other assets	**(29)**	2
Other liabilities	**61**	52
Net cash provided by operating activities - continuing operations	**970**	1,293
Net cash provided by operating activities - discontinued operations	**343**	290
Net cash provided by operating activities	**1,313**	1,583
Cash Flows from Investing Activities		
Investing activities from continuing operations:		
Expenditures for property, plant and equipment	**(1,679)**	(1,678)
Expenditures for intangible assets	**(24)**	(24)
Purchase of other investments	**(15)**	
Proceeds from the sale of other investments	**135**	
Net (increase) decrease in restricted cash and cash equivalents	**8**	7
Other investing activities		(5)
Net cash provided by (used in) investing activities - continuing operations	**(1,575)**	(1,700)
Net cash provided by (used in) investing activities - discontinued operations	**(149)**	(403)
Net cash provided by (used in) investing activities	**(1,724)**	(2,103)
Cash Flows from Financing Activities		
Financing activities from continuing operations:		
Issuance of long-term debt	**88**	296
Retirement of long-term debt		(239)
Issuance of common stock	**83**	1,017
Payment of common stock dividends	**(500)**	(470)
Net increase (decrease) in short-term debt	**276**	(217)
Other financing activities	**(18)**	(38)
Net cash provided by (used in) financing activities - continuing operations	**(71)**	349
Net cash provided by (used in) financing activities - discontinued operations	**(546)**	138
Net cash distributions to parent from discontinued operations	**132**	184
Net cash provided by (used in) financing activities	**(485)**	671
Effect of Exchange Rates on Cash and Cash Equivalents	**(9)**	16
Net (Increase) Decrease in Cash and Cash Equivalents included in Discontinued Operations	**352**	(25)
Net Increase (Decrease) in Cash and Cash Equivalents	**(553)**	142
Cash and Cash Equivalents at Beginning of Period	**1,399**	863
Cash and Cash Equivalents at End of Period	**$ 846**	$ 1,005

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

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, shares in thousands)

	June 30, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 846**	$ 1,399
Short-term investments		120
Accounts receivable (less reserve: 2015, $41; 2014, $44)		
Customer	**737**	737
Other	**106**	71
Unbilled revenues	**431**	517
Fuel, materials and supplies	**315**	381
Prepayments	**136**	75
Deferred income taxes	**159**	125
Other current assets	**140**	134
Current assets of discontinued operations		2,600
Total Current Assets	**2,870**	6,159
Property, Plant and Equipment		
Regulated utility plant	**32,990**	30,568
Less: accumulated depreciation - regulated utility plant	**5,480**	5,361
Regulated utility plant, net	**27,510**	25,207
Non-regulated property, plant and equipment	**537**	592
Less: accumulated depreciation - non-regulated property, plant and equipment	**168**	162
Non-regulated property, plant and equipment, net	**369**	430
Construction work in progress	**1,339**	2,532
Property, Plant and Equipment, net	**29,218**	28,169
Other Noncurrent Assets		
Regulatory assets	**1,569**	1,562
Goodwill	**3,590**	3,667
Other intangibles	**658**	668
Other noncurrent assets	**339**	322
Noncurrent assets of discontinued operations		8,317
Total Other Noncurrent Assets	**6,156**	14,536
Total Assets	**$ 38,244**	$ 48,864

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

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, shares in thousands)

	June 30, 2015	December 31, 2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 1,100**	$ 836
Long-term debt due within one year	**1,000**	1,000
Accounts payable	**902**	995
Taxes	**130**	263
Interest	**191**	298
Dividends	**250**	249
Customer deposits	**309**	304
Regulatory liabilities	**137**	91
Other current liabilities	**490**	632
Current liabilities of discontinued operations		2,775
Total Current Liabilities	**4,509**	7,443
Long-term Debt	**17,103**	17,173
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**3,538**	3,227
Investment tax credits	**130**	132
Accrued pension obligations	**1,078**	1,457
Asset retirement obligations	**487**	324
Regulatory liabilities	**977**	992
Other deferred credits and noncurrent liabilities	**481**	525
Noncurrent liabilities of discontinued operations		3,963
Total Deferred Credits and Other Noncurrent Liabilities	**6,691**	10,620
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
Common stock - $0.01 par value (a)	**7**	7
Additional paid-in capital	**9,564**	9,433
Earnings reinvested	**2,654**	6,462
Accumulated other comprehensive loss	**(2,284)**	(2,274)
Total Equity	**9,941**	13,628
Total Liabilities and Equity	**$ 38,244**	$ 48,864

(a) 780,000 shares authorized; 669,514 and 665,849 shares issued and outstanding at June 30, 2015 and December 31, 2014.

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

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Total
March 31, 2015	667,713	$ 7	$ 9,480	$ 6,860	$ (2,311)	$ 14,036
Common stock issued	1,801		57			57
Stock-based compensation			27			27
Net loss				(757)		(757)
Dividends and dividend equivalents				(249)		(249)
Distribution of PPL Energy Supply (Note 8)				(3,200)	(24)	(3,224)
Other comprehensive income (loss)					51	51
June 30, 2015	669,514	$ 7	$ 9,564	$ 2,654	$ (2,284)	$ 9,941
December 31, 2014	665,849	$ 7	$ 9,433	$ 6,462	$ (2,274)	$ 13,628
Common stock issued	3,665		111			111
Stock-based compensation			20			20
Net loss				(110)		(110)
Dividends and dividend equivalents				(498)		(498)
Distribution of PPL Energy Supply (Note 8)				(3,200)	(24)	(3,224)
Other comprehensive income (loss)					14	14
June 30, 2015	669,514	$ 7	$ 9,564	$ 2,654	$ (2,284)	$ 9,941
March 31, 2014	631,417	$ 6	$ 8,352	$ 5,788	$ (1,429)	$ 12,717
Common stock issued	32,601	1	997			998
Stock-based compensation			9			9
Net income				229		229
Dividends and dividend equivalents				(249)		(249)
Other comprehensive income (loss)					31	31
June 30, 2014	664,018	$ 7	$ 9,358	$ 5,768	$ (1,398)	$ 13,735
December 31, 2013	630,321	$ 6	$ 8,316	$ 5,709	$ (1,565)	$ 12,466
Common stock issued	33,697	1	1,027			1,028
Stock-based compensation			15			15
Net income				545		545
Dividends and dividend equivalents				(486)		(486)
Other comprehensive income (loss)					167	167
June 30, 2014	664,018	$ 7	$ 9,358	$ 5,768	$ (1,398)	$ 13,735

(a) Shares in thousands. Each share entitles the holder to one vote on any question presented at any shareowners' meeting.

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

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Operating Revenues	**$ 476**	$ 449	**$ 1,106**	$ 1,041
Operating Expenses				
Operation				
Energy purchases	**138**	114	**365**	303
Energy purchases from affiliate	**5**	21	**14**	48
Other operation and maintenance	**140**	135	**273**	269
Depreciation	**52**	45	**103**	90
Taxes, other than income	**25**	23	**60**	55
Total Operating Expenses	**360**	338	**815**	765
Operating Income	**116**	111	**291**	276
Other Income (Expense) - net	**2**	1	**4**	3
Interest Expense	**33**	29	**64**	58
Income Before Income Taxes	**85**	83	**231**	221
Income Taxes	**36**	31	**95**	84
Net Income (a)	**$ 49**	$ 52	**$ 136**	$ 137

(a) Net income approximates comprehensive income.

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Cash Flows from Operating Activities		
Net income	**$ 136**	$ 137
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**103**	90
Amortization	**14**	9
Defined benefit plans - expense	**8**	11
Deferred income taxes and investment tax credits	**39**	44
Other	**(6)**	(17)
Change in current assets and current liabilities		
Accounts receivable	**(24)**	(80)
Accounts payable	**(93)**	(33)
Unbilled revenues	**25**	34
Prepayments	**(80)**	(40)
Taxes payable	**(55)**	8
Other	**22**	2
Other operating activities		
Defined benefit plans - funding	**(33)**	(19)
Other assets	**(2)**	5
Other liabilities	**22**	(3)
Net cash provided by operating activities	**76**	148
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(480)**	(436)
Expenditures for intangible assets	**(5)**	(22)
Net (increase) decrease in notes receivable from affiliates		150
Other investing activities	**2**	13
Net cash provided by (used in) investing activities	**(483)**	(295)
Cash Flows from Financing Activities		
Issuance of long-term debt		296
Retirement of long-term debt		(10)
Contributions from parent	**160**	95
Payment of common stock dividends to parent	**(107)**	(87)
Net increase (decrease) in short-term debt	**168**	(20)
Other financing activities		(3)
Net cash provided by (used in) financing activities	**221**	271
Net Increase (Decrease) in Cash and Cash Equivalents	**(186)**	124
Cash and Cash Equivalents at Beginning of Period	**214**	25
Cash and Cash Equivalents at End of Period	**$ 28**	$ 149

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

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Electric Utilities Corporation and Subsidiaries

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

	June 30, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 28**	$ 214
Accounts receivable (less reserve: 2015, $16; 2014, $17)		
Customer	**343**	312
Other	**21**	44
Unbilled revenues	**88**	113
Materials and supplies	**37**	43
Prepayments	**90**	10
Deferred income taxes	**93**	58
Regulatory assets	**10**	12
Other current assets	**10**	13
Total Current Assets	**720**	819
Property, Plant and Equipment		
Regulated utility plant	**8,331**	7,589
Less: accumulated depreciation - regulated utility plant	**2,582**	2,517
Regulated utility plant, net	**5,749**	5,072
Construction work in progress	**475**	738
Property, Plant and Equipment, net	**6,224**	5,810
Other Noncurrent Assets		
Regulatory assets	**946**	897
Intangibles	**239**	235
Other noncurrent assets	**42**	24
Total Other Noncurrent Assets	**1,227**	1,156
Total Assets	**$ 8,171**	$ 7,785

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

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, shares in thousands)

	June 30, 2015	December 31, 2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 168**	
Long term debt due within one year	**100**	$ 100
Accounts payable	**308**	325
Accounts payable to affiliates	**81**	70
Taxes	**30**	85
Interest	**34**	34
Regulatory liabilities	**110**	76
Other current liabilities	**82**	103
Total Current Liabilities	**913**	793
Long-term Debt	**2,503**	2,502
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,553**	1,483
Accrued pension obligations	**147**	212
Regulatory liabilities	**26**	18
Other deferred credits and noncurrent liabilities	**76**	60
Total Deferred Credits and Other Noncurrent Liabilities	**1,802**	1,773
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
Common stock - no par value (a)	**364**	364
Additional paid-in capital	**1,810**	1,603
Earnings reinvested	**779**	750
Total Equity	**2,953**	2,717
Total Liabilities and Equity	**$ 8,171**	$ 7,785

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at June 30, 2015 and December 31, 2014.

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

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
March 31, 2015	66,368	$ 364	$ 1,653	$ 793	$ 2,810
Net income				49	49
Capital contributions from PPL (b)			157		157
Dividends declared on common stock				(63)	(63)
June 30, 2015	66,368	$ 364	$ 1,810	$ 779	$ 2,953
December 31, 2014	66,368	$ 364	$ 1,603	$ 750	$ 2,717
Net income				136	136
Capital contributions from PPL (b)			207		207
Dividends declared on common stock				(107)	(107)
June 30, 2015	66,368	$ 364	$ 1,810	$ 779	$ 2,953
March 31, 2014	66,368	$ 364	$ 1,405	$ 698	$ 2,467
Net income				52	52
Capital contributions from PPL			30		30
Dividends declared on common stock				(55)	(55)
June 30, 2014	66,368	$ 364	$ 1,435	$ 695	$ 2,494
December 31, 2013	66,368	$ 364	$ 1,340	$ 645	$ 2,349
Net income				137	137
Capital contributions from PPL			95		95
Dividends declared on common stock				(87)	(87)
June 30, 2014	66,368	$ 364	$ 1,435	$ 695	$ 2,494

(a) Shares in thousands. All common shares of PPL Electric stock are owned by PPL.
(b) Includes non-cash contributions of $47 million.

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

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

(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Operating Revenues	**$ 714**	$ 722	**$ 1,613**	$ 1,656
Operating Expenses				
Operation				
Fuel	**214**	231	**467**	508
Energy purchases	**28**	36	**120**	160
Other operation and maintenance	**214**	206	**423**	412
Depreciation	**94**	87	**189**	173
Taxes, other than income	**15**	13	**29**	26
Total Operating Expenses	**565**	573	**1,228**	1,279
Operating Income	**149**	149	**385**	377
Other Income (Expense) - net	**(1)**	(2)	**(2)**	(4)
Interest Expense	**42**	41	**84**	83
Interest Expense with Affiliate	**1**		**1**	
Income Before Income Taxes	**105**	106	**298**	290
Income Taxes	**45**	41	**121**	110
Net Income	**$ 60**	$ 65	**$ 177**	$ 180

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

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

(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	**$ 60**	$ 65	**$ 177**	$ 180
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Defined benefit plans:				
Net actuarial loss, net of tax of $5, $1, $5, $1	**(8)**	(2)	**(8)**	(2)
Reclassification to net income - (gains) losses, net of tax expense (benefit):				
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $1, $0			**(1)**	(1)
Defined benefit plans:				
Prior service costs, net of tax of $0, $0, $0, $0	**1**		**1**	
Net actuarial loss, net of tax of ($1), $0, ($1), $0			**1**	
Total other comprehensive income (loss)	**(7)**	(2)	**(7)**	(3)
Comprehensive income	**$ 53**	$ 63	**$ 170**	$ 177

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

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

(Unaudited)
(Millions of Dollars)

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Cash Flows from Operating Activities		
Net income	**$ 177**	$ 180
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**189**	173
Amortization	**12**	12
Defined benefit plans - expense	**21**	12
Deferred income taxes and investment tax credits	**145**	149
Other	**23**	1
Change in current assets and current liabilities		
Accounts receivable	**13**	(22)
Accounts payable	**10**	(5)
Accounts payable to affiliates		(2)
Unbilled revenues	**12**	27
Fuel, materials and supplies	**54**	43
Income tax receivable	**136**	(2)
Taxes payable	**23**	(10)
Other	**(30)**	1
Other operating activities		
Defined benefit plans - funding	**(63)**	(40)
Other assets	**7**	(2)
Other liabilities	**(26)**	2
Net cash provided by operating activities	**703**	517
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(630)**	(556)
Net (increase) decrease in notes receivable from affiliates		54
Other investing activities	**4**	
Net cash provided by (used in) investing activities	**(626)**	(502)
Cash Flows from Financing Activities		
Net increase (decrease) in notes payable with affiliates	**18**	
Net increase (decrease) in short-term debt	**(14)**	75
Distributions to member	**(109)**	(221)
Contributions from member	**20**	119
Net cash provided by (used in) financing activities	**(85)**	(27)
Net Increase (Decrease) in Cash and Cash Equivalents	**(8)**	(12)
Cash and Cash Equivalents at Beginning of Period	**21**	35
Cash and Cash Equivalents at End of Period	**$ 13**	$ 23

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

CONDENSED CONSOLIDATED BALANCE SHEETS
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	June 30, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 13**	$ 21
Accounts receivable (less reserve: 2015, $23; 2014, $25)		
Customer	**216**	231
Other	**18**	18
Unbilled revenues	**155**	167
Fuel, materials and supplies	**249**	311
Prepayments	**32**	28
Income taxes receivable		136
Deferred income taxes	**42**	16
Regulatory assets	**24**	25
Other current assets	**7**	3
Total Current Assets	**756**	956
Property, Plant and Equipment		
Regulated utility plant	**11,349**	10,014
Less: accumulated depreciation - regulated utility plant	**1,040**	1,069
Regulated utility plant, net	**10,309**	8,945
Construction work in progress	**725**	1,559
Property, Plant and Equipment, net	**11,034**	10,504
Other Noncurrent Assets		
Regulatory assets	**623**	665
Goodwill	**996**	996
Other intangibles	**148**	174
Other noncurrent assets	**91**	101
Total Other Noncurrent Assets	**1,858**	1,936
Total Assets	**$ 13,648**	$ 13,396

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

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

Liabilities and Equity		June 30, 2015		December 31, 2014
Current Liabilities				
Short-term debt	**$**	**561**	$	575
Long-term debt due within one year		**900**		900
Notes payable with affiliates		**59**		41
Accounts payable		**346**		399
Accounts payable to affiliates		**8**		2
Customer deposits		**52**		52
Taxes		**59**		36
Price risk management liabilities		**5**		5
Price risk management liabilities with affiliates		**46**		66
Regulatory liabilities		**27**		15
Interest		**24**		23
Other current liabilities		**113**		131
Total Current Liabilities		**2,200**		2,245
Long-term Debt		**3,667**		3,667
Deferred Credits and Other Noncurrent Liabilities				
Deferred income taxes		**1,406**		1,241
Investment tax credits		**129**		131
Accrued pension obligations		**274**		305
Asset retirement obligations		**437**		274
Regulatory liabilities		**951**		974
Price risk management liabilities		**40**		43
Other deferred credits and noncurrent liabilities		**215**		268
Total Deferred Credits and Other Noncurrent Liabilities		**3,452**		3,236
Commitments and Contingent Liabilities (Notes 6 and 10)				
Member's equity		**4,329**		4,248
Total Liabilities and Equity	**$**	**13,648**	$	13,396

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

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

(Unaudited)
(Millions of Dollars)

		Member's Equity
March 31, 2015	$	4,342
Net income		60
Contributions from member		20
Distributions to member		(86)
Other comprehensive income (loss)		(7)
June 30, 2015	$	4,329
December 31, 2014	$	4,248
Net income		177
Contributions from member		20
Distributions to member		(109)
Other comprehensive income (loss)		(7)
June 30, 2015	$	4,329
March 31, 2014	$	4,200
Net income		65
Contributions from member		79
Distributions to member		(117)
Other comprehensive income (loss)		(2)
June 30, 2014	$	4,225
December 31, 2013	$	4,150
Net income		180
Contributions from member		119
Distributions to member		(221)
Other comprehensive income (loss)		(3)
June 30, 2014	$	4,225

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

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

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Operating Revenues				
Retail and wholesale	$ **323**	$ 320	$ **740**	$ 762
Electric revenue from affiliate	**8**	24	**30**	61
Total Operating Revenues	**331**	344	**770**	823
Operating Expenses				
Operation				
Fuel	**82**	104	**185**	221
Energy purchases	**23**	29	**111**	147
Energy purchases from affiliate	**5**	2	**8**	8
Other operation and maintenance	**103**	94	**199**	192
Depreciation	**40**	39	**82**	77
Taxes, other than income	**7**	7	**14**	13
Total Operating Expenses	**260**	275	**599**	658
Operating Income	**71**	69	**171**	165
Other Income (Expense) - net	**(1)**	(1)	**(2)**	(3)
Interest Expense	**13**	12	**26**	24
Income Before Income Taxes	**57**	56	**143**	138
Income Taxes	**22**	21	**55**	51
Net Income (a)	$ **35**	$ 35	$ **88**	$ 87

(a) Net income equals comprehensive income.

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

CONDENSED STATEMENTS OF CASH FLOWS
Louisville Gas and Electric Company

(Unaudited)
(Millions of Dollars)

	Six Months Ended June 30, 2015	2014
Cash Flows from Operating Activities		
Net income	**$ 88**	$ 87
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**82**	77
Amortization	**6**	6
Defined benefit plans - expense	**8**	5
Deferred income taxes and investment tax credits	**58**	20
Other	**24**	(4)
Change in current assets and current liabilities		
Accounts receivable	**13**	(3)
Accounts receivable from affiliates	**7**	(17)
Accounts payable	**(12)**	(5)
Accounts payable to affiliates	**(4)**	(4)
Unbilled revenues	**9**	19
Fuel, materials and supplies	**51**	44
Income tax receivable	**74**	(5)
Taxes payable	**9**	2
Other	**(2)**	(4)
Other operating activities		
Defined benefit plans - funding	**(25)**	(10)
Other assets	**12**	(1)
Other liabilities	**(9)**	(4)
Net cash provided by operating activities	**389**	203
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(349)**	(249)
Net cash provided by (used in) investing activities	**(349)**	(249)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term debt	**(5)**	50
Payment of common stock dividends to parent	**(58)**	(60)
Contributions from parent	**20**	53
Net cash provided by (used in) financing activities	**(43)**	43
Net Increase (Decrease) in Cash and Cash Equivalents	**(3)**	(3)
Cash and Cash Equivalents at Beginning of Period	**10**	8
Cash and Cash Equivalents at End of Period	**$ 7**	$ 5

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

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

	June 30, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 7**	$ 10
Accounts receivable (less reserve: 2015, $1; 2014, $2)		
Customer	**94**	107
Other	**10**	11
Unbilled revenues	**67**	76
Accounts receivable from affiliates	**16**	23
Fuel, materials and supplies	**103**	162
Prepayments	**8**	8
Income taxes receivable		74
Deferred income taxes	**17**	
Regulatory assets	**10**	21
Other current assets	**3**	1
Total Current Assets	**335**	493
Property, Plant and Equipment		
Regulated utility plant	**4,565**	4,031
Less: accumulated depreciation - regulated utility plant	**353**	456
Regulated utility plant, net	**4,212**	3,575
Construction work in progress	**331**	676
Property, Plant and Equipment, net	**4,543**	4,251
Other Noncurrent Assets		
Regulatory assets	**370**	397
Goodwill	**389**	389
Other intangibles	**85**	97
Other noncurrent assets	**23**	35
Total Other Noncurrent Assets	**867**	918
Total Assets	**$ 5,745**	$ 5,662

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

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

	June 30, 2015	December 31, 2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 259**	$ 264
Long-term debt due within one year	**250**	250
Accounts payable	**210**	240
Accounts payable to affiliates	**16**	20
Customer deposits	**25**	25
Taxes	**28**	19
Price risk management liabilities	**5**	5
Price risk management liabilities with affiliates	**23**	33
Regulatory liabilities	**15**	10
Interest	**6**	6
Other current liabilities	**41**	42
Total Current Liabilities	**878**	914
Long-term Debt	**1,103**	1,103
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**777**	700
Investment tax credits	**35**	36
Accrued pension obligations	**36**	57
Asset retirement obligations	**109**	66
Regulatory liabilities	**446**	458
Price risk management liabilities	**40**	43
Other deferred credits and noncurrent liabilities	**97**	111
Total Deferred Credits and Other Noncurrent Liabilities	**1,540**	1,471
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	**424**	424
Additional paid-in capital	**1,541**	1,521
Earnings reinvested	**259**	229
Total Equity	**2,224**	2,174
Total Liabilities and Equity	**$ 5,745**	$ 5,662

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at June 30, 2015 and December 31, 2014.

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

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

	Common stock shares outstanding (a)		Common stock		Additional paid-in capital		Earnings reinvested		Total
March 31, 2015	21,294	$	424	$	1,521	$	259	$	2,204
Net income							35		35
Capital contributions from LKE					20				20
Cash dividends declared on common stock							(35)		(35)
June 30, 2015	21,294	$	424	$	1,541	$	259	$	2,224
December 31, 2014	21,294	$	424	$	1,521	$	229	$	2,174
Net income							88		88
Capital contributions from LKE					20				20
Cash dividends declared on common stock							(58)		(58)
June 30, 2015	21,294	$	424	$	1,541	$	259	$	2,224
March 31, 2014	21,294	$	424	$	1,364	$	197	$	1,985
Net income							35		35
Capital contributions from LKE					53				53
Cash dividends declared on common stock							(33)		(33)
June 30, 2014	21,294	$	424	$	1,417	$	199	$	2,040
December 31, 2013	21,294	$	424	$	1,364	$	172	$	1,960
Net income							87		87
Capital contributions from LKE					53				53
Cash dividends declared on common stock							(60)		(60)
June 30, 2014	21,294	$	424	$	1,417	$	199	$	2,040

(a) Shares in thousands. All common shares of LG&E stock are owned by LKE.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Operating Revenues				
Retail and wholesale	**$ 391**	$ 402	**$ 873**	$ 894
Electric revenue from affiliate	**5**	2	**8**	8
Total Operating Revenues	**396**	404	**881**	902
Operating Expenses				
Operation				
Fuel	**132**	127	**282**	287
Energy purchases	**5**	7	**9**	13
Energy purchases from affiliate	**8**	24	**30**	61
Other operation and maintenance	**109**	107	**213**	205
Depreciation	**54**	47	**107**	95
Taxes, other than income	**8**	6	**15**	13
Total Operating Expenses	**316**	318	**656**	674
Operating Income	**80**	86	**225**	228
Other Income (Expense) - net	**2**		**1**	
Interest Expense	**19**	20	**38**	39
Income Before Income Taxes	**63**	66	**188**	189
Income Taxes	**24**	26	**71**	72
Net Income (a)	**$ 39**	$ 40	**$ 117**	$ 117

(a) Net income approximates comprehensive income.

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

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

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Cash Flows from Operating Activities		
Net income	**$ 117**	$ 117
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**107**	95
Amortization	**4**	4
Defined benefit plans - expense	**6**	2
Deferred income taxes and investment tax credits	**84**	89
Other	**(1)**	5
Change in current assets and current liabilities		
Accounts receivable		(20)
Accounts payable	**27**	10
Accounts payable to affiliates	**(11)**	13
Unbilled revenues	**3**	8
Fuel, materials and supplies	**3**	(1)
Income tax receivable	**60**	(24)
Taxes payable	**14**	(19)
Other	**(9)**	16
Other operating activities		
Defined benefit plans - funding	**(19)**	(3)
Other assets	**(1)**	(1)
Other liabilities	**(24)**	6
Net cash provided by operating activities	**360**	297
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(279)**	(305)
Other investing activities	**4**	
Net cash provided by (used in) investing activities	**(275)**	(305)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term debt	**(9)**	25
Payment of common stock dividends to parent	**(81)**	(86)
Contributions from parent		66
Net cash provided by (used in) financing activities	**(90)**	5
Net Increase (Decrease) in Cash and Cash Equivalents	**(5)**	(3)
Cash and Cash Equivalents at Beginning of Period	**11**	21
Cash and Cash Equivalents at End of Period	**$ 6**	$ 18

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

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

	June 30, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 6**	$ 11
Accounts receivable (less reserve: 2015, $2; 2014, $2)		
Customer	**122**	124
Other	**7**	6
Unbilled revenues	**88**	91
Fuel, materials and supplies	**146**	149
Prepayments	**12**	10
Income taxes receivable		60
Deferred income taxes	**20**	2
Regulatory assets	**14**	4
Other current assets	**4**	2
Total Current Assets	**419**	459
Property, Plant and Equipment		
Regulated utility plant	**6,780**	5,977
Less: accumulated depreciation - regulated utility plant	**685**	611
Regulated utility plant, net	**6,095**	5,366
Construction work in progress	**390**	880
Property, Plant and Equipment, net	**6,485**	6,246
Other Noncurrent Assets		
Regulatory assets	**253**	268
Goodwill	**607**	607
Other intangibles	**63**	77
Other noncurrent assets	**57**	58
Total Other Noncurrent Assets	**980**	1,010
Total Assets	**$ 7,884**	$ 7,715

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

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

	June 30, 2015	December 31, 2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 227**	$ 236
Long-term debt due within one year	**250**	250
Accounts payable	**124**	141
Accounts payable to affiliates	**36**	47
Customer deposits	**27**	27
Taxes	**28**	14
Price risk management liabilities with affiliates	**23**	33
Regulatory liabilities	**12**	5
Interest	**12**	11
Other current liabilities	**42**	41
Total Current Liabilities	**781**	805
Long-term Debt	**1,841**	1,841
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**987**	884
Investment tax credits	**94**	95
Accrued pension obligations	**43**	59
Asset retirement obligations	**328**	208
Regulatory liabilities	**505**	516
Other deferred credits and noncurrent liabilities	**64**	101
Total Deferred Credits and Other Noncurrent Liabilities	**2,021**	1,863
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	**308**	308
Additional paid-in capital	**2,596**	2,596
Accumulated other comprehensive income (loss)	**(1)**	
Earnings reinvested	**338**	302
Total Equity	**3,241**	3,206
Total Liabilities and Equity	**$ 7,884**	$ 7,715

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at June 30, 2015 and December 31, 2014.

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

CONDENSED STATEMENTS OF EQUITY
Kentucky Utilities Company

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive income (loss)	Total
March 31, 2015	37,818	$ 308	$ 2,596	$ 350	$ (1)	$ 3,253
Net income				39		39
Cash dividends declared on common stock				(51)		(51)
June 30, 2015	37,818	$ 308	$ 2,596	$ 338	$ (1)	$ 3,241
December 31, 2014	37,818	$ 308	$ 2,596	$ 302	$	$ 3,206
Net income				117		117
Cash dividends declared on common stock				(81)		(81)
Other comprehensive income (loss)					(1)	(1)
June 30, 2015	37,818	$ 308	$ 2,596	$ 338	$ (1)	$ 3,241
March 31, 2014	37,818	$ 308	$ 2,545	$ 270	$	$ 3,123
Net income				40		40
Capital contributions from LKE			26			26
Cash dividends declared on common stock				(49)		(49)
June 30, 2014	37,818	$ 308	$ 2,571	$ 261	$	$ 3,140
December 31, 2013	37,818	$ 308	$ 2,505	$ 230	$ 1	$ 3,044
Net income				117		117
Capital contributions from LKE			66			66
Cash dividends declared on common stock				(86)		(86)
Other comprehensive income (loss)					(1)	(1)
June 30, 2014	37,818	$ 308	$ 2,571	$ 261	$	$ 3,140

(a) Shares in thousands. All common shares of KU stock are owned by LKE.

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

Combined Notes to Condensed Financial Statements (Unaudited)

1. Interim Financial Statements

(All Registrants)

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

The accompanying unaudited condensed financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnote disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation in accordance with GAAP are reflected in the condensed financial statements. All adjustments are of a normal recurring nature, except as otherwise disclosed. Each Registrant's Balance Sheet at December 31, 2014 is derived from that Registrant's 2014 audited Balance Sheet. The financial statements and notes thereto should be read in conjunction with the financial statements and notes contained in each Registrant's 2014 Form 10-K. The results of operations for the three and six months ended June 30, 2015 are not necessarily indicative of the results to be expected for the full year ending December 31, 2015 or other future periods, because results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

The classification of certain prior period amounts has been changed to conform to the presentation in the June 30, 2015 financial statements.

(PPL)

"Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income includes the activities of PPL Energy Supply, substantially representing PPL's Supply segment, which was spun off and distributed to PPL shareowners on June 1, 2015. PPL Energy Supply's assets and liabilities have been reclassified on the Balance Sheet at December 31, 2014 to assets and liabilities of discontinued operations. The assets and liabilities were distributed and removed from PPL's Balance Sheets in the second quarter of 2015. In addition, the Statements of Cash Flows separately report the cash flows of the discontinued operations. See Note 8 for additional information.

2. Summary of Significant Accounting Policies

(All Registrants)

The following accounting policy disclosures represent updates to Note 1 to each indicated Registrant's 2014 Form 10-K and should be read in conjunction with those disclosures.

Accounts Receivable *(PPL and PPL Electric)*

In accordance with a PUC-approved purchase of accounts receivable program, PPL Electric purchases certain accounts receivable from alternative electricity suppliers at a discount, which reflects a provision for uncollectible accounts. The alternative electricity suppliers have no continuing involvement or interest in the purchased accounts receivable. The purchased accounts receivable are initially recorded at fair value using a market approach based on the purchase price paid and are classified as Level 2 in the fair value hierarchy. During the three and six months ended June 30, 2015, PPL Electric purchased $276 million and $607 million of accounts receivable from unaffiliated third parties and $53 million and $146 million from PPL EnergyPlus. During the three and six months ended June 30, 2014, PPL Electric purchased $253 million and $614 million of accounts receivable from unaffiliated third parties and $79 million and $184 million from PPL EnergyPlus. PPL Electric's purchases from PPL EnergyPlus for the three and six months ended June 30, 2015 include purchases through May 31, 2015, which is the period during which PPL Electric and PPL EnergyPlus were affiliated entities. As a result of the June 1, 2015 spinoff of PPL Energy Supply and creation of Talen Energy, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are purchases from an unaffiliated third party.

Depreciation *(PPL)*

Effective January 1, 2015, after completing a review of the useful lives of its distribution network assets, WPD extended the weighted average useful lives of these assets to 69 years from 55 years. For the three and six months ended June 30, 2015, this change in useful lives resulted in lower depreciation of $22 million ($17 million after-tax or $0.03 per share) and $42 million ($33 million after-tax or $0.05 per share).

New Accounting Guidance Adopted *(All Registrants)*

Reporting of Discontinued Operations

Effective January 1, 2015, the Registrants prospectively adopted accounting guidance that changes the criteria for determining what should be classified as a discontinued operation and the related presentation and disclosure requirements. A discontinued operation may include a component of an entity or a group of components of an entity, or a business activity.
A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on the entity's operations and financial results when any of the following occurs: (1) The components of an entity or group of components of an entity meets the criteria to be classified as held for sale, (2) The component of an entity or group of components of an entity is disposed of by sale, or (3) The component of an entity or group of components of an entity is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spinoff).

As a result of the spinoff on June 1, 2015, PPL Energy Supply has been reported as a discontinued operation under the new discontinued operations guidance. See Note 8 for additional information.

3. Segment and Related Information

(PPL)

See Note 2 in PPL's 2014 Form 10-K for a discussion of reportable segments and related information.

On June 1, 2015, PPL completed the spinoff of PPL Energy Supply, which substantially represented PPL's Supply segment. As a result of this transaction, PPL no longer has a Supply segment. See Note 8 for additional information.

Financial data for the segments and reconciliation to PPL's consolidated results for the periods ended June 30 are:

	Three Months		Six Months	
	2015	2014	2015	2014
Income Statement Data				
Revenues from external customers				
U.K. Regulated	$ 587	$ 672	$ 1,284	$ 1,320
Kentucky Regulated	714	722	1,613	1,656
Pennsylvania Regulated	476	448	1,106	1,039
Corporate and Other	4	7	8	12
Total	$ 1,781	$ 1,849	$ 4,011	$ 4,027
Net Income (loss)				
U.K. Regulated (a)	$ 190	$ 187	$ 565	$ 393
Kentucky Regulated	47	58	156	165
Pennsylvania Regulated	49	52	136	137
Corporate and Other (b)	(36)	(67)	(55)	(76)
Discontinued Operations (c)	(1,007)	(1)	(912)	(74)
Total	$ (757)	$ 229	$ (110)	$ 545

	June 30, 2015	December 31, 2014
Balance Sheet Data		
Assets		
U.K. Regulated	$ 15,973	$ 16,005
Kentucky Regulated	13,314	13,062
Pennsylvania Regulated	8,171	7,785
Corporate and Other (d)	786	1,095
Discontinued Operations (c)		10,917
Total assets	$ 38,244	$ 48,864

(a) Includes unrealized gains and losses from economic activity. See Note 14 for additional information.
(b) 2015 includes transition costs to prepare the new Talen Energy organization for the June 1, 2015 spinoff and reconfigure the remaining PPL Services functions. See Note 8 for additional information.
(c) See Note 8 for additional information.
(d) Primarily consists of unallocated items, including cash, PP&E and the elimination of inter-segment transactions.

4. Earnings Per Share

(PPL)

Basic EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding during the applicable period. Diluted EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding, increased by incremental shares that would be outstanding if potentially dilutive non-participating securities were converted to common shares as calculated using the Treasury Stock Method or the If-Converted Method, as applicable. Incremental non-participating securities that have a dilutive impact are detailed in the table below.

Reconciliations of the amounts of income and shares of PPL common stock (in thousands) for the periods ended June 30 used in the EPS calculation are:

	Three Months		Six Months	
	2015	2014	2015	2014
Income (Numerator)				
Income from continuing operations after income taxes	$ 250	$ 230	$ 802	$ 619
Less amounts allocated to participating securities	1	1	2	3
Income from continuing operations after income taxes available to PPL common shareowners - Basic	249	229	800	616
Plus interest charges (net of tax) related to Equity Units (a)				9
Income from continuing operations after income taxes available to PPL common shareowners - Diluted	$ 249	$ 229	$ 800	$ 625
Income (loss) from discontinued operations (net of income taxes) available to PPL common shareowners - Basic and Diluted	$ (1,007)	$ (1)	$ (912)	$ (74)
Net income (loss)	$ (757)	$ 229	$ (110)	$ 545
Less amounts allocated to participating securities	1	1	2	3
Net income (loss) available to PPL common shareowners - Basic	(758)	228	(112)	542
Plus interest charges (net of tax) related to Equity Units (a)				9
Net income (loss) available to PPL common shareowners - Diluted	$ (758)	$ 228	$ (112)	$ 551
Shares of Common Stock (Denominator)				
Weighted-average shares - Basic EPS	668,415	653,132	667,698	642,002
Add incremental non-participating securities:				
Share-based payment awards	2,871	2,100	2,315	1,806
Equity Units (a)		10,560		21,119
Weighted-average shares - Diluted EPS	671,286	665,792	670,013	664,927
Basic EPS				
Available to PPL common shareowners:				
Income from continuing operations after income taxes	$ 0.37	$ 0.35	$ 1.20	$ 0.96
Income (loss) from discontinued operations (net of income taxes)	(1.50)		(1.37)	(0.12)
Net Income (Loss) Available to PPL common shareowners	$ (1.13)	$ 0.35	$ (0.17)	$ 0.84
Diluted EPS				
Available to PPL common shareowners:				
Income from continuing operations after income taxes	$ 0.37	$ 0.34	$ 1.19	$ 0.94
Income (loss) from discontinued operations (net of income taxes)	(1.50)		(1.36)	(0.11)
Net Income (Loss) Available to PPL common shareowners	$ (1.13)	$ 0.34	$ (0.17)	$ 0.83

(a) In 2014, the If-Converted Method was applied to the Equity Units prior to the March 2014 settlement.

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

	Three Months		Six Months	
	2015	2014	2015	2014
Stock-based compensation plans (a)	992	922	2,437	2,018
DRIP	424		843	

(a) Includes stock options exercised, vesting of performance units, vesting of restricted stock and restricted stock units and conversion of stock units granted to directors.

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

	Three Months		Six Months	
	2015	2014	2015	2014
Stock options	348	790	1,085	2,060
Performance units		1	73	1
Restricted stock units				61

5. Income Taxes

Reconciliations of income taxes for the periods ended June 30 are:

(PPL)

	Three Months		Six Months	
	2015	2014	2015	2014
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 35%	$ 112	$ 139	$ 382	$ 333
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	9	3	29	16
Valuation allowance adjustments (a)	5	46	8	46
Impact of lower U.K. income tax rates	(36)	(31)	(98)	(76)
U.S. income tax on foreign earnings - net of foreign tax credit (b)		10	(1)	21
Federal and state tax reserve adjustments (c)	(12)	(1)	(12)	(1)
Intercompany interest on U.K. financing entities	(3)	(1)	(11)	(3)
Other	(4)	1	(9)	(3)
Total increase (decrease)	(41)	27	(94)	
Total income taxes	$ 71	$ 166	$ 288	$ 333

(a) As a result of the spinoff announcement, PPL recorded deferred income tax expense during the three and six months ended June 30, 2014 to adjust valuation allowances on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the earnings of PPL Energy Supply. See Note 8 for additional information on the spinoff.
(b) During the three and six months ended June 30, 2015, PPL recorded lower income tax expense due to a decrease in taxable dividends.
(c) During the three and six months ended June 30, 2015, PPL recorded a tax benefit to adjust the settled refund amount approved by Joint Committee of Taxation for the open audit years 1998-2011.

(PPL Electric)

	Three Months		Six Months	
	2015	2014	2015	2014
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 30	$ 29	$ 81	$ 77
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	4	4	14	12
Federal and state tax reserve adjustments	2	(1)	2	(1)
Depreciation not normalized	(1)	(1)	(2)	(3)
Other	1			(1)
Total increase (decrease)	6	2	14	7
Total income taxes	$ 36	$ 31	$ 95	$ 84

(LKE)

	Three Months		Six Months	
	2015	2014	2015	2014
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 35%	$ 37	$ 37	$ 104	$ 102
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	4	4	11	10
Valuation allowance adjustment (a)	5		8	
Other	(1)		(2)	(2)
Total increase (decrease)	8	4	17	8
Total income taxes	$ 45	$ 41	$ 121	$ 110

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

(LG&E)

	Three Months		Six Months	
	2015	2014	2015	2014
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 20	$ 20	$ 50	$ 48
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	2	2	5	5
Other		(1)		(2)
Total increase (decrease)	2	1	5	3
Total income taxes	$ 22	$ 21	$ 55	$ 51

(KU)

	Three Months		Six Months	
	2015	2014	2015	2014
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 22	$ 23	$ 66	$ 66
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	2	2	7	7
Other		1	(2)	(1)
Total increase (decrease)	2	3	5	6
Total income taxes	$ 24	$ 26	$ 71	$ 72

Unrecognized Tax Benefits *(PPL)*

Changes to unrecognized tax benefits for the periods ended June 30 were as follows.

	Three Months		Six Months	
	2015	2014	2015	2014
PPL				
Beginning of period	$ 20	$ 22	$ 20	$ 22
Additions based on tax positions of prior years		1		1
Reductions based on tax positions of prior years		(2)		(2)
Settlements	(15)		(15)	
End of period	$ 5	$ 21	$ 5	$ 21

Other *(PPL)*

In February 2015, PPL and the IRS Appeals division reached a settlement on the amount of PPL's refund from its open audits for the years 1998 - 2011. In April 2015, PPL was notified that the Joint Committee on Taxation approved PPL's settlement. In the second quarter of 2015, PPL recorded a tax benefit of $23 million, which includes an estimate of interest on the refund. Of this amount, $11 million is reflected in continuing operations. Final determination of interest on the refund is still pending from the IRS.

6. Utility Rate Regulation

(All Registrants)

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

	PPL		PPL Electric	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Current Regulatory Assets:				
Environmental cost recovery	$ 16	$ 5		
Gas supply clause	1	15		
Transmission service charge	7	6	$ 7	$ 6
Other	10	11	3	6
Total current regulatory assets (a)	$ 34	$ 37	$ 10	$ 12
Noncurrent Regulatory Assets:				
Defined benefit plans	$ 745	$ 720	$ 417	$ 372
Taxes recoverable through future rates	319	316	319	316
Storm costs	108	124	38	46
Unamortized loss on debt	74	77	46	49
Interest rate swaps	98	122		
Accumulated cost of removal of utility plant	125	114	125	114
AROs	91	79		
Other	9	10	1	
Total noncurrent regulatory assets	$ 1,569	$ 1,562	$ 946	$ 897
Current Regulatory Liabilities:				
Generation supply charge	$ 31	$ 28	$ 31	$ 28
Demand side management	12	2		
Gas supply clause	9	6		
Transmission formula rate	66	42	66	42
Storm damage expense	10	3	10	3
Other	9	10	3	3
Total current regulatory liabilities	$ 137	$ 91	$ 110	$ 76
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 693	$ 693		
Coal contracts (b)	38	59		
Power purchase agreement - OVEC (b)	88	92		
Net deferred tax assets	24	26		
Act 129 compliance rider	26	18	$ 26	$ 18
Defined benefit plans	21	16		
Interest rate swaps	84	84		
Other	3	4		
Total noncurrent regulatory liabilities	$ 977	$ 992	$ 26	$ 18

	LKE		LG&E		KU	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Current Regulatory Assets:						
Environmental cost recovery	$ 16	$ 5	$ 9	$ 4	$ 7	$ 1
Gas supply clause	1	15	1	15		
Fuel adjustment clause		4		2		2
Other	7	1			7	1
Total current regulatory assets	$ 24	$ 25	$ 10	$ 21	$ 14	$ 4
Noncurrent Regulatory Assets:						
Defined benefit plans	$ 328	$ 348	$ 203	$ 215	$ 125	$ 133
Storm costs	70	78	39	43	31	35
Unamortized loss on debt	28	28	18	18	10	10
Interest rate swaps	98	122	75	89	23	33
AROs	91	79	33	28	58	51
Other	8	10	2	4	6	6
Total noncurrent regulatory assets	$ 623	$ 665	$ 370	$ 397	$ 253	$ 268

	LKE		LG&E		KU	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Current Regulatory Liabilities:						
Demand side management	$ 12	$ 2	$ 5	$ 1	$ 7	$ 1
Gas supply clause	9	6	9	6		
Fuel adjustment clause	4				4	
Gas line tracker	1	3	1	3		
Other	1	4			1	4
Total current regulatory liabilities	$ 27	$ 15	$ 15	$ 10	$ 12	$ 5
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal of utility plant	$ 693	$ 693	$ 303	$ 302	$ 390	$ 391
Coal contracts (b)	38	59	16	25	22	34
Power purchase agreement - OVEC (b)	88	92	60	63	28	29
Net deferred tax assets	24	26	23	24	1	2
Defined benefit plans	21	16			21	16
Interest rate swaps	84	84	42	42	42	42
Other	3	4	2	2	1	2
Total noncurrent regulatory liabilities	$ 951	$ 974	$ 446	$ 458	$ 505	$ 516

(a) For PPL, these amounts are included in "Other current assets" on the Balance Sheets.
(b) These liabilities were recorded as offsets to certain intangible assets that were recorded at fair value upon the acquisition of LKE by PPL.

Regulatory Matters

U. K. Activities *(PPL)*

RIIO-ED1

On April 1, 2015, the RIIO-ED1 eight-year price control period commenced for WPD's four DNOs. See "Item 1. Business - Segment Information - U. K. Regulated Segment" of PPL's 2014 Form 10-K for additional information on RIIO-ED1.

Ofgem Review of Line Loss Calculation

In March 2014, Ofgem issued its final decision on the DPCR4 line loss incentives and penalties mechanism. As a result, during the first quarter of 2014 WPD increased its liability by $65 million for over-recovery of line losses with a reduction to "Utility" revenues on the Statement of Income. WPD began refunding the liability to customers on April 1, 2015 and will continue through March 31, 2019. The liability at June 30, 2015 was $88 million.

Kentucky Activities *(PPL, LKE, LG&E and KU)*

Rate Case Proceedings

On November 26, 2014, LG&E and KU filed requests with the KPSC for increases in annual base rates for LG&E's electric and gas operations and KU's electric operations. On April 20, 2015, LG&E and KU, and the other parties to the proceeding, filed a unanimous settlement agreement with the KPSC. The settlement agreement was approved by the KPSC on June 30, 2015. Among other things, the settlement provides for increases in the annual revenue requirements associated with KU base electricity rates of $125 million and LG&E base gas rates of $7 million. The annual revenue requirement associated with base electricity rates at LG&E was not changed. Although the settlement did not establish a specific return on equity with respect to the base rates, an authorized 10% return on equity will be utilized in the ECR and GLT mechanisms. The settlement agreement provides for deferred recovery of costs associated with Green River Units 3 and 4 through their retirement. The new regulatory asset will be amortized over three years. The settlement also provides regulatory asset treatment for the difference between pension expense currently booked in accordance with LG&E and KU's pension accounting policy and pension expense using a 15 year amortization period for actuarial gains and losses. The new rates and all elements of the settlement became effective July 1, 2015.

KPSC Landfill Proceedings

On May 22, 2015, LG&E and KU filed an application with the KPSC for a declaratory order that the existing CPCN and ECR approvals regarding the initial phases of construction and rate recovery of the landfill for management of CCRs at the

Trimble County Station remain in effect. The current design of the proposed landfill provides for construction in substantially the same location as originally proposed with approximately the same storage capacity and expected useful life. On May 20, 2015, the owner of an underground limestone mine filed a complaint with the KPSC requesting it to revoke the CPCN for the Trimble County landfill and limit recovery of costs for the Ghent Station landfill on the grounds that, as a result of cost increases, the proposed landfill no longer constitutes the least cost alternative for CCR management. The KPSC has initiated its own investigation, consolidated the proceedings, and ordered an accelerated procedural schedule. Although the companies continue to believe that the landfills at the Trimble County and Ghent stations are the least cost options and the CPCN and prior KPSC determinations provide the necessary regulatory authority to proceed with construction of the landfill and obtain cost recovery, LG&E and KU are currently unable to predict the outcome or impact of the pending proceedings.

Pennsylvania Activities *(PPL and PPL Electric)*

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 Distribution System Improvement Charge (DSIC). Such alternative ratemaking procedures and mechanisms provide opportunity for accelerated cost-recovery and, therefore, are important to PPL Electric as it is in a period of significant capital investment to maintain and enhance the reliability of its delivery system, including the replacement of aging distribution assets.

Rate Case Proceeding

On March 31, 2015, PPL Electric filed a request with the PUC for an increase in its annual distribution revenue requirement of approximately $167.5 million. The proposal would result in a rate increase of 3.9% on a total bill basis and is expected to become effective on January 1, 2016. PPL Electric's application includes a request for an authorized return-on-equity of 10.95%. The application is based on a fully projected future test year of January 1, 2016 through December 31, 2016. PPL Electric cannot predict the outcome of this proceeding.

Distribution System Improvement Charge (DSIC)

On March 31, 2015, PPL Electric filed a petition requesting a waiver of the DSIC cap of 5% of billed revenues and approval to increase the maximum allowable DSIC from 5% to 7.5% for service rendered after January 1, 2016. PPL Electric filed the petition concurrently with its 2015 rate case and the Administrative Law Judge granted PPL Electric's request to consolidate these two proceedings. PPL Electric cannot predict the outcome of this proceeding.

Storm Damage Expense Rider (SDER)

In its December 28, 2012 final rate case order, the PUC directed PPL Electric to file a proposed SDER. The SDER is a reconcilable automatic adjustment clause under which PPL Electric annually will compare actual storm costs to storm costs allowed in base rates and refund or recoup any differences from customers. In March 2013, PPL Electric filed its proposed SDER with the PUC and, as part of that filing, requested recovery of the 2012 qualifying storm costs related to Hurricane Sandy. PPL Electric proposed that the SDER become effective January 1, 2013 at a zero rate with qualifying storm costs incurred in 2013 and the 2012 Hurricane Sandy costs included in rates effective January 1, 2014. In April 2014, the PUC issued a final order approving the SDER with a January 1, 2015 effective date and initially including actual storm costs compared to collections for December 2013 through November 2014. As a result, PPL Electric reduced its regulatory liability by $12 million in March 2014. Also, as part of the April 2014 order, PPL Electric was authorized to recover Hurricane Sandy storm damage costs through the SDER of $29 million over a three-year period beginning January 1, 2015.

On June 20, 2014, the Office of Consumer Advocate (OCA) filed a petition with the Commonwealth Court of Pennsylvania requesting that the Court reverse and remand the April 2014 order permitting PPL Electric to establish the SDER. This matter remains pending before the Commonwealth Court. On January 15, 2015, the PUC issued a final order closing an investigation related to an OCA complaint concerning PPL Electric's October 2014 preliminary SDER calculation and modified the effective date of the SDER to February 1, 2015.

Smart Meter Rider (SMR)

Act 129 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 are able to recover the costs of providing smart metering technology. All of PPL Electric's metered customers currently have advanced meters installed at their service locations capable of many of the functions required under Act 129. PPL Electric conducted pilot projects and technical evaluations of its current advanced metering technology and concluded that the current technology does not meet all of the requirements of Act 129. PPL Electric recovered the cost of its evaluations through a cost recovery mechanism, the Smart Meter Rider. In August 2013, PPL Electric filed with the PUC an annual report describing the actions it was taking under its Smart Meter Plan during 2013 and its planned actions for 2014. PPL Electric also submitted revised SMR charges that became effective January 1, 2014. In June 2014, PPL Electric filed its final Smart Meter Plan with the PUC. In that plan, PPL Electric proposes to replace all of its current meters with advanced meters that meet the Act 129 requirements. Full deployment of the new meters is expected to be complete by the end of 2019. The total cost of the project is estimated to be approximately $450 million, of which approximately $328 million is expected to be capital. PPL Electric proposes to recover these costs through the SMR which the PUC previously approved for recovery of such costs. On April 30, 2015, the Administrative Law Judge assigned by the PUC to review PPL Electric's Smart Meter Plan issued a recommended decision approving the plan with minor modifications. The recommended decision is subject to final approval by and remains pending before the PUC.

Federal Matters

FERC Wholesale Formula Rates (PPL, LKE and KU)

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 a true-up. KU's application proposed an authorized return on equity of 10.7%. Certain elements, including the new formula rate, became effective April 23, 2014, subject to refund. In April 2014, nine municipalities submitted notices of termination, under the original notice period provisions, to cease taking power under the wholesale requirements contracts. Such terminations are to be effective in 2019, except in the case of one municipality with a 2017 effective date. In addition, a tenth municipality has become a transmission-only customer as of June 2015. In July 2014, KU agreed on settlement terms with the two municipal customers that did not provide termination notices and filed the settlement proposal with the FERC for its approval. In August 2014, the FERC issued an order on the interim settlement agreement allowing the proposed rates to become effective pending a final order. If approved, the settlement agreement will resolve the rate case with respect to these two municipalities, including approval of the formula rate with a true-up provision and authorizing a return on equity of 10% or the return on equity awarded to other parties in this case, whichever is lower. In July 2015, KU and the nine terminating municipalities reached a settlement in principle which, subject to FERC approval, would resolve open matters, including providing for certain refunds, approving the formula rate with a true-up provision, and authorizing a 10.25% return on equity. An unresolved matter with one terminating municipality may be the subject of further negotiations or proceedings. KU cannot predict the ultimate outcome of these FERC proceedings regarding its wholesale power agreements with the municipalities, but does not currently anticipate significant remaining refunds beyond amounts already recorded.

7. Financing Activities

Credit Arrangements and Short-term Debt

(All Registrants)

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

	June 30, 2015					December 31, 2014	
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued
PPL							
U.K.							
WPD plc							
Syndicated Credit Facility	Dec. 2016	£ 210	£ 130		£ 80	£ 103	
WPD (South West)							
Syndicated Credit Facility	July 2019	245			245		
WPD (East Midlands)							
Syndicated Credit Facility	July 2019	300	112		188	64	
WPD (West Midlands)							
Syndicated Credit Facility	July 2019	300			300		
Uncommitted Credit Facilities		65		£ 4	61		£ 5
Total U.K. Credit Facilities (a)		£ 1,120	£ 242	£ 4	£ 874	£ 167	£ 5
U.S.							
PPL Capital Funding							
Syndicated Credit Facility	July 2019	$ 300			$ 300		
Syndicated Credit Facility	Nov. 2018	300			300		
Bilateral Credit Facility	Mar. 2016	150		$ 20	130		$ 21
Uncommitted Credit Facility		65		1	64		1
Total PPL Capital Funding Credit Facilities		$ 815		$ 21	$ 794		$ 22
PPL Electric							
Syndicated Credit Facility	July 2019	$ 300		$ 169	$ 131		$ 1
LKE							
Syndicated Credit Facility (b)	Oct. 2018	$ 75	$ 75			$ 75	
LG&E							
Syndicated Credit Facility	July 2019	$ 500		$ 259	$ 241		$ 264
KU							
Syndicated Credit Facility	July 2019	$ 400		$ 227	$ 173		$ 236
Letter of Credit Facility	Oct. 2017	198		198			198
Total KU Credit Facilities		$ 598		$ 425	$ 173		$ 434

(a) WPD plc's amounts borrowed at June 30, 2015 and December 31, 2014 were USD-denominated borrowings of $200 million and $161 million, which bore interest at 1.89% and 1.86%. WPD (East Midlands) amounts borrowed at June 30, 2015 and December 31, 2014 were GBP-denominated borrowings which equated to $171 million and $100 million, which bore interest at 1.01% for both periods. At June 30, 2015, the unused capacity under the U.K. credit facilities was $1.3 billion.
(b) LKE's interest rates on outstanding borrowings at June 30, 2015 and December 31, 2014, were 1.44% and 1.67%.

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

	June 30, 2015				December 31, 2014	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Electric	0.42%	$ 300	$ 168	$ 132		
LG&E	0.49%	350	259	91	0.42%	$ 264
KU	0.48%	350	227	123	0.49%	236
Total		$ 1,000	$ 654	$ 346		$ 500

(LKE)

See Note 11 for discussion of intercompany borrowings.

(PPL)

At-The-Market Stock Offering Program

In February 2015, PPL entered into two separate equity distribution agreements, pursuant to which PPL may sell, from time to time, up to an aggregate of $500 million of its common stock. During the three and six months ended June 30, 2015, PPL issued 421,700 shares of common stock under the program at an average price of $33.73 per share, receiving net proceeds of $14 million.

Distributions

In May 2015, PPL declared its quarterly common stock dividend, payable July 1, 2015, at 37.25 cents per share (equivalent to $1.49 per annum). On August 3, 2015, PPL announced that the company is increasing its common stock dividend to 37.75 cents per share on a quarterly basis (equivalent to $1.51 per annum). The increased dividend will be payable on October 1, 2015 to shareowners of record as of September 10, 2015. 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. See Note 8 for information regarding the June 1, 2015 distribution to PPL's shareowners of a newly formed entity, Holdco, which at closing owned all of the membership interests of PPL Energy Supply and all of the common stock of Talen Energy.

8. Acquisitions, Development and Divestitures

(All Registrants)

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with the projects, sell, cancel or expand them, execute tolling agreements or pursue other options. Any resulting transactions may impact future financial results. See Note 8 in the 2014 Form 10-K for additional information.

(PPL)

Discontinued Operations

Spinoff of PPL Energy Supply

In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to spin off PPL Energy Supply and immediately combine it with Riverstone's competitive power generation businesses to form a new, stand-alone, publicly traded company named Talen Energy. The transaction was subject to customary closing conditions, including receipt of regulatory approvals from the NRC, FERC, DOJ and PUC, all of which were received by mid-April 2015. On April 29, 2015, PPL's Board of Directors declared the June 1, 2015 distribution to PPL's shareowners of record on May 20, 2015 of a newly formed entity, Holdco, which at closing owned all of the membership interests of PPL Energy Supply and all of the common stock of Talen Energy.

Immediately following the spinoff on June 1, 2015, Holdco merged with a special purpose subsidiary of Talen Energy, with Holdco continuing as the surviving company to the merger and as a wholly owned subsidiary of Talen Energy and the sole owner of PPL Energy Supply. Substantially contemporaneous with the spinoff and merger, RJS Power was contributed by its owners to become a subsidiary of Talen Energy. PPL shareowners received approximately 0.1249 shares of Talen Energy common stock for each share of PPL common stock they owned on May 20, 2015. Following completion of these transactions, PPL shareowners owned 65% of Talen Energy and affiliates of Riverstone owned 35%. The spinoff had no effect on the number of PPL common shares owned by PPL shareowners or the number of shares of PPL common stock outstanding. The transaction is intended to be tax-free to PPL and its shareowners for U.S. federal income tax purposes.

PPL has no continuing ownership interest in, control of, or affiliation with Talen Energy and Talen Energy Supply (formerly PPL Energy Supply).

Loss on Spinoff

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

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

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

The following table summarizes PPL's fair value analysis:

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

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

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

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

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

Costs of Spinoff

Following the announcement of the transaction to form Talen Energy, efforts were initiated to identify the appropriate staffing for Talen Energy and for PPL and its subsidiaries following completion of the spinoff. Organizational plans were substantially completed in 2014. The new organizational plans identified the need to resize and restructure the organizations and as a result, in 2014, estimated charges for employee separation benefits were recorded. See Note 8 in the 2014 Form 10-K for additional information. The separation benefits include cash severance compensation, lump sum COBRA reimbursement payments and outplacement services. Most separations and payment of separation benefits are expected to be completed by the end of 2015. At June 30, 2015 and December 31, 2014, the recorded liabilities related to the separation benefits were $13 million and $21 million, which are included in "Other current liabilities" on the Balance Sheets.

Additional employee-related costs incurred primarily include accelerated stock-based compensation and pro-rated performance-based cash incentive and stock-based compensation awards, primarily for PPL Energy Supply employees and for PPL Services employees who became PPL Energy Supply employees in connection with the transaction. PPL Energy Supply recognized $24 million of these costs at the spinoff closing date which are reflected in discontinued operations.

As the vesting for all PPL Energy Supply employees was accelerated and all remaining unrecognized compensation expense accelerated concurrently with the spinoff, PPL does not expect to recognize significant future compensation costs for equity awards held by former PPL Energy Supply employees. PPL's future stock-based compensation expense will not be significantly impacted by equity award adjustments that occurred as a result of the spinoff. Stock-based compensation expense recognized in future periods will correspond to the unrecognized compensation expense as of the date of the spinoff. Unrecognized compensation expense as of the date of the spinoff reflects the unamortized balance of the original grant date fair value of the equity awards held by PPL employees.

PPL recorded $36 million and $42 million of third-party costs related to this transaction during the three and six months ended June 30, 2015. Of these costs, $29 million and $31 million were primarily for bank advisory, legal and accounting fees to facilitate the transaction, and are reflected in discontinued operations. An additional $7 million and $11 million of consulting and other costs were incurred to prepare the new Talen Energy organization for the spinoff and reconfigure the remaining PPL service functions. These costs are primarily recorded in "Other operation and maintenance" on the Statement of Income. PPL recorded $16 million of third-party costs related to this transaction during the three and six months ended June 30, 2014. No significant additional third-party costs are expected to be incurred.

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

Continuing Involvement

As a result of the spinoff, PPL and PPL Energy Supply entered into a Transition Services Agreement (TSA) which terminates no later than two years from the spinoff date. The TSA sets forth the terms and conditions for PPL and Talen Energy to provide certain transition services to one another. PPL will provide Talen Energy certain information technology, financial and accounting, human resource and other specified services. For the period June 1, 2015 to June 30, 2015, the amounts PPL billed Talen Energy for these services were not significant. In general, the fees for the transition services allow the provider to recover its cost of the services, including overheads, but without margin or profit.

Additionally, prior to the spinoff, through the annual competitive solicitation process, PPL EnergyPlus was awarded supply contracts for a portion of the PLR generation supply for PPL Electric, which were retained by Talen Energy Marketing as part of the spinoff transaction. PPL Electric's supply contracts with Talen Energy Marketing extend through December 2015. The energy purchases were previously included in PPL Electric's Statements of Income as "Energy purchases from affiliate" but were eliminated in PPL's Consolidated Statements of Income.

For the period June 1, 2015 to June 30, 2015, PPL Electric's energy purchases from Talen Energy Marketing were not significant and are no longer considered affiliate transactions.

Summarized Results of Discontinued Operations

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

	Three Months 2015	Three Months 2014	Six Months 2015	Six Months 2014
Operating revenues	$ 483	$ 1,046	$ 1,427	$ 118
Operating expenses	561	1,006	1,328	164
Other Income (Expense) - net	(29)	(8)	(22)	(2)
Interest Expense (a)	112	50	150	98
Income (loss) before income taxes	(219)	(18)	(73)	(146)
Income tax expense (benefit)	(91)	(17)	(40)	(72)
Loss on spinoff	(879)		(879)	
Income (Loss) from Discontinued Operations (net of income taxes)	$ (1,007)	$ (1)	$ (912)	$ (74)

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

Summarized Assets and Liabilities of Discontinued Operations

The assets and liabilities of PPL's Supply segment for all periods prior to the spinoff are included in "Current assets of discontinued operations", "Noncurrent assets of discontinued operations", "Current liabilities of discontinued operations" and "Noncurrent liabilities of discontinued operations" on PPL's Balance Sheet. Net assets, after recognition of the loss on spinoff, of $3.2 billion were distributed to PPL shareowners on June 1, 2015, as a result of the completion of the spinoff of PPL Energy Supply. The following major classes of assets and liabilities were distributed and removed from PPL's Balance Sheet on June 1, 2015. Additionally, the following major classes of assets and liabilities were reclassified to discontinued operations as of December 31, 2014:

	Distribution at June 1, 2015	Discontinued Operations at December 31, 2014
Cash and cash equivalents (a)	$ 371	$ 352
Restricted cash and cash equivalents	156	176
Accounts receivable and unbilled revenues	325	504
Fuels, materials and supplies	415	455
Price risk management assets	784	1,079
Other current assets	65	34
Total Current Assets	2,116	2,600
Investments	999	980
PP&E, net	6,384	6,428
Goodwill	338	338
Other intangibles	260	257
Price risk management assets	244	239
Other noncurrent assets	78	75
Total Noncurrent Assets	8,303	8,317
Total assets	$ 10,419	$ 10,917
Short-term debt and long-term debt due within one year	$ 885	$ 1,165
Accounts payable	252	361
Price risk management liabilities	763	1,024
Other current liabilities	229	225
Total Current Liabilities	2,129	2,775
Long-term debt (excluding current portion)	1,932	1,683
Deferred income taxes	1,259	1,223
Price risk management liabilities	206	193
Accrued pension obligations	244	299
Asset retirement obligations	443	415
Other deferred credits and noncurrent liabilities	103	150
Total Noncurrent Liabilities	4,187	3,963
Total liabilities	$ 6,316	$ 6,738
Adjustment for loss on spinoff	879	
Net assets distributed	$ 3,224	

(a) The distribution of PPL Energy Supply's cash and cash equivalents at June 1, 2015 is included in "Net cash provided by (used in) financing activities - discontinued operations" on the Statement of Cash Flows for the six months ended June 30, 2015.

Montana Hydro Sale

In November 2014, PPL Montana completed the sale to NorthWestern of 633 MW of hydroelectric generating facilities located in Montana for approximately $900 million in cash. The proceeds from the sale remained with PPL and did not transfer to Talen Energy as a result of the spinoff of PPL Energy Supply. The sale included 11 hydroelectric power facilities and related assets, included in the Supply segment.

As the Montana hydroelectric power facilities were previously reported as a component of PPL Energy Supply and the Supply Segment, the components of discontinued operations for these facilities contained in the Statements of Income are included in the disclosure above.

Development

Future Capacity Needs *(PPL, LKE, LG&E and KU)*

Cane Run Unit 7 was put into commercial operation on June 19, 2015. LG&E retired one coal-fired generating unit at the Cane Run plant in March 2015 and retired the remaining two coal-fired generating units at the plant in June 2015. LG&E incurred costs of $11 million directly related to these retirements consisting of an inventory write-down and separation benefits. However, there were no gains or losses on the retirement of these units.

In October 2013, LG&E and KU announced plans for a 10 MW solar generation facility to be operational in 2016 at a cost of approximately $36 million. In December 2014, a final order was issued by the KPSC approving the request to construct the solar generating facility at E.W. Brown.

9. Defined Benefits

(PPL)

PPL performed a remeasurement of the assets and the obligations for the PPL Retirement Plan and PPL Postretirement Benefit plans as of May 31, 2015 to allow for separation of those plans for PPL and Talen Energy as required in accordance with the spinoff transaction agreements. The net pension obligations for all active PPL Energy Supply employees and for individuals who terminated employment from PPL Energy Supply on or after July 1, 2000 were distributed and removed from PPL's Balance Sheet. The net other postretirement benefit obligations for all active PPL Energy Supply employees were distributed and removed from PPL's Balance Sheet. In addition, the net nonqualified pension plan obligations for all PPL Energy Supply active and inactive employees were retained by PPL. As a result, PPL distributed and removed from its Balance Sheet $244 million of net accrued pension obligations and $7 million of other postretirement benefit obligations. See Note 8 for additional information on the spinoff of PPL Energy Supply.

(PPL, LKE and LG&E)

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

	Pension Benefits							
	Three Months				Six Months			
	U.S.		U.K.		U.S.		U.K.	
	2015 (b)	2014 (c)	2015	2014	2015 (b)	2014 (c)	2015	2014
PPL								
Service cost	$ 26	$ 24	$ 19	$ 18	$ 56	$ 49	$ 39	$ 36
Interest cost	52	56	77	90	110	112	156	178
Expected return on plan assets	(69)	(72)	(129)	(132)	(145)	(144)	(260)	(262)
Amortization of:								
Prior service cost	2	5			4	10		
Actuarial (gain) loss	22	7	40	33	47	14	79	66
Net periodic defined benefit costs (credits) prior to termination benefits	33	20	7	9	72	41	14	18

	Pension Benefits							
	Three Months				Six Months			
	U.S.		U.K.		U.S.		U.K.	
	2015 (b)	2014 (c)	2015	2014	2015 (b)	2014 (c)	2015	2014
Termination benefits (a)		20				20		
Net periodic defined benefit costs (credits)	$ 33	$ 40	$ 7	$ 9	$ 72	$ 61	$ 14	$ 18

	Pension Benefits			
	Three Months		Six Months	
	2015	2014	2015	2014
LKE				
Service cost	$ 6	$ 5	$ 13	$ 11
Interest cost	17	16	34	33
Expected return on plan assets	(22)	(21)	(44)	(41)
Amortization of:				
Prior service cost	2	1	4	2
Actuarial (gain) loss	9	3	17	6
Net periodic defined benefit costs (credits)	$ 12	$ 4	$ 24	$ 11
LG&E				
Service cost	$ 1	$ 1	$ 1	$ 1
Interest cost	4	3	7	7
Expected return on plan assets	(5)	(5)	(10)	(10)
Amortization of:				
Prior service cost			1	1
Actuarial (gain) loss	3	2	6	3
Net periodic defined benefit costs (credits)	$ 3	$ 1	$ 5	$ 2

(a) Includes termination benefits of $4 million for PPL Electric. The remaining $16 million relates to PPL Energy Supply and is reflected in discontinued operations.
(b) For the three and six months ended June 30, 2015, the total net periodic defined benefit cost include $7 million and $18 million reflected in discontinued operations related to costs allocated from PPL's plans to PPL Energy Supply prior to the spinoff.
(c) For the three and six months ended June 30, 2014, the total net periodic defined benefit cost include $23 million and $28 million reflected in discontinued operations related to costs allocated from PPL's plans to PPL Energy Supply.

	Other Postretirement Benefits			
	Three Months		Six Months	
	2015	2014	2015	2014
PPL				
Service cost	$ 3	$ 3	$ 7	$ 6
Interest cost	7	8	14	16
Expected return on plan assets	(7)	(7)	(14)	(13)
Net periodic defined benefit costs (credits)	$ 3	$ 4	$ 7	$ 9
LKE				
Service cost	$ 2	$ 1	$ 3	$ 2
Interest cost	3	3	5	5
Expected return on plan assets	(2)	(2)	(3)	(3)
Amortization of:				
Prior service cost			1	1
Net periodic defined benefit costs (credits)	$ 3	$ 2	$ 6	$ 5

(PPL Electric, LG&E and KU)

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

	Three Months		Six Months	
	2015	2014	2015	2014
PPL Electric (a)	$ 8	$ 10	$ 16	$ 15
LG&E	4	2	7	4
KU	4	1	9	4

(a) The three and six months ended June 30, 2014 include $4 million of termination benefits for PPL Electric related to a one-time voluntary retirement window offered to certain bargaining unit employees.

10. Commitments and Contingencies

(PPL)

All commitments, contingencies and guarantees associated with PPL Energy Supply and its subsidiaries were retained by Talen Energy Supply and its subsidiaries at the spinoff date without recourse to PPL.

Legal Matters

(All Registrants)

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

WKE Indemnification *(PPL and LKE)*

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

(PPL, LKE and LG&E)

Cane Run Environmental Claims

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

Mill Creek Environmental Claims

In May 2014, the Sierra Club filed a citizen suit against LG&E in the U.S. District Court for the Western District of Kentucky for alleged violations of the Clean Water Act. The Sierra Club alleges that various discharges at the Mill Creek plant constitute violations of the plant's water discharge permit. The Sierra Club seeks civil penalties, injunctive relief, costs and attorney's fees. In July 2015, the Court held a hearing regarding various cross-motions for summary judgment which are pending. PPL, LKE and LG&E cannot predict the outcome of this matter or the potential impact on the operations of the Mill Creek plant but believe the plant is operating in compliance with the permits.

Regulatory Issues *(All Registrants)*

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

Electricity - Reliability Standards

The NERC is responsible for establishing and enforcing mandatory reliability standards (Reliability Standards) regarding the bulk 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.

PPL, LG&E, KU and PPL Electric 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 small 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.

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 geomagnetically induced currents on implicated transformers. In May 2013, FERC issued Order No. 779, requiring NERC to submit two types of Reliability Standards for FERC's approval. The first type would require certain owners and operators of the nation's electricity infrastructure, such as the Registrants, 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 2014, and was approved in June 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. This proposal was filed by NERC with FERC for approval and in May 2015 FERC proposed to approve NERC's proposed standard. The proposal addressed many of the industry's concerns and the Registrants do not presently anticipate significant costs to comply with the requirements if finalized as proposed.

Environmental Matters - Domestic

(All Registrants)

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

LG&E and KU are entitled to recover, through the ECR mechanism, certain costs of complying with the Clean Air Act, as amended, and those federal, state or local environmental requirements applicable to coal combustion wastes and by-products from facilities that generate electricity from coal in accordance with approved compliance plans. Costs not covered by the ECR mechanism for LG&E and KU and all such costs for PPL Electric are subject to rate recovery before the companies' respective state regulatory authorities, or the FERC, if applicable. Because PPL Electric does not own any generating plants, its exposure to related environmental compliance costs is reduced. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

(PPL, LKE, LG&E and KU)

Air

The Clean Air Act, which regulates air pollutants from mobile and stationary sources, has a significant impact on the operation of fossil fuel plants. The Clean Air Act requires the EPA periodically to review and establish concentration levels in the ambient air for six criteria pollutants to protect public health and welfare. These concentration levels are known as NAAQS. The six criteria pollutants are carbon monoxide, lead, nitrogen dioxide, ozone, particulate matter and SO_2.

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

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

National Ambient Air Quality Standards (NAAQS)

In 2008, the EPA revised the NAAQS for ozone and proposed to further strengthen the standard in November 2014.The EPA is required under court order to finalize the standard by October 1, 2015. States are also obligated to address interstate transport issues associated with new ozone standards through the establishment of "good neighbor" state implementation plans for those states that are found to contribute significantly to another states' non-attainment. States that are not in the ozone transport region, including Kentucky, are working together to evaluate further nitrogen oxide reductions from fossil-fueled plants with SCRs. The nature and timing of any additional reductions resulting from these evaluations cannot be predicted at this time.

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

Mercury and Air Toxics Standards (MATS)

In February 2012, the EPA finalized the MATS rule requiring reductions of mercury and other hazardous air pollutants from fossil-fuel fired power plants, with an effective date of April 16, 2012. The MATS rule was challenged by industry groups and states and was upheld by the U.S. Court of Appeals for the D. C. Circuit Court (D.C. Circuit Court) in April 2014. A group of states subsequently petitioned the U.S. Supreme Court (Supreme Court) to review this decision and on June 29, 2015, the Supreme Court held that the EPA failed to properly consider costs when deciding to regulate hazardous air emissions from power plants under MATS. The Court remanded the matter to the D.C. Circuit Court. EPA's MATS rule remains in effect pending action by the D.C. Circuit Court. It is uncertain whether the D.C. Circuit Court will vacate the MATS rule, remand the rule to the EPA, or require further proceedings or actions.

LG&E and KU have installed significant controls in connection with the MATS rule and in conjunction with compliance with other environmental requirements, including fabric-filter baghouses, upgraded FGDs or chemical additive systems for which appropriate KPSC authorization and/or ECR treatment has been received. PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact, if any, on plant operations, rate treatment or future capital or operating needs.

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. PPL, LKE, LG&E and KU received various EPA information requests in 2007 and 2009, but have received no further communications from the EPA related to those requests since providing their responses. States and environmental groups also have commenced litigation alleging violations of the NSR regulations by coal-fired generating plants across the nation. PPL, LKE, LG&E and KU cannot predict the outcome of these matters, and cannot estimate the impact, if any.

If any PPL subsidiary is found to have violated NSR regulations by significantly increasing pollutants through a major plant modification, the subsidiary would, among other things, be required to meet stringent permit limits reflecting Best Available Control Technology (BACT) for pollutants meeting the NAAQS in the area and reflecting Lowest Achievable Emission Rates 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.

Trimble County Unit 2 Air Permit

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

Climate Change

(All Registrants)

As a result of the April 2007 U.S. Supreme Court decision that the EPA has authority under the Clean Air Act to regulate carbon dioxide 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 carbon dioxide emissions from stationary sources under the NSR and Title V operating permit provisions of the Clean Air Act. The EPA's rules were challenged in court and on June 23, 2014, the U.S. Supreme Court ruled that the EPA has the authority to regulate carbon dioxide emissions under these provisions of the Clean Air Act but only for stationary sources that would otherwise have been subject to these provisions due to significant increases in emissions of other pollutants. As a result, any new sources or major modifications to an existing GHG source causing a net significant increase in carbon dioxide emissions must comply with BACT permit limits for carbon dioxide if it would otherwise be subject to BACT or lowest achievable emissions rate limits due to significant increases in other pollutants.

In June 2013, President Obama released his Climate Action Plan that reiterates the goal of reducing GHG 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 more restrictive energy efficiency standards. Additionally, the Climate Action Plan calls for the U.S. to prepare for the impacts of climate change. Requirements related to this Plan could affect the Registrants and others in the industry as modifications may be needed to electricity delivery systems to improve the ability to withstand major storms in order to meet those requirements. As further described below, the EPA has proposed rules pursuant to this directive for both new and existing power plants, which it expects to finalize in the third quarter of 2015. The EPA has also announced that it will develop a federal implementation plan which would apply to any states that fail to submit an acceptable state implementation plan under these rules. The EPA's authority to promulgate these regulations under Section 111 of the Clean Air Act when the sources are already regulated under Section 112 is under challenge in the D.C. Circuit Court. Oral arguments were heard on April 16, 2015.

The EPA's proposal for new power plants was issued in January 2014. The revised proposal calls for 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-fired plants. The standard for NGCC power plants is the same as the EPA proposed in 2012 and is not continuously achievable. The preclusion of new coal-fired plants and the compliance difficulties posed for new gas-fired plants could have a significant industry-wide impact.

The EPA's proposal for existing power plants was issued in June 2014. The existing plant proposal contains state-specific rate-based reduction goals and guidelines for the development, submission and implementation of state plans to achieve the state goals. State-specific goals were calculated from 2012 data by applying EPA's broad interpretation and definition of the Best System of Emission Reduction resulting in stringent targets to be met in two phases (2020-2029 and 2030 and beyond). The EPA believes it has offered some flexibility to the states as to how state compliance plans can be crafted, including the option to demonstrate compliance on a mass basis and through multi-state collaborations. The EPA is also proposing potential state plan extensions based on the type of plan filed (single or multi state). LG&E and KU have analyzed the proposal and identified potential impacts and solutions in comments filed in December 2014. PPL also submitted Supplemental Comments to FERC through EEI, advocating for reliability coordination and relief in response to technical conferences hosted by FERC on the reliability implications of implementing this rule. LG&E and KU are also working closely with state regulators in the development of Kentucky's state implementation plan. The regulation of carbon dioxide emissions from existing power plants could have a significant industry-wide impact depending on the structure and stringency of the final rule and state implementation plans.

(PPL, LKE, LG&E and KU)

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

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 June 2011, the U.S. Supreme Court in the case of AEP v. Connecticut ruled that federal common law claims against five utility companies for allegedly causing a public nuisance as a result of their emissions of GHGs 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) upheld a district court ruling that plaintiffs did not have standing to pursue state common law claims against companies that emit GHGs. The plaintiffs in the Comer case later filed a substantially similar complaint against a larger group of companies which was subsequently dismissed by the U. S. District Court for the Southern District of Mississippi. The lower court's ruling was affirmed by the Fifth Circuit in May 2013. Additional litigation in federal and state courts over such issues is continuing. PPL, LKE, LG&E and KU cannot predict the outcome of these matters.

(PPL, LKE, LG&E and KU)

Water/Waste

Coal Combustion Residuals (CCRs)

On April 17, 2015, the EPA published its final rule regulating CCRs. CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. The rule will become effective on October 14, 2015. It imposes extensive new requirements, including location restrictions, design and operating standards, groundwater monitoring and corrective action requirements and closure and post-closure care requirements on CCR impoundments and landfills that are located on active power plants and not closed. Under the rule, the EPA will regulate CCRs as non-hazardous under Subtitle D of RCRA and allow beneficial use of CCRs, with some restrictions. This self-implementing rule requires posting of compliance documentation on a publicly accessible website and is enforceable through citizen suits. LG&E's and KU's plants using surface impoundments for management and disposal of CCRs will be most impacted by this rule. The rule's requirements for covered CCR impoundments and landfills include commencement or completion of closure activities generally between three and ten years from certain triggering events. PPL, LKE, LG&E and KU also anticipate incurring capital or operation and maintenance costs prior to that time to address other provisions of the rule, such as groundwater monitoring and disposal facility modifications or closings, or to implement various compliance strategies.

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

Trimble County Landfill

In May 2011, LG&E submitted an application for a special waste landfill permit to handle CCRs generated at the Trimble County plant. 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. 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. LG&E has also applied for other necessary regulatory approvals including a dredge and fill permit from the U.S. Army Corps of Engineers, in which proceeding the EPA or the public have submitted certain comments to which LG&E and KU have responded. PPL, LKE, LG&E and KU are unable to determine the potential impact of this matter until all permits are issued and any resulting legal challenges are concluded. See Note 6 for additional information on Kentucky Public Service Commission proceedings relating to the Trimble County Landfill.

Clean Water Act

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

Effluent Limitations Guidelines (ELGs)

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 ELGs contain requirements that would affect the inspection and operation of CCR facilities if finalized as proposed. The proposal contains alternative approaches, some of which could impose significant costs on LG&E's and KU's coal-fired plants. The final regulation is expected to be issued by the fourth quarter of 2015. At the present time, PPL, LKE, LG&E and KU are unable to estimate a range of reasonably possible costs, but the costs could be significant. Pending finalization of the ELGs, certain states (including Kentucky) and environmental groups 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. Costs to comply with ELGs or technology-based limits are subject to rate recovery.

(PPL, LKE and LG&E)

Clean Water Act Section 316(b)

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

(All Registrants)

Waters of the United States (WOTUS)

On May 27, 2015, the EPA released a final rule on the definition of WOTUS. Although the rule was meant to clarify which streams and other bodies of water fall under the jurisdiction of EPA and the Army Corps of Engineers under the Clean Water Act, significant ambiguity remains. The Registrants do not currently expect the rule to have a significant impact on their operations. Until such time as ongoing litigation is complete, however, the Registrants are unable to predict the impact of the rule which could be substantial and include significant project delays and added costs, as permits and other regulatory requirements may be imposed for many activities presently not covered by permitting requirements (including vegetation management for transmission lines and activities affecting storm water conveyances and wetlands). However, these costs are subject to rate recovery.

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 has postponed the release of the revised regulations to March 2016. 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.

(PPL, LKE, LG&E and KU)

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

Superfund and Other Remediation *(All Registrants)*

PPL Electric is potentially responsible for costs at several sites listed by the EPA under the federal Superfund program, including the Columbia Gas Plant site, the Metal Bank site, the Brodhead 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. Should the EPA require different or additional measures in the future, however, or should PPL Electric's share of costs at multi-party sites increase substantially more than currently expected, the costs could be significant.

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

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

Future cleanup or remediation work at sites currently under review, or at sites not currently identified, may result in significant additional costs for PPL, PPL Electric, LG&E and KU.

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.

Other

Guarantees and Other Assurances

(All Registrants)

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

(PPL)

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

(All Registrants)

The table below details guarantees provided as of June 30, 2015. "Exposure" represents the estimated maximum potential amount of future payments that could be required to be made under the guarantee. The probability of expected payment/performance under each of these guarantees is remote except for "WPD guarantee of pension and other obligations of unconsolidated entities" and "Indemnification of lease termination and other divestitures." The total recorded liability at June 30, 2015 and December 31, 2014, was $24 million and $26 million for PPL and $19 million for LKE for both periods. For reporting purposes, on a consolidated basis, all guarantees of PPL Electric, LKE, LG&E and KU also apply to PPL, and all guarantees of LG&E and KU also apply to LKE.

	Exposure at June 30, 2015	Expiration Date
PPL		
Indemnifications related to the WPD Midlands acquisition	(a)	
WPD indemnifications for entities in liquidation and sales of assets	$ 12 (b)	2018
WPD guarantee of pension and other obligations of unconsolidated entities	121 (c)	
PPL Electric		
Guarantee of inventory value	28 (d)	2016
LKE		
Indemnification of lease termination and other divestitures	301 (e)	2021 - 2023
LG&E and KU		
LG&E and KU guarantee of shortfall related to OVEC	(f)	

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

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

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

(c) Relates to certain obligations of discontinued or modified electric associations that were guaranteed at the time of privatization by the participating members. Costs are allocated to the members and can be reallocated if an existing member becomes insolvent. At June 30, 2015, WPD has recorded an estimated discounted liability for which the expected payment/performance is probable. Neither the expiration date nor the maximum amount of potential payments for certain obligations is explicitly stated in the related agreements, and as a result, the exposure has been estimated.

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

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

(f) Pursuant to the OVEC power purchase contract, LG&E and KU are obligated to pay for their share of OVEC's excess debt service, post-retirement and decommissioning costs, as well as any shortfall from amounts currently included within a demand charge designed and currently expected to cover these costs over the term of the contract. The maximum exposure and the expiration date of these potential obligations are not presently determinable. See "Energy Purchase Commitments" and "Guarantees and Other Assurances" in Note 13 in PPL's, LKE's, LG&E's and KU's 2014 Form 10-K for additional information on the OVEC power purchase contract.

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

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

11. Related Party Transactions

PLR Contracts/Purchase of Accounts Receivable *(PPL Electric)*

PPL Electric holds competitive solicitations for PLR generation supply. PPL EnergyPlus has been awarded a portion of the PLR generation supply through these competitive solicitations. The purchases from PPL EnergyPlus are included in PPL Electric's Statements of Income as "Energy purchases from affiliate" through May 31, 2015, the period through which PPL Electric and PPL EnergyPlus were affiliated entities. As a result of the June 1, 2015 spinoff of PPL Energy Supply and creation of Talen Energy, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are purchases from an unaffiliated third party.

Under the standard Default Service Supply Master Agreement for the solicitation process, PPL Electric requires all suppliers to post collateral once credit exposures exceed defined credit limits. Wholesale suppliers are required to post collateral with PPL Electric when: (a) the market price of electricity to be delivered by the wholesale suppliers exceeds the contract price for the forecasted quantity of electricity to be delivered; and (b) this market price exposure exceeds a contractual credit limit. 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 2 for additional information regarding PPL Electric's purchases of accounts receivable from alternative suppliers, including Talen Energy Marketing, formerly PPL EnergyPlus. See Note 8 for additional information regarding the spinoff of PPL Energy Supply.

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

PPL Services and LKS provide their respective PPL and LKE subsidiaries with administrative, management and support services. In 2015, PPL EU Services was formed to provide the majority of financial, supply chain, human resources and facilities management services primarily to PPL Electric. PPL Services will continue to provide certain corporate functions. For all service companies, the costs of these services are charged to the respective recipients as direct support costs. General costs that cannot be directly attributed to a specific entity are allocated and charged to the respective recipients as indirect support costs. PPL Services and PPL EU Services use a three-factor methodology that includes the applicable recipients' invested capital, operation and maintenance expenses and number of employees to allocate indirect costs. LKS bases its indirect allocations on the subsidiaries' number of employees, total assets, revenues, number of customers and/or other statistical information. PPL Services, PPL EU Services and LKS charged the following amounts for the periods ended June 30, and believe these amounts are reasonable, including amounts applied to accounts that are further distributed between capital and expense.

	Three Months		Six Months	
	2015	2014	2015	2014
PPL Electric from PPL Services	$ 25	$ 38	$ 55	$ 79
LKE from PPL Services	4	4	8	8
PPL Electric from PPL EU Services	17		32	
LG&E from LKS	53	57	104	105
KU from LKS	58	59	114	112

LG&E and KU also provide services to each other and to LKS. Billings between LG&E and KU relate to labor and overheads associated with union and hourly employees performing work for the other company, charges related to jointly-owned generating units and other miscellaneous charges. Tax settlements between LKE and LG&E and LKE and KU are reimbursed through LKS.

Intercompany Borrowings *(LKE)*

LKE maintains a $225 million revolving line of credit with a PPL Energy Funding subsidiary whereby LKE can borrow funds on a short-term basis at market-based rates. At June 30, 2015 and December 31, 2014, $59 million and $41 million were outstanding and were reflected in "Notes payable with affiliates" on the consolidated Balance Sheets. The interest rate on borrowings is equal to one-month LIBOR plus a spread. The interest rates on the outstanding borrowing at June 30, 2015 and December 31, 2014 were 1.68% and 1.65%. Interest on the revolving line of credit was not significant for the three and six months ended June 30, 2015 and 2014.

Intercompany Derivatives *(LKE, LG&E and KU)*

Periodically, LG&E and KU enter 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 *(PPL Electric, LG&E and KU)*

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

12. Other Income (Expense) - net

(PPL)

"Other Income (Expense) - net" for the three and six months ended June 30, 2015 and 2014 consisted primarily of losses on economic foreign currency exchange contracts. See Note 14 for additional information on these derivatives.

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

The components of "Other Income (Expense) - net" for the three and six months ended June 30, 2015 and 2014 for PPL Electric, LKE, LG&E and KU were not significant.

13. Fair Value Measurements and Credit Concentration

(All Registrants)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models), and/or a cost approach (generally, replacement cost) are used to measure the fair value of an asset or liability, as appropriate. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk. The fair value of a group of financial assets and liabilities is measured on a net basis. Transfers between levels are recognized at end-of-reporting-period values. During the three and six months ended June 30, 2015 and 2014, there were no transfers between Level 1 and Level 2. See Note 1 in each Registrant's 2014 Form 10-K for information on the levels in the fair value hierarchy.

Recurring Fair Value Measurements

The assets and liabilities measured at fair value, excluding assets and liabilities of discontinued operations at December 31, 2014, were:

	June 30, 2015				December 31, 2014			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	$ 846	$ 846			$ 1,399	$ 1,399		
Short-term investments					120	120		
Restricted cash and cash equivalents (a)	32	32			31	31		
Price risk management assets (b):								
Foreign currency contracts	93		$ 93		130		$ 130	
Cross-currency swaps	63		63		29		28	$ 1
Total price risk management assets	156		156		159		158	1
Auction rate securities (c)	2			$ 2	2			2
Total assets	$ 1,036	$ 878	$ 156	$ 2	$ 1,711	$ 1,550	$ 158	$ 3
Liabilities								
Price risk management liabilities (b):								
Interest rate swaps	$ 104		$ 104		$ 156		$ 156	
Foreign currency contracts	20		20		2		2	
Cross-currency swaps					3		3	
Total price risk management liabilities	$ 124		$ 124		$ 161		$ 161	
PPL Electric								
Assets								
Cash and cash equivalents	$ 28	$ 28			$ 214	$ 214		
Restricted cash and cash equivalents (a)	2	2			3	3		
Total assets	$ 30	$ 30			$ 217	$ 217		
LKE								
Assets								
Cash and cash equivalents	$ 13	$ 13			$ 21	$ 21		
Cash collateral posted to counterparties (d)	9	9			21	21		
Total assets	$ 22	$ 22			$ 42	$ 42		
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 91		$ 91		$ 114		$ 114	
Total price risk management liabilities	$ 91		$ 91		$ 114		$ 114	
LG&E								
Assets								
Cash and cash equivalents	$ 7	$ 7			$ 10	$ 10		
Cash collateral posted to counterparties (d)	9	9			21	21		
Total assets	$ 16	$ 16			$ 31	$ 31		
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 68		$ 68		$ 81		$ 81	
Total price risk management liabilities	$ 68		$ 68		$ 81		$ 81	
KU								
Assets								
Cash and cash equivalents	$ 6	$ 6			$ 11	$ 11		
Total assets	$ 6	$ 6			$ 11	$ 11		
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 23		$ 23		$ 33		$ 33	
Total price risk management liabilities	$ 23		$ 23		$ 33		$ 33	

(a) Current portion is included in "Other current assets" and long-term portion is included in "Other noncurrent assets" on the Balance Sheets.
(b) Included in "Other current assets", "Other current liabilities", "Other noncurrent assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.
(c) Included in "Other noncurrent assets" on the Balance Sheets.
(d) Included in "Other noncurrent assets" on the Balance Sheets. Represents cash collateral posted to offset the exposure with counterparties related to certain interest rate swaps under master netting arrangements that are not offset.

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

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

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

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

The carrying amounts of long-term debt on the Balance Sheets and their estimated fair values are set forth below, excluding long-term debt of discontinued operations at December 31, 2014. The fair values were estimated using an income approach by discounting future cash flows at estimated current cost of funding rates, which incorporate the credit risk of the Registrants. Long-term debt is classified as Level 2. The effect of third-party credit enhancements is not included in the fair value measurement.

	June 30, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
PPL	$ 18,103	$ 20,211	$ 18,173	$ 20,466
PPL Electric	2,603	2,855	2,602	2,990
LKE	4,567	4,810	4,567	4,946
LG&E	1,353	1,408	1,353	1,455
KU	2,091	2,222	2,091	2,313

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

14. Derivative Instruments and Hedging Activities

Risk Management Objectives

(All Registrants)

PPL has a risk management policy approved by the Board of Directors to manage market risk associated with commodities, interest rates on debt issuances and foreign exchange (including price, liquidity and volumetric risk) and credit risk (including non-performance risk and payment default risk). The 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, verification of risk and transaction limits, and VaR analyses.

Market Risk

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

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

Commodity price risk

- PPL is exposed to commodity price risk through its domestic subsidiaries as described below. WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K.

- PPL Electric is exposed to commodity price risk from its obligation as PLR; however, its PUC-approved cost recovery mechanism substantially eliminates its exposure to this risk. PPL Electric also mitigates its exposure to 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.

- LG&E's and KU's rates include certain mechanisms for fuel and environmental expenses. In addition, LG&E's rates include certain mechanisms for gas supply. 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. PPL and WPD hold over-the-counter cross currency swaps to limit exposure to market fluctuations on interest and principal payments from changes in foreign currency exchange rates and interest rates. LG&E utilizes over-the-counter interest rate swaps to limit exposure to market fluctuations on floating-rate debt. PPL, LG&E and KU utilize forward starting interest rate swaps to hedge changes in benchmark interest rates, when appropriate, in connection with future debt issuances.

- PPL and its subsidiaries are exposed to interest rate risk associated with debt securities held by defined benefit plans. This risk is significantly mitigated to the extent that the plans are sponsored at, or sponsored on behalf of, the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place.

Equity securities price risk

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

- PPL is exposed to equity securities price risk from future stock sales and/or purchases.

Foreign currency risk

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

Credit Risk

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

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

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

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

Master Netting Arrangements

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

PPL, LKE, LG&E and KU had no obligation to return cash collateral under master netting arrangements at June 30, 2015 and December 31, 2014.

PPL, LKE and LG&E posted $9 million and $21 million of cash collateral under master netting arrangements at June 30, 2015 and December 31, 2014.

KU did not post any cash collateral under master netting arrangements at June 30, 2015 and December 31, 2014.

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

Interest Rate Risk

(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 debt portfolio due to changes in benchmark interest rates.

Cash Flow Hedges

(PPL)

Interest rate risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financings. Financial interest rate swap contracts that qualify as cash flow hedges may be entered into to hedge floating interest rate risk associated with both existing and anticipated debt issuances. At June 30, 2015, PPL held an aggregate notional value in interest rate swap contracts of $1.3 billion that range in maturity through 2045. The amount outstanding includes swaps entered into by PPL on behalf of LG&E and KU. Realized gains and losses on the LG&E and KU swaps are probable of recovery through regulated rates; as such, any gains and losses on these derivatives are included in regulatory assets or liabilities and will be recognized in "Interest Expense" on the Statements of Income over the life of the underlying debt at the time the underlying hedged interest expense is recorded.

At June 30, 2015, PPL held an aggregate notional value in cross-currency interest rate swap contracts of $1.3 billion that range in maturity from 2016 through 2028 to hedge the interest payments and principal of WPD's U.S. dollar-denominated senior notes.

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

As a result of the June 1, 2015 spinoff of PPL Energy Supply, all PPL cash flow hedges associated with PPL Energy Supply were ineffective and discontinued and therefore, reclassified into earnings and reflected in discontinued operations for the three and six months ended June 30, 2015. See Note 8 for additional information. There were no such reclassifications for the three months ended June 30, 2014. For the six months ended June 30, 2014, PPL had an insignificant amount reclassified into earnings associated with discontinued cash flow hedges.

At June 30, 2015, 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 $(29) million. Amounts are reclassified as the hedged interest expense is recorded.

(LKE, LG&E and KU)

Periodically, LG&E and KU enter into forward-starting interest rate swaps with PPL that have terms identical to forward-starting swaps entered into by PPL with third parties. Realized gains and losses on all of these swaps are probable of recovery through regulated rates; as such, any gains and losses on these derivatives are included in regulatory assets or liabilities and will be recognized in "Interest Expense" on the Statements of Income over the life of the underlying debt at the time the underlying hedged interest expense is recorded. At June 30, 2015, the total notional amount of forward starting interest rate swaps outstanding was $1 billion (LG&E and KU each held contracts of $500 million). The swaps range in maturity through 2045.

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

LG&E enters into interest rate swap contracts that economically hedge interest payments on variable rate debt. Because realized gains and losses from the swaps, including a terminated swap contract, are recoverable through regulated rates, any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities until they are realized as interest expense. Realized gains and losses are recognized in "Interest Expense" on the Statements of Income at the time the underlying hedged interest expense is recorded. At June 30, 2015, LG&E held contracts with a notional amount of $179 million that range in maturity through 2033.

Foreign Currency Risk

(PPL)

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

Net Investment Hedges

PPL enters into foreign currency contracts on behalf of a subsidiary to protect the value of a portion of its net investment in WPD. The contracts outstanding at June 30, 2015 had a notional amount of £134 million (approximately $221 million based on contracted rates). The settlement dates of these contracts range from November 2015 through June 2016.

At June 30, 2015, PPL had $13 million of accumulated net investment hedge after tax gains (losses) that were included in the foreign currency translation adjustment component of AOCI, compared to $14 million at December 31, 2014.

Economic Activity

PPL enters into foreign currency contracts on behalf of a subsidiary to economically hedge GBP-denominated anticipated earnings. At June 30, 2015, the total exposure hedged by PPL was approximately £1.6 billion (approximately $2.5 billion based on contracted rates). These contracts had termination dates ranging from July 2015 through December 2017.

Accounting and Reporting

(All Registrants)

All derivative instruments are recorded at fair value on the Balance Sheet as an asset or liability unless NPNS is elected. NPNS contracts for PPL and PPL Electric include certain full-requirement purchase contracts and other physical purchase contracts. Changes in the fair value of derivatives not designated as NPNS are recognized currently in earnings unless specific hedge accounting criteria are met and designated as such, except for the changes in fair values of LG&E's and KU's interest rate swaps that are recognized as regulatory assets or regulatory liabilities. See Note 6 for amounts recorded in regulatory assets and regulatory liabilities at June 30, 2015 and December 31, 2014.

See Notes 1 and 17 in each Registrant's 2014 Form 10-K for additional information on accounting policies related to derivative instruments.

(PPL)

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

	June 30, 2015				December 31, 2014			
	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments		Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current:								
Price Risk Management Assets/Liabilities (a):								
Interest rate swaps (b)		$ 59		$ 5		$ 94		$ 5
Cross-currency swaps (b)	$ 28					3		
Foreign currency contracts	12		$ 42	17	$ 12		$ 67	
Total current	40	59	42	22	12	97	67	5
Noncurrent:								
Price Risk Management Assets/Liabilities (a):								
Interest rate swaps (b)				40		14		43
Cross-currency swaps (b)	35				29			
Foreign currency contracts			39	3	5		46	2
Total noncurrent	35		39	43	34	14	46	45
Total derivatives	$ 75	$ 59	$ 81	$ 65	$ 46	$ 111	$ 113	$ 50

(a) Included in "Other current assets", "Other current liabilities", "Other noncurrent assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.
(b) Excludes accrued interest, if applicable.

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

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

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

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ 7	$ 3

Hedging Instruments	Regulatory Liabilities/Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ 76	$ 20

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI, or regulatory assets and regulatory liabilities for the periods ended June 30, 2014.

Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion) Three Months	Derivative Gain (Loss) Recognized in OCI (Effective Portion) Six Months	Location of Gain (Loss) Recognized in Income on Derivative	Three Months: Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Three Months: Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Six Months: Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Six Months: Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Cash Flow Hedges:							
Interest rate swaps	$ (14)	$ (60)	Interest expense	$ (4)		$ (9)	$ 2
Cross-currency swaps	9	(16)	Interest expense	1		1	
			Other income (expense) - net			(29)	
Commodity contracts			Discontinued operations	13		22	
Total	$ (5)	$ (76)		$ 10		$ (15)	$ 2
Net Investment Hedges:							
Foreign currency contracts	$ (14)	$ (18)					

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Six Months
Foreign currency contracts	Other income (expense) - net	$ (72)	$ (96)
Interest rate swaps	Interest expense	(2)	(4)
	Total	$ (74)	$ (100)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ (2)	$ (6)

(LKE)

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	June 30, 2015 Assets	June 30, 2015 Liabilities	December 31, 2014 Assets	December 31, 2014 Liabilities
Current:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps		$ 46		$ 66

(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 assets for the periods ended June 30, 2015.

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

(LG&E)

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	June 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps		$ 23		$ 33

(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 assets for the periods ended June 30, 2015.

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

(KU)

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	June 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps		$ 23		$ 33

(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 assets for the periods ended June 30, 2015.

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

(LKE and LG&E)

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

	June 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps		$ 5		$ 5
Total current		5		5

	June 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Noncurrent:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps		40		43
Total noncurrent		40		43
Total derivatives		$ 45		$ 48

(a) Represents the location on the Balance Sheets.

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

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

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

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets for the periods ended June 30, 2014.

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

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ (2)	$ (6)

(PPL, LKE, LG&E and KU)

Offsetting Derivative Instruments

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

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

	Assets				Liabilities			
		Eligible for Offset				Eligible for Offset		
	Gross	Derivative Instruments	Cash Collateral Received	Net	Gross	Derivative Instruments	Cash Collateral Pledged	Net
June 30, 2015								
Treasury Derivatives								
PPL	$ 156	$ 64		$ 92	$ 124	$ 64	$ 9	$ 51
LKE					91		9	82
LG&E					68		9	59
KU					23			23

	Assets				Liabilities			
		Eligible for Offset				Eligible for Offset		
	Gross	Derivative Instruments	Cash Collateral Received	Net	Gross	Derivative Instruments	Cash Collateral Pledged	Net
December 31, 2014								
Treasury Derivatives								
PPL	$ 159	$ 65		$ 94	$ 161	$ 65	$ 21	$ 75
LKE					114		20	94
LG&E					81		20	61
KU					33			33

Credit Risk-Related Contingent Features

Certain derivative contracts contain credit risk-related contingent features which, when in a net liability position, would permit the counterparties to require the transfer of additional collateral upon a decrease in the credit ratings of PPL, LKE, LG&E and KU or certain of their subsidiaries. Most of these features would require the transfer of additional collateral or permit the counterparty to terminate the contract if the applicable credit rating were to fall below investment grade. Some of these features also would allow the counterparty to require additional collateral upon each downgrade in credit rating at levels that remain above investment grade. In either case, if the applicable credit rating were to fall below investment grade, and assuming no assignment to an investment grade affiliate were allowed, most of these credit contingent features require either immediate payment of the net liability as a termination payment or immediate and ongoing full collateralization on derivative instruments in net liability positions.

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

(PPL, LKE and LG&E)

At June 30, 2015, derivative contracts in a net liability position that contain credit risk-related contingent features, collateral posted on those positions and the related effect of a decrease in credit ratings below investment grade are summarized as follows:

	PPL	LKE	LG&E
Aggregate fair value of derivative instruments in a net liability position with credit risk-related contingent features	$ 42	$ 28	$ 28
Aggregate fair value of collateral posted on these derivative instruments	9	9	9
Aggregate fair value of additional collateral requirements in the event of a credit downgrade below investment grade (a)	33	19	19

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

15. Goodwill

(PPL)

The change in the carrying amount of goodwill for the six months ended June 30, 2015 was due to the effect of foreign currency exchange rates on the U.K. Regulated segment.

16. Asset Retirement Obligations

(PPL, LKE, LG&E and KU)

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

	PPL	LKE	LG&E	KU
Balance at December 31, 2014	$ 336	$ 285	$ 74	$ 211
Accretion	8	7	2	5
Changes in estimated cash flow or settlement date	163	163	46	117
Effect of foreign currency exchange rates	(2)			
Obligations settled	(2)	(2)	(2)	
Balance at June 30, 2015	$ 503	$ 453	$ 120	$ 333

Substantially all of the ARO balances are classified as noncurrent at June 30, 2015 and December 31, 2014.

In connection with the final CCR rule, LG&E and KU recorded increases of $162 million ($45 million at LG&E and $117 million at KU) to the existing AROs during the second quarter of 2015. Further increases to AROs or changes to current capital plans or to operating costs may be required as estimates are refined based on closure developments, groundwater monitoring results and regulatory or legal proceedings. PPL, LKE, LG&E and KU believe relevant costs relating to this rule are subject to rate recovery. See Note 10 for information on the final CCR rule.

LG&E's and KU's accretion and ARO-related depreciation expense are recorded as a regulatory asset, such that there is no net earnings impact.

17. Accumulated Other Comprehensive Income (Loss)

(PPL and LKE)

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

	Foreign currency translation adjustments	Unrealized gains (losses)		Equity investees' AOCI	Defined benefit plans			Total
		Available-for-sale securities	Qualifying derivatives		Prior service costs	Actuarial gain (loss)	Transition asset (obligation)	
PPL								
March 31, 2015	$ (352)	$ 206	$ 9	$	$ 3	$ (2,178)	$ 1	$ (2,311)
Amounts arising during the period	(83)	2	21		(6)	53		(13)
Reclassifications from AOCI		(1)	27			38		64
Net OCI during the period	(83)	1	48		(6)	91		51
Distribution of PPL Energy Supply (Note 8)		(207)	(55)			238		(24)
June 30, 2015	$ (435)	$	$ 2	$	$ (3)	$ (1,849)	$ 1	$ (2,284)
December 31, 2014	$ (286)	$ 202	$ 20	$ 1	$ 3	$ (2,215)	$ 1	$ (2,274)
Amounts arising during the period	(149)	7	27		(6)	52		(69)
Reclassifications from AOCI		(2)	10	(1)		76		83
Net OCI during the period	(149)	5	37	(1)	(6)	128		14
Distribution of PPL Energy Supply (Note 8)		(207)	(55)			238		(24)
June 30, 2015	$ (435)	$	$ 2	$	$ (3)	$ (1,849)	$ 1	$ (2,284)
March 31, 2014	$ 120	$ 177	$ 67	$ 1	$ (5)	$ (1,790)	$ 1	$ (1,429)
Amounts arising during the period	(3)	14	(1)			(2)		8
Reclassifications from AOCI		(1)	(5)		1	28		23
Net OCI during the period	(3)	13	(6)		1	26		31
June 30, 2014	$ 117	$ 190	$ 61	$ 1	$ (4)	$ (1,764)	$ 1	$ (1,398)
December 31, 2013	$ (11)	$ 173	$ 94	$ 1	$ (6)	$ (1,817)	$ 1	$ (1,565)
Amounts arising during the period	128	19	(47)			(2)		98
Reclassifications from AOCI		(2)	14		2	55		69
Net OCI during the period	128	17	(33)		2	53		167
June 30, 2014	$ 117	$ 190	$ 61	$ 1	$ (4)	$ (1,764)	$ 1	$ (1,398)
LKE								
March 31, 2015				$ (1)	$ (8)	$ (36)		$ (45)
Amounts arising during the period						(8)		(8)
Reclassifications from AOCI					1			1
Net OCI during the period					1	(8)		(7)
June 30, 2015				$ (1)	$ (7)	$ (44)		$ (52)

	Foreign currency translation adjustments	Unrealized gains (losses) Available-for-sale securities	Unrealized gains (losses) Qualifying derivatives	Equity investees' AOCI	Defined benefit plans Prior service costs	Defined benefit plans Actuarial gain (loss)	Defined benefit plans Transition asset (obligation)	Total
December 31, 2014					$ (8)	$ (37)		$ (45)
Amounts arising during the period						(8)		(8)
Reclassifications from AOCI				$ (1)	1	1		1
Net OCI during the period				(1)	1	(7)		(7)
June 30, 2015				$ (1)	$ (7)	$ (44)		$ (52)
March 31, 2014					$ (2)	$ 14		$ 12
Amounts arising during the period						(2)		(2)
Net OCI during the period						(2)		(2)
June 30, 2014					$ (2)	$ 12		$ 10
December 31, 2013				$ 1	$ (2)	$ 14		$ 13
Amounts arising during the period						(2)		(2)
Reclassifications from AOCI				(1)				(1)
Net OCI during the period				(1)		(2)		(3)
June 30, 2014					$ (2)	$ 12		$ 10

(PPL)

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

Details about AOCI	Three Months 2015	Three Months 2014	Six Months 2015	Six Months 2014	Affected Line Item on the Statements of Income
Available-for-sale securities	$ 2	$ 2	$ 4	$ 4	Other Income (Expense) - net
Total Pre-tax	2	2	4	4	
Income Taxes	(1)	(1)	(2)	(2)	
Total After-tax	1	1	2	2	
Qualifying derivatives					
Interest rate swaps	(3)	(4)	(7)	(7)	Interest Expense
	(77)		(77)		Discontinued operations
Cross-currency swaps	15		32	(29)	Other Income (Expense) - net
	1	1	2	1	Interest Expense
Energy commodities	13	13	20	22	Discontinued operations
Total Pre-tax	(51)	10	(30)	(13)	
Income Taxes	24	(5)	20	(1)	
Total After-tax	(27)	5	(10)	(14)	
Equity investees' AOCI			2		Other Income (Expense) - net
Total Pre-tax			2		
Income Taxes			(1)		
Total After-tax			1		
Defined benefit plans					
Prior service costs		(2)		(4)	
Net actuarial loss	(50)	(36)	(101)	(72)	
Total Pre-tax	(50)	(38)	(101)	(76)	
Income Taxes	12	9	25	19	
Total After-tax	(38)	(29)	(76)	(57)	
Total reclassifications during the period	$ (64)	$ (23)	$ (83)	$ (69)	

18. New Accounting Guidance Pending Adoption

(All Registrants)

Accounting for Revenue from Contracts with Customers

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

This guidance can be applied using either a full retrospective or modified retrospective transition method. The FASB has affirmed a recent proposal to defer the effective date of the standard by one year, which for public business entities, would result in initial application of this guidance in annual reporting periods beginning after December 15, 2017 and interim periods within those years. The proposed standard allows entities to early adopt the guidance as of the original effective date of the standard, which for public business entities is annual reporting periods beginning after December 15, 2016. Pending the FASB's issuance of the effective date deferral, the Registrants expect to adopt this guidance effective January 1, 2018.

The Registrants are currently assessing the impact of adopting this guidance, as well as the transition method they will use.

Reporting Uncertainties about an Entity's Ability to Continue as a Going Concern

In August 2014, the FASB issued accounting guidance which will require management to assess, for each interim and annual period, whether there are conditions or events that raise substantial doubt about an entity's ability to continue as a going concern. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date the financial statements are issued.

When management identifies conditions or events that raise substantial doubt about an entity's ability to continue as a going concern, management is required to disclose information that enables users of the financial statements to understand the principal conditions or events that raised substantial doubt about the entity's ability to continue as a going concern and management's evaluation of the significance of those conditions or events. If substantial doubt about the entity's ability to continue as a going concern has been alleviated as a result of management's plan, the entity should disclose information that allows the users of the financial statements to understand those plans. If the substantial doubt about the entity's ability to continue as a going concern is not alleviated by management's plans, management's plans to mitigate the conditions or events that gave rise to the substantial doubt about the entity's ability to continue as a going concern should be disclosed, as well as a statement that there is substantial doubt the entity's ability to continue as a going concern within one year after the date the financial statements are issued.

For all entities, this guidance should be applied prospectively within the annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted.

The Registrants will adopt this guidance for the annual period ending December 31, 2016. The adoption of this guidance is not expected to have a significant impact on the Registrants.

Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity

In November 2014, the FASB issued guidance that clarifies how current accounting guidance should be interpreted when evaluating the economic characteristics and risks of a host contract of a hybrid financial instrument issued in the form of a share. This guidance does not change the current criteria for determining whether separation of an embedded derivative feature from a hybrid financial instrument is required. Entities are still required to evaluate whether the economic risks of the embedded derivative feature are clearly and closely related to those of the host contract, among other relevant criteria.

An entity should consider the substantive terms and features of the entire hybrid financial instrument, including the embedded derivative feature being evaluated for bifurcation, in evaluating the nature of the host contract to determine whether the host contract is more akin to a debt instrument or more akin to an equity instrument. An entity should assess the relative strength of the debt-like and equity-like terms and features when determining how to weight those terms and features.

For public business entities, this guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 and should be applied using a modified retrospective method for existing hybrid financial instruments issued in the form of a share as of the beginning of the fiscal year the guidance is adopted. Early adoption is permitted. Retrospective application is permitted but not required.

The Registrants will adopt this guidance on January 1, 2016. The adoption of this guidance is not expected to have a significant impact on the Registrants.

Income Statement Presentation of Extraordinary and Unusual Items

In January 2015, the FASB issued accounting guidance that eliminates the concept of extraordinary items, which requires an entity to separately classify, present in the income statement and disclose material events and transactions that are both unusual and occur infrequently. The requirement to report material events or transactions that are unusual or infrequent as a separate component of income from continuing operations has been retained, as has the requirement to separately present the nature and financial effects of each event or transaction in the income statement as a separate component of continuing operations or disclose them within the notes to the financial statements. The scope of these requirements has been expanded to include items that are both unusual and occur infrequently.

For all entities, this guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted provided that an entity applies the guidance from the beginning of the fiscal year of adoption. The guidance may be applied either retrospectively or prospectively.

The Registrants will adopt this guidance on January 1, 2016. The adoption of this guidance is not expected to have a significant impact on the Registrants.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued accounting guidance to simplify the presentation of debt issuance costs by requiring debt issuance costs to be presented on the balance sheet as a direct deduction from the carrying amount of the associated debt liability, consistent with the presentation of debt discounts.

For public business entities, this guidance should be applied retrospectively for financial statements issued for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. Early adoption is permitted.

The Registrants will adopt this guidance on January 1, 2016. The adoption of this guidance will require the Registrants to reclassify debt issuance costs from assets to long-term debt, and is not expected to have a significant impact on the Registrants.

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

(All Registrants)

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

The following should be read in conjunction with the Registrants' Condensed Consolidated Financial Statements and the accompanying Notes and with the Registrants' 2014 Form 10-K. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted.

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

- "Overview" provides a description of each Registrant's business strategy, a description of key factors expected to impact future earnings and a discussion of important financial and operational developments.

- "Results of Operations" for PPL provides a detailed analysis of earnings by segment, and for PPL Electric, LKE, LG&E and KU, includes a summary of earnings. For all Registrants, "Margins" provides explanations of non-GAAP financial measures and "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income, comparing the three and six months ended June 30, 2015 with the same periods in 2014.

- "Financial Condition - Liquidity and Capital Resources" provides an analysis of the Registrants' liquidity positions and credit profiles. This section also includes a discussion of rating agency actions.

- "Financial Condition - Risk Management" provides an explanation of the Registrants' risk management programs relating to market and credit risk.

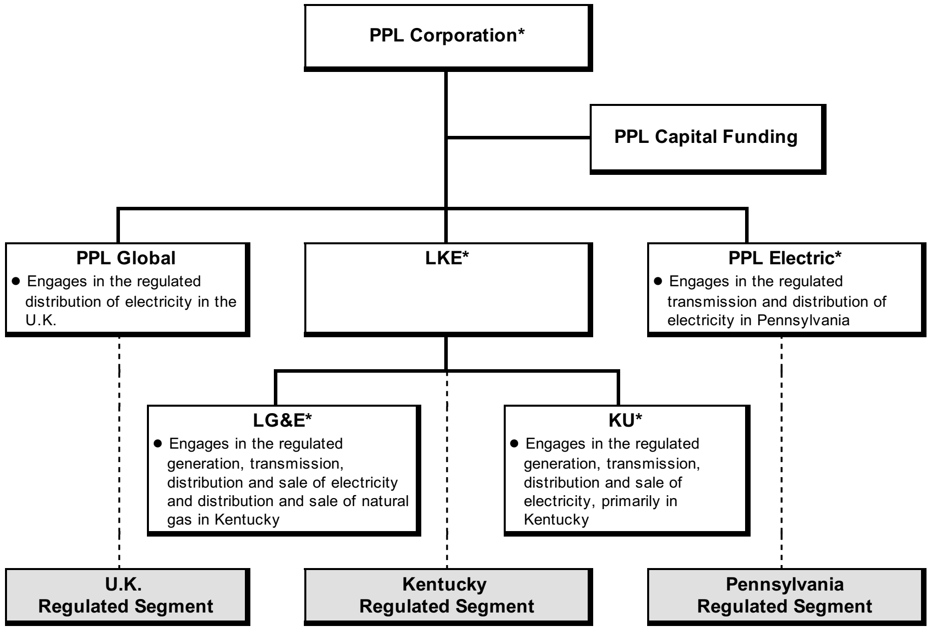
Overview

Introduction

(PPL)

PPL, headquartered in Allentown, Pennsylvania, is a utility holding company. PPL, through its regulated utility subsidiaries, delivers electricity to customers in the U.K., Pennsylvania, Kentucky, Virginia and Tennessee; delivers natural gas to customers in Kentucky; and generates electricity from power plants in Kentucky. In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy. The transaction was completed on June 1, 2015. See "Financial and Operational Developments - Other Financial and Operational Developments - Spinoff of PPL Energy Supply" below for additional information.

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



PPL's reportable segments' results primarily represent the results of the Subsidiary Registrants, except that the reportable segments are also allocated certain corporate level financing and other costs that are not included in the results of the applicable Subsidiary Registrants. The U.K. Regulated segment does not have a related Subsidiary Registrant.

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

(PPL Electric)

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

(LKE)

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

(LG&E)

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

(KU)

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

Business Strategy

(All Registrants)

The strategy for the regulated businesses of WPD, PPL Electric, LG&E and KU is to provide efficient, reliable and safe operations and strong customer service, maintain constructive regulatory relationships and achieve timely recovery of costs. These regulated businesses also focus on achieving stable, long-term growth in earnings and rate base, or RAV, as applicable. Both rate base and RAV are expected to grow for the foreseeable future as a result of significant capital expenditure programs to maintain existing assets and to improve system reliability and, for LKE, LG&E and KU, to comply with federal and state environmental regulations related to coal-fired electricity generation facilities.

For the U.K. regulated businesses, effective April 1, 2015 under the RIIO-ED1 price control period, 80% of network related expenditures are added to the RAV and, together with adjustments for inflation as measured by Retail Price Index (RPI) and a return on RAV, recovered through allowed revenue with the remaining 20% of expenditures being recovered in the current regulatory year. RAV is intended to represent expenditures that have a long-term benefit to WPD (similar to capital projects for the U.S. regulated businesses). The RAV balance at March 31, 2015 will continue to be recovered over 20 years and additions after April 1, 2023 will be recovered over 45 years; a transitional arrangement will gradually change the recoverable life during the current eight-year price control period, resulting in an expected average useful life of 35 years for RAV additions in that period. In addition, incentive targets have been adjusted in RIIO-ED1, resulting in lower total available incentive revenues. See "Financial and Operational Developments - Other Financial and Operational Developments - RIIO-ED1" below for additional information.

For the U. S. regulated businesses, recovery of capital project costs is achieved through various rate-making mechanisms, including periodic base rate case proceedings, annual FERC formula rate mechanisms, and other regulatory agency-approved recovery mechanisms. In Kentucky, the KPSC has adopted a series of regulatory mechanisms (ECR, DSM, GLT, fuel adjustment clause, gas supply clause and recovery on certain construction work-in-progress) that reduce regulatory lag and provide timely recovery of and return on, as appropriate, prudently incurred costs. In Pennsylvania, the FERC transmission formula rate, DSIC mechanism and other recovery mechanisms are in place to reduce regulatory lag and provide for timely recovery of and a return on, prudently incurred costs.

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

(PPL)

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

Following the June 1, 2015 spinoff of PPL Energy Supply, PPL has no continuing ownership interest in, control of, or affiliation with Talen Energy and Talen Energy Supply (formerly, PPL Energy Supply). The transaction is intended to be tax-free to PPL and its shareowners for U.S. federal income tax purposes.

Going forward, PPL's focus will be on its regulated utility businesses in the U.K., Kentucky and Pennsylvania, serving more than 10 million customers. PPL intends to maintain a strong balance sheet and manage its finances consistent with maintaining investment grade credit ratings and providing a competitive total shareowner return, including an attractive dividend. Excluding costs required to provide transition services to Talen Energy and following the spinoff transaction, PPL expects to reduce annual ongoing corporate support costs by approximately $75 million.

See "Financial and Operational Developments - Other Financial and Operational Developments - Costs of Spinoff" and "Loss on Spinoff" below for additional information.

Financial and Operational Developments

Earnings *(PPL)*

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

	Three Months			Six Months		
	2015	2014	$ Change	2015	2014	$ Change
U.K. Regulated	$ 190	$ 187	$ 3	$ 565	$ 393	$ 172
Kentucky Regulated	47	58	(11)	156	165	(9)
Pennsylvania Regulated	49	52	(3)	136	137	(1)
Corporate and Other (a)	(36)	(67)	31	(55)	(76)	21
Income from Continuing Operations						
After Income Taxes	250	230	20	802	619	183
Discontinued Operations (b)	(1,007)	(1)	(1,006)	(912)	(74)	(838)
Net Income (Loss)	$ (757)	$ 229	$ (986)	$ (110)	$ 545	$ (655)
Income from Continuing Operations						
After Income Taxes						
EPS - basic	$ 0.37	$ 0.35	0.02	$ 1.20	$ 0.96	$ 0.24
EPS - diluted (c)	$ 0.37	$ 0.34	0.03	$ 1.19	$ 0.94	$ 0.25
Net Income (Loss)						
EPS - basic	$ (1.13)	$ 0.35	(1.48)	$ (0.17)	$ 0.84	$ (1.01)
EPS - diluted (c)	$ (1.13)	$ 0.34	(1.47)	$ (0.17)	$ 0.83	$ (1.00)

(a) Primarily includes unallocated corporate-level financing and other costs. Also includes certain costs related to the spinoff of PPL Energy Supply. See the following table of special items for additional information.
(b) As a result of the spinoff of PPL Energy Supply, substantially representing PPL's Supply segment, the earnings of the Supply segment are included in Discontinued Operations. Included is an $879 million charge reflecting the difference between PPL's recorded value for the Supply segment and its estimated fair value as of the spinoff date, determined in accordance with applicable accounting rules under GAAP. See Note 8 to the Financial Statements for additional information.
(c) See Note 4 to the Financial Statements for information on the Equity Units' impact on the calculation of diluted EPS.

The following after-tax gains (losses), in total, which management considers special items, impacted PPL's results for the periods ended June 30. See PPL's "Results of Operations - Segment Earnings" for details of each segment's special items.

	Three Months			Six Months		
	2015	2014	Change	2015	2014	$ Change
U.K. Regulated	$ (53)	$ (33)	$ (20)	$ (14)	$ (91)	$ 77
Kentucky Regulated	(12)	1	(13)	(12)	1	(13)
Pennsylvania Regulated		(4)	4		(4)	4
Corporate and Other (a)	(14)	(50)	36	(20)	(52)	32
Discontinued Operations (b)	(1,007)	(1)	(1,006)	(912)	(74)	(838)
Total PPL	$ (1,086)	$ (87)	$ (999)	$ (958)	$ (220)	$ (738)

(a) 2015 primarily includes transition costs related to the spinoff of PPL Energy Supply. 2014 primarily includes $46 million of deferred income tax expense to adjust valuation allowances that were previously supported by the earnings of PPL Energy Supply. See Note 8 for additional information on the spinoff.
(b) As a result of the spinoff of PPL Energy Supply, substantially representing PPL's Supply segment, the earnings of the Supply segment are included in Discontinued Operations and considered to be a special item. Included is an $879 million charge reflecting the difference between PPL's recorded value for the Supply segment and its estimated fair value as of the spinoff date, determined in accordance with applicable accounting rules under GAAP. See Note 8 to the Financial Statements for additional information.

2015 Outlook

(PPL)

Excluding special items, higher earnings are expected in 2015 compared with 2014, after adjusting 2014 to include certain dissynergies in the Corporate and Other category related to the spinoff of PPL Energy Supply. This increase is primarily attributed to increases in the U.K. Regulated and Kentucky Regulated segments and lower Corporate and Other charges. The following projections and factors underlying these projections (on an after-tax basis) are provided for PPL's segments and the Corporate and Other category and the related Registrants.

(PPL's U.K. Regulated Segment)

Excluding special items, higher earnings are projected in 2015 compared with 2014, primarily driven by lower income taxes and lower depreciation expense, partially offset by lower utility revenue as WPD transitions to a new eight-year price control period (RIIO-ED1) effective April 1, 2015. The remaining 2015 foreign currency earnings exposure for this segment is fully hedged.

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

Excluding special items, higher earnings are projected in 2015 compared with 2014, primarily driven by electric and gas base rate increases effective July 1, 2015, and returns on additional environmental capital investments, partially offset by higher operation and maintenance expense, higher depreciation and higher financing costs.

(PPL's Pennsylvania Regulated Segment and PPL Electric)

Excluding special items, lower earnings are projected in 2015 compared with 2014, primarily driven by higher operation and maintenance expense, higher depreciation, higher financing costs and a benefit recorded in the first quarter of 2014 for a change in estimate of a regulatory liability, partially offset by higher transmission margins and returns on distribution improvement capital investments.

(PPL's Corporate and Other Category)

Excluding special items, lower costs are projected in 2015 compared with 2014, after adjusting 2014 to include certain dissynergies in the Corporate and Other category related to the spinoff of PPL Energy Supply, primarily driven by the reduction of those dissynergies in 2015 through corporate restructuring efforts and lower income taxes.

(All Registrants)

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," the rest of this Item 2, Notes 6 and 10 to the Financial Statements and "Item 1A. Risk Factors" in this Form 10-Q (as applicable) and "Item 1. Business" and "Item 1A. Risk Factors" in the Registrants' 2014 Form 10-K for a discussion of the risks, uncertainties and factors that may impact future earnings.

Other Financial and Operational Developments

Regulatory Requirements

(PPL, LKE, LG&E and KU)

The businesses of LKE, LG&E and KU are subject to extensive federal, state and local environmental laws, rules and regulations, including those pertaining to CCRs, GHG, ELGs and MATS. See "Financial Condition - Environmental Matters" below for additional information on these requirements. These and other stringent environmental requirements have led PPL, LKE, LG&E and KU, to announce plans to close certain of their coal-fired generating plants.

As a result of the environmental requirements discussed above, LKE projects $2.2 billion ($1.1 billion each at LG&E and KU) in capital investment over the next five years and anticipates retiring two coal-fired units at KU no later than early 2016 with a combined summer capacity rating of 161 MW. LG&E retired a 240 MW coal-fired unit in March 2015 and two additional coal-fired units, with a combined summer capacity rating of 323 MW, in June 2015 at the Cane Run plant. The retirement of these units is not expected to have a material impact on the financial condition or results of operations of PPL, LKE, LG&E and KU.

(All Registrants)

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

(PPL)

Spinoff of PPL Energy Supply

In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to spin off PPL Energy Supply and immediately combine it with Riverstone's competitive power generation businesses to form a new, stand-alone, publicly traded company named Talen Energy. The transaction was subject to customary closing conditions, including receipt of regulatory approvals from the NRC, FERC, DOJ and PUC, all of which were received by mid-April 2015. On April 29, 2015, PPL's Board of Directors declared the June 1, 2015 distribution to PPL's shareowners of record on May 20, 2015 of a newly formed entity, Holdco, which at closing owned all of the membership interests of PPL Energy Supply and all of the common stock of Talen Energy.

Immediately following the spinoff on June 1, 2015, Holdco merged with a special purpose subsidiary of Talen Energy, with Holdco continuing as the surviving company to the merger and as a wholly owned subsidiary of Talen Energy and the sole owner of PPL Energy Supply. Substantially contemporaneous with the spinoff and merger, RJS Power was contributed by its owners to become a subsidiary of Talen Energy. PPL shareowners received approximately 0.1249 shares of Talen Energy common stock for each share of PPL common stock they owned on May 20, 2015. Following completion of these transactions, PPL shareowners owned 65% of Talen Energy and affiliates of Riverstone owned 35%. The spinoff had no effect on the number of PPL common shares owned by PPL shareowners or the number of shares of PPL common stock outstanding. The transaction is intended to be tax-free to PPL and its shareowners for U.S. federal income tax purposes.

PPL has no continuing ownership interest in, control of, or affiliation with Talen Energy and Talen Energy Supply (formerly PPL Energy Supply).

Loss on Spinoff

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

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

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

The following table summarizes PPL's fair value analysis:

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

A key assumption included in the fair value estimate is the application of a control premium of 25% in the two market approaches. PPL concluded it was appropriate to apply a control premium in these approaches as the goodwill impairment testing guidance was followed in determining the estimated fair value of the Supply segment which has historically been a reporting unit for PPL. This guidance provides that the market price of an individual security (and thus the market capitalization of a reporting unit with publically traded equity securities) may not be representative of the fair value of the reporting unit. This guidance also indicates that substantial value may arise to a controlling shareholder from the ability to take advantage of synergies and other benefits that arise from control over another entity, and that the market price of a

Company's individual share of stock does not reflect this additional value to a controlling shareholder. Therefore, the quoted market price need not be the sole measurement basis for determining the fair value, and including a control premium is appropriate in measuring the fair value of a reporting unit.

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

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

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

Costs of Spinoff

Following the announcement of the transaction to form Talen Energy as discussed in "Business Strategy" above, efforts were initiated to identify the appropriate staffing for Talen Energy and for PPL and its subsidiaries following completion of the spinoff. Organizational plans were substantially completed in 2014. The new organizational plans identified the need to resize and restructure the organizations and as a result, in 2014, estimated charges for employee separation benefits were recorded. See Note 8 in the 2014 Form 10-K for additional information. The separation benefits include cash severance compensation, lump sum COBRA reimbursement payments and outplacement services. Most separations and payment of separation benefits are expected to be completed by the end of 2015. At June 30, 2015 and December 31, 2014, the recorded liabilities related to the separation benefits were $13 million and $21 million, which are included in "Other current liabilities" on the Balance Sheets.

Additional employee-related costs incurred primarily include accelerated stock-based compensation and pro-rated performance-based cash incentive and stock-based compensation awards, primarily for PPL Energy Supply employees and for PPL Services employees who became PPL Energy Supply employees in connection with the transaction. PPL Energy Supply recognized $24 million of these costs at the spinoff closing date which are reflected in discontinued operations.

PPL recorded $36 million and $42 million of third-party costs related to this transaction during the three and six months ended June 30, 2015. Of these costs, $29 million and $31 million were primarily for bank advisory, legal and accounting fees to facilitate the transaction, and are reflected in discontinued operations. An additional $7 million and $11 million of consulting and other costs were incurred to prepare the new Talen Energy organization for the spinoff and reconfigure the remaining PPL service functions. These costs are primarily recorded in "Other operation and maintenance" on the Statement of Income. PPL recorded $16 million of third-party costs related to this transaction during the three and six months ended June 30, 2014. No significant additional third-party costs are expected to be incurred.

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

Discontinued Operations

The operations of the Supply segment are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income.

The assets and liabilities of PPL's Supply segment for all periods prior to the spinoff are included in "Current assets of discontinued operations", "Noncurrent assets of discontinued operations", "Current liabilities of discontinued operations" and "Noncurrent liabilities of discontinued operations" on PPL's Balance Sheet.

Net assets, after recognition of the loss on spinoff, of $3.2 billion were distributed to PPL shareowners on June 1, 2015, as a result of the completion of the spinoff of PPL Energy Supply.

See Note 8 to the financial statements for additional information related to the spinoff of PPL Energy Supply.

RIIO-ED1

On April 1, 2015, the RIIO-ED1 eight-year price control period commenced for WPD's four DNOs. In February 2014, Ofgem published formal confirmation that WPD's Business Plans submitted by its four DNOs under RIIO-ED1 were accepted as submitted, or "fast-tracked." Fast tracking affords several benefits to the WPD DNOs including the ability to collect additional revenue equivalent to 2.5% of total annual expenditures during the eight-year price control period, or approximately $43 million annually, greater revenue certainty and a higher level of cost savings retention. See "Item 1. Business - Segment Information - U.K. Regulated Segment" of PPL's 2014 Form 10-K for additional information on RIIO-ED1.

Depreciation

Effective January 1, 2015, after completing a review of the useful lives of its distribution network assets, WPD extended the weighted average useful lives of these assets to 69 years from 55 years. For the three and six months ended June 30, 2015, this change in useful lives resulted in lower depreciation of $22 million ($17 million after-tax or $0.03 per share) and $42 million ($33 million after-tax or $0.05 per share). It is expected to result in an annual reduction in depreciation of approximately $86 million ($68 million after-tax or $0.10 per share) in 2015.

IRS Audits for 1998 - 2011

In February 2015, PPL and the IRS Appeals division reached a settlement on the amount of PPL's refund from its open audits for the years 1998 - 2011. In April 2015, PPL was notified that the Joint Committee on Taxation approved PPL's settlement. In the second quarter of 2015, PPL recorded a tax benefit of $23 million, which includes an estimate of interest on the refund. Of this amount, $11 million is reflected in continuing operations. Final determination of interest on the refund is still pending from the IRS.

(PPL and PPL Electric)

Rate Case Proceedings

On March 31, 2015, PPL Electric filed a request with the PUC for an increase in its annual distribution revenue requirement of approximately $167.5 million. The proposal would result in a rate increase of 3.9% on a total bill basis and is expected to become effective on January 1, 2016. PPL Electric's application includes a request for an authorized return-on-equity of 10.95%. The application is based on a fully projected future test year of January 1, 2016 through December 31, 2016.

Concurrently, PPL Electric filed a petition requesting a waiver of the DSIC cap of 5% of billed revenues and approval to increase the maximum allowable DSIC from 5% to 7.5% for service rendered after January 1, 2016. PPL Electric requested that the PUC consolidate these two proceedings and the Administrative Law Judge granted PPL Electric's request.

(PPL, LKE and KU)

FERC Wholesale Formula Rates

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 a true-up. KU's application proposed an authorized return on equity of 10.7%. Certain elements, including the new formula rate, became effective April 23, 2014, subject to refund. In April 2014, nine municipalities submitted notices of termination, under the original notice period provisions, to cease taking power under the wholesale requirements contracts. Such terminations are to be effective in 2019, except in the case of one municipality with a 2017 effective date. In addition, a tenth municipality has become a transmission-only customer as of June 2015. In July 2014, KU agreed on settlement terms with the two municipal customers that did not provide termination notices and filed the settlement proposal with the FERC for its approval. In August 2014, the FERC issued an order on the interim settlement agreement allowing the proposed rates to become effective pending a final order. If approved, the settlement agreement will resolve the rate case with respect to these two municipalities, including approval of the formula rate with a true-up provision and authorizing a return on equity of 10% or the return on equity awarded to other parties in this case, whichever is lower. In July 2015, KU and the nine terminating municipalities reached a settlement in principle which, subject to FERC approval, would resolve open matters, including providing for certain refunds, approving the formula rate with a true-up provision, and authorizing a 10.25% return on equity. An unresolved matter with one terminating municipality may be the subject of further negotiations or proceedings. KU cannot predict the ultimate outcome of these FERC proceedings regarding its wholesale power agreements with the municipalities, but does not currently anticipate significant remaining refunds beyond amounts already recorded.

(PPL, LKE, LG&E and KU)

Rate Case Proceedings

On November 26, 2014, LG&E and KU filed requests with the KPSC for increases in annual base rates for LG&E's electric and gas operations and KU's electric operations. On April 20, 2015, LG&E and KU, and the other parties to the proceeding, filed a unanimous settlement agreement with the KPSC. The settlement agreement was approved by the KPSC on June 30, 2015. Among other things, the settlement provides for increases in the annual revenue requirements associated with KU base electricity rates of $125 million and LG&E base gas rates of $7 million. The annual revenue requirement associated with base electricity rates at LG&E was not changed. Although the settlement did not establish a specific return on equity with respect to the base rates, an authorized 10% return on equity will be utilized in the ECR and GLT mechanisms. The settlement agreement provides for deferred recovery of costs associated with Green River Units 3 and 4 through their retirement. The new regulatory asset will be amortized over three years. The settlement also provides regulatory asset treatment for the difference between pension expense currently booked in accordance with LG&E and KU's pension accounting policy and pension expense using a 15 year amortization period for actuarial gains and losses. The new rates and all elements of the settlement became effective July 1, 2015.

(LKE and KU)

On June 30, 2015, KU filed an application with the VSCC to increase annual Virginia base electricity revenue by approximately $7.2 million, representing an increase of 10.1%. KU's application is based on an authorized 10.5% return on equity. Subject to regulatory review and approval, new rates would become effective April 1, 2016.

Results of Operations

(PPL)

The discussion for PPL provides a review of results by reportable segment. The "Margins" discussion provides explanations of non-GAAP financial measures (Kentucky Gross Margins and Pennsylvania Gross Delivery Margins) and a reconciliation of non-GAAP financial measures to "Operating Income." The "Statement of Income Analysis" discussion addresses significant changes in principal line items on PPL's Statements of Income, comparing the three and six months ended June 30, 2015 with the same periods in 2014. "Segment Earnings, Margins and Statement of Income Analysis" is presented separately for PPL.

Tables analyzing changes in amounts between periods within "Segment Earnings" 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.

(Subsidiary Registrants)

The discussion for each of PPL Electric, LKE, LG&E and KU provides a summary of earnings. The "Margins" discussion includes a reconciliation of non-GAAP financial measures to "Operating Income" and "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income comparing the three and six months ended June 30, 2015 with the same periods in 2014. "Earnings, Margins and Statement of Income Analysis" is presented separately for PPL Electric, LKE, LG&E and KU.

(All Registrants)

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

PPL: Segment Earnings, Margins and Statement of Income Analysis

Segment Earnings

U.K. Regulated Segment

The U.K. Regulated segment consists of PPL Global which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from British pound sterling into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs, and allocated financing costs. The U.K. Regulated segment represents 70% of PPL's Income from Continuing Operations After Income Taxes for the six months ended June 30, 2015 and 42% of PPL's assets at June 30, 2015.

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

	Three Months			Six Months		
	2015	2014	$ Change	2015	2014	$ Change
Utility revenues	$ 575	$ 659	$ (84)	$ 1,261	$ 1,296	$ (35)
Energy-related businesses	12	13	(1)	23	24	(1)
Total operating revenues	587	672	(85)	1,284	1,320	(36)
Other operation and maintenance	96	117	(21)	199	225	(26)
Depreciation	59	87	(28)	118	170	(52)
Taxes, other than income	37	40	(3)	73	78	(5)
Energy-related businesses	8	8		15	15	
Total operating expenses	200	252	(52)	405	488	(83)
Other Income (Expense) - net	(100)	(72)	(28)	(12)	(96)	84
Interest Expense	103	115	(12)	203	237	(34)
Income Taxes	(6)	46	(52)	99	106	(7)
Net Income	$ 190	$ 187	$ 3	$ 565	$ 393	$ 172

The changes in the results of the U.K. Regulated segment between these periods were due to the factors set forth below, which reflect certain items that management considers special and effects of movements in foreign currency exchange on separate lines within the table and not in their respective Statement of Income line items. See below for additional detail of the special items.

	Three Months	Six Months
U.K.		
Utility revenues	$ (21)	$ 12
Other operation and maintenance	11	7
Depreciation	22	42
Interest expense	1	7
Other	(1)	(1)
Income taxes	7	1
U.S.		
Interest expense and other	2	11
Income taxes	11	19
Foreign currency exchange, after-tax	(9)	(3)
Special items, after-tax	(20)	77
Total	$ 3	$ 172

U.K.

- Lower utility revenues for the three month period primarily due to $33 million from the April 1, 2015 price decrease primarily resulting from the commencement of RIIO-ED1, partially offset by $12 million of higher volume primarily due to weather.
- Higher utility revenues for the six month period primarily due to $46 million from the April 1, 2014 price increase, partially offset by $37 million from the April 1, 2015 price decrease primarily resulting from the commencement of RIIO-ED1.
- Lower other operation and maintenance for the three month period primarily due to $9 million of lower network maintenance expense.

- Lower depreciation expense for the three and six month periods primarily due to a $22 million and $42 million impact of an extension of the network asset lives. See Note 2 to the Financial Statements for additional information.

U.S.

- Lower income taxes for the three and six month periods primarily due to decreases in taxable dividends.

The following after-tax gains (losses), which management considers special items, also impacted the U.K. Regulated segment's results during the periods ended June 30.

	Income Statement Line Item	Three Months 2015	Three Months 2014	Six Months 2015	Six Months 2014
Foreign currency-related economic hedges, net of tax of $38, $18, $18, $21 (a)	Other Income (Expense)-net	$ (71)	$ (33)	$ (34)	$ (39)
WPD Midlands acquisition-related adjustment, net of tax of $0, $0, ($1), $0	Other operation and maintenance			2	
Change in WPD line loss accrual, net of tax of $0, $0, $0, $13(b)	Utility				(52)
Settlement of certain income tax positions (c)	Income Taxes	18		18	
Total		$ (53)	$ (33)	$ (14)	$ (91)

(a) Represents unrealized gains (losses) on contracts that economically hedge anticipated GBP denominated earnings.
(b) In March 2014, Ofgem issued its final decision on the DPCR4 line loss incentives and penalties mechanism. As a result, WPD increased its existing liability by $65 million, pre-tax, for over-recovery of line losses. See Note 6 to the Financial Statements for additional information.
(c) Relates to the April 2015 settlement of open audits for the years 1998-2011. See Note 5 to the Financial Statements for additional information.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations of LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain financing costs are allocated to the Kentucky Regulated segment. The Kentucky Regulated segment represents 19% of PPL's Income from Continuing Operations After Income Taxes for the six months ended June 30, 2015 and 35% of PPL's assets at June 30, 2015.

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

	Three Months 2015	Three Months 2014	Three Months $ Change	Six Months 2015	Six Months 2014	Six Months $ Change
Utility revenues	$ 714	$ 722	$ (8)	$ 1,613	$ 1,656	$ (43)
Fuel	214	231	(17)	467	508	(41)
Energy purchases	28	36	(8)	120	160	(40)
Other operation and maintenance	214	206	8	423	412	11
Depreciation	94	87	7	189	173	16
Taxes, other than income	15	13	2	29	26	3
Total operating expenses	565	573	(8)	1,228	1,279	(51)
Other Income (Expense) - net	(5)	(2)	(3)	(6)	(4)	(2)
Interest Expense	56	53	3	111	108	3
Income Taxes	41	36	5	112	100	12
Net Income	$ 47	$ 58	$ (11)	$ 156	$ 165	$ (9)

The changes in the results of the Kentucky Regulated segment between these periods were due to the factors set forth below, which reflect amounts classified as Kentucky Gross Margins and certain items that management considers special on separate lines within the table and not in their respective Statement of Income line items. See below for additional detail of the special items.

	Three Months	Six Months
Kentucky Gross Margins	$ 10	$ 23
Other operation and maintenance	(9)	(10)
Depreciation		(3)
Taxes, other than income	(1)	(2)
Other income (expense) - net	2	3
Interest expense	(3)	(3)
Income taxes	3	(4)
Special items	(13)	(13)
Total	$ (11)	$ (9)

- See "Margins - Changes in Non-GAAP Financial Measures" for an explanation of Kentucky Gross Margins.

- Higher other operation and maintenance for the three month period primarily due to $5 million of higher pension expense attributed to the change in mortality tables and lower discount rate in 2015 and $10 million of higher costs directly related to the Cane Run units' retirements consisting of an inventory write-down and separation benefits, partially offset by $4 million of lower storm expenses.

- Higher other operation and maintenance for the six month period primarily due to $9 million of higher pension expense attributed to the change in mortality tables and lower discount rate in 2015 and $11 million of higher costs directly related to the Cane Run units' retirements consisting of an inventory write-down and separation benefits, partially offset by $10 million of lower storm expenses.

The following after-tax gains (losses), which management considers special items, also impacted the Kentucky Regulated segment's results during the periods ended June 30.

	Income Statement Line Item	Three Months 2015	Three Months 2014	Six Months 2015	Six Months 2014
EEI adjustments, net of tax of $0, $0, $0, $0 (a)	Other Income (Expense)-net		$ 1		$ 1
LKE acquisition-related adjustment (b)	Other Income (Expense)-net	$ (4)		$ (4)	
Certain valuation allowances (c)	Income Taxes	(8)		(8)	
Total		$ (12)	$ 1	$ (12)	$ 1

(a) Recorded by KU.
(b) Recorded at PPL and allocated to the Kentucky Regulated segment. The amount represents a settlement between E.ON AG (a German corporation and the indirect parent of E.ON US Investments Corp., the former parent of LKE) and PPL for a tax matter.
(c) Recorded at LKE and represents a valuation allowance against tax credits expiring in 2016 and 2017 that are more likely than not to expire before being utilized.

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric. The Pennsylvania Regulated segment represents 17% of PPL's Income from Continuing Operations After Income Taxes for the six months ended June 30, 2015 and 21% of PPL's assets at June 30, 2015.

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

	Three Months 2015	Three Months 2014	Three Months $ Change	Six Months 2015	Six Months 2014	Six Months $ Change
Utility revenues	$ 476	$ 449	$ 27	$ 1,106	$ 1,041	$ 65
Energy purchases						
External	138	114	24	365	303	62
Intersegment	5	21	(16)	14	48	(34)
Other operation and maintenance	140	135	5	273	269	4
Depreciation	52	45	7	103	90	13
Taxes, other than income	25	23	2	60	55	5
Total operating expenses	360	338	22	815	765	50
Other Income (Expense) - net	2	1	1	4	3	1
Interest Expense	33	29	4	64	58	6
Income Taxes	36	31	5	95	84	11
Net Income	$ 49	$ 52	$ (3)	$ 136	$ 137	$ (1)

The changes in the components of the Pennsylvania Regulated segment's results between these periods were due to the factors set forth below, which reflect amounts classified as Pennsylvania Gross Delivery Margins and a certain item that management considers special on separate lines within the table and not in their respective Statement of Income line items. See below for additional detail of the special items.

	Three Months	Six Months
Pennsylvania Gross Delivery Margins	$ 13	$ 26
Other operation and maintenance	(8)	(6)
Depreciation	(7)	(13)
Interest expense	(4)	(6)
Other	2	3
Income taxes	(3)	(9)
Special item, after-tax	4	4
Total	$ (3)	$ (1)

- See "Margins - Changes in Non-GAAP Financial Measures" for an explanation of Pennsylvania Gross Delivery Margins.
- Higher other operation and maintenance expense for the three month period primarily due to higher corporate service costs.
- Higher other operation and maintenance expense for the six month period primarily due to $9 million of higher corporate service costs, partially offset by $6 million of lower storm costs.
- Higher depreciation expense for the three and six month periods primarily due to PP&E additions, net related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure.
- Higher interest expense for the three and six month periods primarily due to the issuance of first mortgage bonds in June 2014.
- Higher income taxes for the three month period primarily due to federal and state tax reserve adjustments.
- Higher income taxes for the six month period primarily due to higher pre-tax income and federal and state tax reserve adjustments.

The following after-tax (loss), which management considers a special item, also impacted the Pennsylvania Regulated segment's results during the periods ended June 30.

	Income Statement Line Item	Three Months 2015	Three Months 2014	Six Months 2015	Six Months 2014
Separation benefits, net of tax of $0, $2, $0, $2 (a)	Other operation and maintenance		$ (4)		$ (4)

(a) In June 2014, PPL Electric's largest IBEW local ratified a new three-year labor agreement. In connection with the new agreement, bargaining unit one-time voluntary retirement benefits were recorded.

Margins

Non-GAAP Financial Measures

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

- "Kentucky Gross Margins" is a single financial performance measure of the electricity generation, transmission and distribution operations of the Kentucky Regulated segment, LKE, LG&E and KU, as well as the Kentucky Regulated segment's, LKE's and LG&E's distribution and sale of natural gas. In calculating this measure, fuel, energy purchases and certain variable costs of production (recorded as "Other operation and maintenance" on the Statements of Income) are deducted from revenues. In addition, certain other expenses, recorded as "Other operation and maintenance", "Depreciation" and "Taxes, other than income" on the Statements of Income, associated with approved cost recovery mechanisms are offset against the recovery of those expenses, which are included in revenues. These mechanisms allow for direct recovery of these expenses and, in some cases, returns on capital investments and performance incentives. As a result, this measure represents the net revenues from electricity and gas operations.
- "Pennsylvania Gross Delivery Margins" is a single financial performance measure of the electricity delivery operations of the Pennsylvania Regulated segment and PPL Electric, 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 "Energy purchases from affiliate" in the reconciliation tables. As a result of the spinoff of PPL Energy Supply and creation of Talen Energy on June 1, 2015, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are reflected in "Energy Purchases" in the reconciliation tables. This measure represents the revenues from the Pennsylvania Regulated segment's and PPL Electric's electricity delivery operations.

These measures are not intended to replace "Operating Income," which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and report their results of operations. Management believes these measures provide additional useful criteria to make investment decisions. These performance measures are used, in conjunction with other information, by senior management and PPL's Board of Directors to manage the operations and analyze actual results compared with budget.

Reconciliation of Non-GAAP Financial Measures

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

	2015 Three Months				2014 Three Months			
	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues								
Utility	$ 714	$ 476	$ 575 (c)	$ 1,765	$ 722	$ 449	$ 659 (c)	$ 1,830
Energy-related businesses			16	16			19	19
Total Operating Revenues	714	476	591	1,781	722	449	678	1,849
Operating Expenses								
Fuel	214			214	231		1	232
Energy purchases	28	138	4	170	36	114	21	171
Energy purchases from affiliate		5	(5)			21	(21)	
Other operation and maintenance	24	27	403	454	25	23	399	447
Depreciation	9		207	216	2		228	230
Taxes, other than income	1	23	52	76		21	56	77
Energy-related businesses			13	13			14	14
Total Operating Expenses	276	193	674	1,143	294	179	698	1,171
Total	$ 438	$ 283	$ (83)	$ 638	$ 428	$ 270	$ (20)	$ 678

	2015 Six Months				2014 Six Months			
	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues								
Utility	$ 1,613	$ 1,106	$ 1,260 (c)	$ 3,979	$ 1,656	$ 1,041	$ 1,295 (c)	$ 3,992
Energy-related businesses			32	32			35	35
Total Operating Revenues	1,613	1,106	1,292	4,011	1,656	1,041	1,330	4,027
Operating Expenses								
Fuel	467			467	508			508
Energy purchases	120	365	14	499	160	303	47	510
Energy purchases from affiliate		14	(14)			48	(48)	
Other operation and maintenance	49	53	795	897	48	48	791	887
Depreciation	16		416	432	3		452	455
Taxes, other than income	2	56	104	162	1	50	109	160
Energy-related businesses			26	26			28	28
Total Operating Expenses	654	488	1,341	2,483	720	449	1,379	2,548
Total	$ 959	$ 618	$ (49)	$ 1,528	$ 936	$ 592	$ (49)	$ 1,479

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.
(c) Primarily represents WPD's utility revenue.

Changes in Non-GAAP Financial Measures

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

	Three Months			Six Months		
	2015	2014	$ Change	2015	2014	$ Change
Kentucky Regulated						
Kentucky Gross Margins						
LG&E	$ 206	$ 196	$ 10	$ 436	$ 422	$ 14
KU	232	232		523	514	9
LKE	$ 438	$ 428	$ 10	$ 959	$ 936	$ 23
Pennsylvania Regulated						
Pennsylvania Gross Delivery Margins						
Distribution	$ 193	$ 189	$ 4	$ 435	$ 438	$ (3)
Transmission	90	81	9	183	154	29
Total	$ 283	$ 270	$ 13	$ 618	$ 592	$ 26

Kentucky Gross Margins

Kentucky Gross Margins increased for the three months ended June 30, 2015 compared with 2014 primarily due to returns on additional environmental capital investments of $12 million ($9 million at LG&E and $3 million at KU).

Kentucky Gross Margins increased for the six months ended June 30, 2015 compared with 2014 primarily due to returns on additional environmental capital investments of $30 million ($19 million at LG&E and $11 million at KU), higher demand revenue of $7 million ($2 million at LG&E and $5 million at KU) partially offset by lower sales volume of $10 million ($4 million at LG&E and $6 million at KU). The change in sales volumes were driven by milder winter weather conditions in 2015 compared to 2014.

Pennsylvania Gross Delivery Margins

Distribution

Distribution margins increased for the three months ended June 30, 2015 compared with 2014, primarily due to a $4 million favorable effect of distribution improvement capital investments.

Distribution margins were relatively flat for the six months ended June 30, 2015 compared with 2014, due to a $8 million favorable effect of distribution improvement capital investments and a $7 million impact of favorable weather, primarily offset by a $12 million benefit recorded in the first quarter of 2014 as a result of a change in estimate of a regulatory liability.

Transmission

Transmission margins increased for the three and six month periods ended June 30, 2015 compared with 2014 primarily due to increased capital investment.

Statement of Income Analysis --

Utility Revenues

The increase (decrease) in utility revenues for the periods ended June 30, 2015 compared with 2014 was due to:

	Three Months	Six Months
Domestic:		
PPL Electric (a)	$ 27	$ 65
LKE (b)	(8)	(43)
Total Domestic	19	22

	Three Months	Six Months
U.K.:		
Price (c)	(33)	9
Foreign currency exchange rates	(63)	(110)
Volume	12	1
Line loss accrual adjustments (d)		65
Total U.K.	(84)	(35)
Total	$ (65)	$ (13)

(a) See "Pennsylvania Gross Delivery Margins" for further information.
(b) See "Kentucky Gross Margins" for further information.
(c) The decrease for the three month period was primarily due to a price decrease effective April 1, 2015 resulting from the commencement of RIIO-ED1. The increase for the six month period was due to a price increase effective April 1, 2014, partially offset by a price decrease effective April 1, 2015.
(d) The increase for the six month period was due to unfavorable accrual adjustments in 2014 based on Ofgem's final decision on the DPCR4 line loss incentives and penalties. See Note 6 to the Financial Statements for additional information.

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related decrease during the periods ended June 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Six Months
Fuel	$ (18)	$ (41)
Energy purchases	(1)	(11)

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended June 30, 2015 compared with 2014 was due to:

	Three Months	Six Months
Domestic:		
Cane Run retired units	$ 10	$ 11
Uncollectible accounts	3	6
External transition costs associated with the spinoff of PPL Energy Supply	7	11
Other	7	8
U.K.:		
Network maintenance	(9)	(15)
Foreign currency exchange rates	(10)	(17)
Pension	(4)	(7)
Engineering management		9
WPD Midlands acquisition-related adjustment		(3)
Other	3	7
Total	$ 7	$ 10

Depreciation

Depreciation decreased by $14 million and $23 million for the three and six months ended June 30, 2015 compared with 2014, primarily due to a $22 million and $42 million reduction from an extension of the WPD network asset lives partially offset by additions to PP&E, net primarily at the domestic utilities. See Note 2 to the Financial Statements for additional information on the extension of WPD network asset lives.

Other Income (Expense) - net

Other income (expense) - net decreased by $28 million and increased by $89 million for the three and six months ended June 30, 2015 compared with 2014, primarily due to changes in realized and unrealized losses on foreign currency contracts to economically hedge GBP denominated earnings from WPD.

Interest Expense

The increase (decrease) in interest expense for the periods ended June 30, 2015 compared with 2014 was due to:

	Three Months	Six Months
Long-term debt interest expense		$ 5
Loss on extinguishment of debt (a)		(9)
Net amortization of debt discounts, premiums and issuance costs	$ 11	11
Capitalized interest and debt component of AFUDC	5	7
Foreign currency exchange rates	(10)	(17)
Other	1	3
Total	$ 7	$

(a) In March 2014, PPL Capital Funding remarketed and exchanged junior subordinated notes that were originally issued in April 2011 as a component of PPL's 2011 Equity Units.

Income Taxes

The increase (decrease) in income taxes for the periods ended June 30, 2015 compared with 2014 was due to:

	Three Months	Six Months
Change in pre-tax income at current period tax rates	$ (24)	$ 46
Valuation allowance adjustments (a)	(41)	(38)
Federal and state tax reserve adjustments (b)	(11)	(11)
U.S. income tax on foreign earnings net of foreign tax credit (c)	(10)	(22)
Intercompany interest on U.K. financing entities	(2)	(8)
Reduction in U.K. income tax rates	(2)	(6)
Other	(5)	(6)
Total	$ (95)	$ (45)

(a) As a result of the spinoff announcement, PPL recorded deferred income tax expense during the three and six months ended June 30, 2014 to adjust valuation allowances on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the earnings of PPL Energy Supply.
(b) During the three and six months ended June 30, 2015, PPL recorded a tax benefit to adjust the settled refund amount approved by Joint Committee on Taxation for the open audit years 1998-2011.
(c) During the three and six months ended June 30, 2015, PPL recorded lower income tax expense due to a decrease in taxable dividends.

See Note 5 to the Financial Statements for additional information.

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

Income (Loss) from Discontinued Operations (net of income taxes) for the three and six months ended June 30, 2015 includes the results of operations of PPL Energy Supply, which was spun off from PPL on June 1, 2015 and substantially represents PPL's former Supply segment. See "Discontinued Operations" in Note 8 to the Financial Statements for additional information.

PPL Electric: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net Income	$ 49	$ 52	$ 136	$ 137
Special item, gains (losses), after-tax		(4)		(4)

Excluding a special item, earnings decreased for the three month period in 2015 compared with 2014 primarily due to higher other operation and maintenance expense and higher depreciation expense, partially offset by higher margins from additional transmission capital investments and returns on distribution improvement capital investments.

Excluding a special item, earnings decreased for the six month period in 2015 compared with 2014 primarily due to higher other operation and maintenance expense, higher depreciation expense, higher interest expense and a benefit recorded in the first quarter of 2014 for a change in the estimate of a regulatory liability, partially offset by higher margins from additional transmission capital investments, returns on distribution improvement capital investments and favorable weather.

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

	Three Months	Six Months
Pennsylvania Gross Delivery Margins	$ 13	$ 26
Other operation and maintenance	(8)	(6)
Depreciation	(7)	(13)
Other	2	3
Interest expense	(4)	(6)
Income taxes	(3)	(9)
Special item, after-tax (a)	4	4
Total	$ (3)	$ (1)

(a) See PPL's "Results of Operations - Segment Earnings - Pennsylvania Regulated Segment" for details.

Margins

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

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

	2015 Three Months			2014 Three Months		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 476		$ 476	$ 449		$ 449
Operating Expenses						
Energy purchases	138		138	114		114
Energy purchases from affiliate	5		5	21		21
Other operation and maintenance	27	$ 113	140	23	$ 112	135
Depreciation		52	52		45	45
Taxes, other than income	23	2	25	21	2	23
Total Operating Expenses	193	167	360	179	159	338
Total	$ 283	$ (167)	$ 116	$ 270	$ (159)	$ 111

	2015 Six Months			2014 Six Months		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,106		$ 1,106	$ 1,041		$ 1,041
Operating Expenses						
Energy purchases	365		365	303		303
Energy purchases from affiliate	14		14	48		48
Other operation and maintenance	53	$ 220	273	48	$ 221	269
Depreciation		103	103		90	90
Taxes, other than income	56	4	60	50	5	55
Total Operating Expenses	488	327	815	449	316	765
Total	$ 618	$ (327)	$ 291	$ 592	$ (316)	$ 276

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

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related increase (decrease) during the periods ended June 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Six Months
Operating revenues	$ 27	$ 65
Energy purchases	24	62
Energy purchases from affiliate	(16)	(34)

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended June 30, 2015 compared with 2014 was due to:

	Three Months	Six Months
Vegetation management		$ (2)
Storm costs	$ 2	(8)
Act 129	(2)	3
Uncollectible accounts	3	6
Corporate service costs	6	9
Bargaining unit one-time voluntary retirement benefits	(6)	(6)
Other	2	2
Total	$ 5	$ 4

Depreciation

Depreciation increased by $7 million and $13 million for the three and six months ended June 30, 2015 compared with 2014, primarily due to PP&E additions, net related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure.

Interest Expense

Interest expense increased by $4 million and $6 million for the three and six months ended June 30, 2015 compared with 2014, primarily due to the issuance of first mortgage bonds in June 2014.

Income Taxes

The increase in income taxes for the periods ended June 30, 2015 compared with 2014 was due to:

	Three Months	Six Months
Change in pre-tax income at current period tax rates	$ 1	$ 6
Federal and state tax reserve adjustments	3	3
Other	1	2
Total	$ 5	$ 11

See Note 5 to the Financial Statements for additional information.

LKE: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net Income	$ 60	$ 65	$ 177	$ 180
Special items, gains (losses), after-tax	(8)	1	(8)	1

Excluding special items, earnings increased for the three and six month periods in 2015 compared with 2014 primarily due to higher returns on additional environmental capital investments partially offset by higher other operation and maintenance expense and lower sales volumes. The change in sales volume was primarily attributable to milder winter weather conditions in 2015 compared to 2014.

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

	Three Months	Six Months
Margins	$ 10	$ 23
Other operation and maintenance	(9)	(10)
Depreciation		(3)
Taxes, other than income	(1)	(2)
Other income (expense)- net	2	3
Interest expense	(2)	(2)
Income taxes	4	(3)
Special items, after-tax (a)	(9)	(9)
Total	$ (5)	$ (3)

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

Margins

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

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

	2015 Three Months			2014 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 714		$ 714	$ 722		$ 722
Operating Expenses						
Fuel	214		214	231		231
Energy purchases	28		28	36		36
Other operation and maintenance	24	$ 190	214	25	$ 181	206
Depreciation	9	85	94	2	85	87
Taxes, other than income	1	14	15		13	13
Total Operating Expenses	276	289	565	294	279	573
Total	$ 438	$ (289)	$ 149	$ 428	$ (279)	$ 149

	2015 Six Months			2014 Six Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,613		$ 1,613	$ 1,656		$ 1,656
Operating Expenses						
Fuel	467		467	508		508
Energy purchases	120		120	160		160
Other operation and maintenance	49	$ 374	423	48	$ 364	412
Depreciation	16	173	189	3	170	173
Taxes, other than income	2	27	29	1	25	26
Total Operating Expenses	654	574	1,228	720	559	1,279
Total	$ 959	$ (574)	$ 385	$ 936	$ (559)	$ 377

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

Statement of Income Analysis --

Certain Operating Revenues and Expenses included in "Margins"

The following Statement of Income line items and their related decrease during the periods ended June 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Six Months
Operating revenues	$ 8	$ 43
Fuel	17	41
Energy purchases	8	40

Other Operation and Maintenance

The increase in other operation and maintenance expense for the periods ended June 30, 2015 compared with 2014 was due to:

	Three Months	Six Months
Cane Run retired units	$ 10	$ 11
Pension	5	9
Storm costs	(4)	(10)
Other	(3)	1
Total	$ 8	$ 11

Depreciation

Depreciation increased by $7 million and $16 million for the three and six months ended June 30, 2015 compared with 2014 primarily due to additions to PP&E, net.

Income Taxes

Income taxes increased $11 million for the six months ended June 30, 2015 compared with 2014 due to the establishment of a valuation allowance on a deferred tax asset of $8 million and the change in pre-tax income at current period tax rates.

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

Earnings

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net Income	$ 35	$ 35	$ 88	$ 87

Earnings were substantially the same for the three and six month periods in 2015 compared with 2014 primarily due to returns on additional environmental capital investments partially offset by higher other operation and maintenance expense and lower sales volume. The change in sales volume was primarily attributable to milder winter weather conditions in 2015 compared to 2014.

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

	Three Months	Six Months
Margins	$ 10	$ 14
Other operation and maintenance	(11)	(9)
Depreciation	2	1
Taxes, other than income	1	
Other income (expense) - net		1
Interest expense	(1)	(2)
Income taxes	(1)	(4)
Total	$	$ 1

Margins

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

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

	2015 Three Months			2014 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 331		$ 331	$ 344		$ 344
Operating Expenses						
Fuel	82		82	104		104
Energy purchases, including affiliate	28		28	31		31
Other operation and maintenance	10	$ 93	103	12	$ 82	94
Depreciation	4	36	40	1	38	39
Taxes, other than income	1	6	7		7	7
Total Operating Expenses	125	135	260	148	127	275
Total	$ 206	$ (135)	$ 71	$ 196	$ (127)	$ 69

	2015 Six Months			2014 Six Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 770		$ 770	$ 823		$ 823
Operating Expenses						
Fuel	185		185	221		221
Energy purchases, including affiliate	119		119	155		155
Other operation and maintenance	22	$ 177	199	24	$ 168	192
Depreciation	7	75	82	1	76	77
Taxes, other than income	1	13	14		13	13
Total Operating Expenses	334	265	599	401	257	658
Total	$ 436	$ (265)	$ 171	$ 422	$ (257)	$ 165

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

Statement of Income Analysis --

Certain Operating Revenues and Expenses included in "Margins"

The following Statement of Income line items and their related increase (decrease) during the periods ended June 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Six Months
Retail and wholesale	$ 3	$ (22)
Electric revenue from affiliate	(16)	(31)
Fuel	(22)	(36)
Energy purchases	(6)	(36)
Energy purchases from affiliate	3	

Other Operation and Maintenance

The increase in other operation and maintenance expense for the periods ended June 30, 2015 compared with 2014 was due to:

	Three Months	Six Months
Cane Run retired units	$ 10	$ 11
Pension	3	5
Storm costs	(1)	(5)
Other	(3)	(4)
Total	$ 9	$ 7

Depreciation

Depreciation increased by $5 million for the six months ended June 30, 2015 compared with 2014 primarily due to additions to PP&E, net.

Income Taxes

Income taxes increased by $4 million for the six months ended June 30, 2015 compared with 2014 primarily due to the change in pre-tax income at current period tax rates.

KU: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net Income	$ 39	$ 40	$ 117	$ 117
Special items, gains (losses), after-tax		1		1

Excluding a special item, earnings were substantially the same for the three and six month periods in 2015 compared with 2014 primarily due to higher other operation and maintenance expense offset by an increase in returns on additional environmental capital investments.

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

	Three Months	Six Months
Margins	$	$ 9
Other operation and maintenance	(1)	(5)
Depreciation	(3)	(5)
Taxes, other than income	(2)	(2)
Other income (expense)- net	1	
Interest expense	1	1
Income taxes	2	1
Special item, after-tax	1	1
Total	$ (1)	$

Margins

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

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

	2015 Three Months			2014 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 396		$ 396	$ 404		$ 404
Operating Expenses						
Fuel	132		132	127		127
Energy purchases, including affiliate	13		13	31		31
Other operation and maintenance	14	$ 95	109	13	$ 94	107
Depreciation	5	49	54	1	46	47
Taxes, other than income		8	8		6	6
Total Operating Expenses	164	152	316	172	146	318
Total	$ 232	$ (152)	$ 80	$ 232	$ (146)	$ 86

	2015 Six Months			2014 Six Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 881		$ 881	$ 902		$ 902
Operating Expenses						
Fuel	282		282	287		287
Energy purchases, including affiliate	39		39	74		74
Other operation and maintenance	27	$ 186	213	24	$ 181	205
Depreciation	9	98	107	2	93	95
Taxes, other than income	1	14	15	1	12	13
Total Operating Expenses	358	298	656	388	286	674
Total	$ 523	$ (298)	$ 225	$ 514	$ (286)	$ 228

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

Statement of Income Analysis --

Certain Operating Revenues and Expenses included in "Margins"

The following Statement of Income line items and their related increase (decrease) during the periods ended June 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Six Months
Retail and wholesale	$ (11)	$ (21)
Electric revenue from affiliate	3	
Fuel	5	(5)
Energy purchases	(2)	(4)
Energy purchases from affiliate	(16)	(31)

Other Operation and Maintenance

The increase in other operation and maintenance expense for the periods ended June 30, 2015 compared with 2014 was due to:

	Three Months	Six Months
Pension	$ 3	$ 6
Cane Run 7 operations	1	1
Timing and scope of generation maintenance	(1)	1
Storm costs	(3)	(5)
Other	2	5
Total	$ 2	$ 8

Depreciation

Depreciation increased by $7 million and $12 million for the three and six months ended June 30, 2015 compared with 2014 primarily due to additions to PP&E, net.

Financial Condition

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

Liquidity and Capital Resources

(All Registrants)

The Registrants expect to continue to have adequate liquidity available through operating cash flows, cash and cash equivalents, credit facilities and commercial paper issuances.

The Registrants had the following at:

	PPL (a)	PPL Electric	LKE	LG&E	KU
June 30, 2015					
Cash and cash equivalents	$ 846	$ 28	$ 13	$ 7	$ 6
Short-term debt	1,100	168	561	259	227
Notes payable with affiliates			59		
December 31, 2014					
Cash and cash equivalents	$ 1,399	$ 214	$ 21	$ 10	$ 11
Short-term investments	120				
Short-term debt	836		575	264	236
Notes payable with affiliates			41		

(a) At June 30, 2015, $226 million of cash and cash equivalents were denominated in GBP. If these amounts would be remitted as dividends, PPL would not anticipate a material incremental U.S. tax cost. Historically, dividends paid by foreign subsidiaries have been limited to distributions of the current year's earnings. See Note 5 to the Financial Statements in PPL's 2014 Form 10-K for additional information on undistributed earnings of WPD.

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

	PPL	PPL Electric	LKE	LG&E	KU
2015					
Operating activities	$ 970	$ 76	$ 703	$ 389	$ 360
Investing activities	(1,575)	(483)	(626)	(349)	(275)
Financing activities	(71)	221	(85)	(43)	(90)
2014					
Operating activities	$ 1,293	$ 148	$ 517	$ 203	$ 297
Investing activities	(1,700)	(295)	(502)	(249)	(305)
Financing activities	349	271	(27)	43	5
Change - Cash Provided (Used)					
Operating activities	$ (323)	$ (72)	$ 186	$ 186	$ 63
Investing activities	125	(188)	(124)	(100)	30
Financing activities	(420)	(50)	(58)	(86)	(95)

Operating Activities

The components of the change in cash provided by (used in) operating activities from continuing operations for the six months ended June 30, 2015 compared with 2014 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Net income	$ 183	$ (1)	$ (3)	$ 1	
Non-cash components	(67)	21	43	74	$ 5
Working capital	(314)	(96)	188	118	104
Defined benefit plan funding	(103)	(14)	(23)	(15)	(16)
Other operating activities	(22)	18	(19)	8	(30)
Total	$ (323)	$ (72)	$ 186	$ 186	$ 63

(PPL)

PPL had a $323 million decrease in cash provided by operating activities from continuing operations in 2015 compared with 2014.

- Income from continuing operations improved by $183 million between the periods. This was offset by $67 million less net non-cash expenses. The net $116 million increase from net income and non-cash components in 2015 compared with 2014 reflects higher margins in the Pennsylvania and Kentucky regulated segments and lower income taxes.

- The $314 million decrease in cash from changes in working capital was primarily due to a decrease in taxes payable, primarily due to higher income tax payments in 2015. The decrease also reflects lower other current liabilities and an increase in prepayments.

- Defined benefit plan funding was $103 million higher in 2015.

(PPL Electric)

PPL Electric had a $72 million decrease in cash provided by operating activities in 2015 compared with 2014.

- The $96 million decline in cash from changes in working capital was partially due to decreases in taxes payable (primarily due to higher income tax payments in 2015) and prepayment of gross receipts tax, partially offset by a decrease in accounts receivable.

- Defined benefit plan funding was $14 million higher in 2015.

(LKE)

LKE had a $186 million increase in cash provided by operating activities in 2015 compared with 2014.

- LKE's non-cash components of net income included a $16 million increase in depreciation expense due to additional assets in service since the second quarter of 2014, and a net $17 million increase in current regulatory assets and regulatory liabilities due to the timing of rate recovery mechanisms.

- The increase in cash from working capital was driven primarily by a decrease in income tax receivable as a result of receiving payment from PPL for the use of excess tax depreciation deductions in 2014, an increase in taxes payable due to timing of payments, and net changes in accounts receivable and unbilled revenue due to colder winter weather in 2014, partially offset by a decrease in accounts payable due to the timing of fuel purchases and payments.

(LG&E)

LG&E had a $186 million increase in cash provided by operating activities in 2015 compared with 2014.

- LG&E's non-cash components of net income included a $5 million increase in depreciation expense due to additional assets in service since the second quarter of 2014, a net $23 million increase in current regulatory assets and regulatory liabilities due to the timing of rate recovery mechanisms, and a $38 million increase in deferred income taxes. The increase in deferred income taxes was primarily due to an increase in accelerated tax depreciation over book depreciation of $54 million, partially offset by an increase of $15 million of net operating loss.

- The increase in cash from working capital was driven primarily by a decrease in income tax receivable as a result of receiving payment from LKE for the use of excess tax depreciation deductions in 2014, an increase in taxes payable due to timing of payments, a decrease in accounts receivable from affiliates due to timing of intercompany settlements associated with capital expenditures, inventory, and energy sales to KU, and net changes in accounts receivable and unbilled revenue due to colder winter weather in 2014, partially offset by a decrease in accounts payable due to the timing of fuel purchases and payments.

(KU)

KU had a $63 million increase in cash provided by operating activities in 2015 compared with 2014.

- KU's non-cash components of net income included a $12 million increase in depreciation expense due to additional assets in service since the second quarter of 2014, partially offset by a net $6 million increase in current regulatory assets and regulatory liabilities due to the timing of rate recovery mechanisms.

- The increase in cash from working capital was driven primarily by a decrease in income tax receivable as a result of receiving payments from LKE for the use of excess tax depreciation deductions in 2014, an increase in taxes payable due to timing of payments, net changes in accounts receivable and unbilled revenue due to colder winter weather in 2014, and an increase in accounts payable due to the timing of fuel purchases and payments, partially offset by a decrease in accounts payable to affiliates due to timing of intercompany settlements associated with capital expenditures, inventory, and energy purchases from LG&E.

Investing Activities

(All Registrants)

Expenditures for Property, Plant and Equipment

Investment in PP&E is the primary investing activity of the registrants. The change in expenditures for PP&E for the six months ended June 30, 2015 compared with 2014 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
(Increase) Decrease	$ (1)	$ (44)	$ (74)	$ (100)	$ 26

For PPL, increases in project expenditures at PPL Electric and LG&E, were offset by lower expenditures at WPD and KU. The increase in expenditures for PPL Electric was primarily due to the Northeast Pocono reliability project, smart grid projects and other various projects, partially offset by the completion of the Susquehanna-Roseland transmission project. The increase in expenditures for LG&E was primarily due to environmental air projects at LG&E's Mill Creek plant, partially offset by lower expenditures for construction of Cane Run Unit 7 which was put into commercial operation in June 2015. The decrease in expenditures for KU was related to lower expenditures for the construction of Cane Run Unit 7, environmental air projects and CCR projects at KU's Ghent and E.W. Brown plants.

Other Significant Changes in Components of Investing Activities

(PPL)

PPL received $135 million during the three and six months ended June 30, 2015 from the sale of short-term investments.

(PPL and PPL Electric)

PPL Electric received $150 million during the three and six months ended June 30, 2014 on notes receivable from affiliates.

Financing Activities

(All Registrants)

The components of the change in cash provided by (used in) financing activities from continuing operations for the six months ended June 30, 2015 compared with 2014 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Long-term debt issuances/retirements, net	$ 31	$ (286)			
Stock issuances/redemptions, net	(934)				
Dividends	(30)	(20)		$ 2	$ 5
Capital contributions/distributions, net		65	$ 13	(33)	(66)
Change in short-term debt, net	493	188	(89)	(55)	(34)
Other financing activities	20	3	18		
Total	$ (420)	$ (50)	$ (58)	$ (86)	$ (95)

For the six months ended June 30, 2015, PPL required $420 million less cash from financing activities primarily due to the ability to use cash-on-hand in conjunction with cash from operating activities to support the significant capital expenditure programs of its subsidiaries.

See Note 7 to the Financial Statements in this Form 10-Q for information on 2015 short and long-term debt activity, equity transactions and PPL dividends. See the Registrants' 2014 Form 10-K for information on 2014 activity.

Credit Facilities

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. Amounts borrowed under these credit facilities are reflected in "Short-term debt" on the Balance Sheets. At June 30, 2015, the total committed borrowing capacity and the use of that capacity under these credit facilities was as follows:

External (All Registrants)

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	$ 750		$ 20	$ 730
PPL Electric Credit Facility	300		169	131
LKE Credit Facility	75	$ 75		
LG&E Credit Facility	500		259	241
KU Credit Facilities	598		425	173
Total LKE	1,173	75	684	414
Total U.S. Credit Facilities (a)	$ 2,223	$ 75	$ 873	$ 1,275
Total U.K. Credit Facilities (b)	£ 1,055	£ 242		£ 813

(a) The commitments under the U.S. credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than the following percentages of the total committed capacity: PPL - 13%, PPL Electric - 7%, LKE - 21%, LG&E - 7% and KU - 37%.

(b) The amounts borrowed at June 30, 2015 were USD-denominated borrowings of $200 million and GPB-denominated borrowings which equated to $171 million. At June 30, 2015, the USD equivalent of unused capacity under the U.K. committed credit facilities was $1.2 billion.

The commitments under the U.K. credit facilities are provided by a diverse bank group, with no one bank providing more than 14% of the total committed capacity.

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

Intercompany (LKE, LG&E and KU)

	Committed Capacity	Borrowed	Other Used Capacity	Unused Capacity
LKE Credit Facility	$ 225	$ 59		$ 166
LG&E Money Pool (a)	500		$ 259	241
KU Money Pool (a)	500		227	273

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

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

Commercial Paper *(All Registrants)*

PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's Syndicated Credit Facility. The following commercial paper programs were in place at June 30, 2015:

	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Electric	$ 300	$ 168	$ 132
LG&E	350	259	91
KU	350	227	123
Total LKE	700	486	214
Total PPL	$ 1,000	$ 654	$ 346

(PPL)

At-the-Market Stock Offering Program

During the three and six months ended June 30, 2015, PPL issued 421,700 shares of common stock under the program at an average price of $33.73 per share, receiving net proceeds of $14 million.

See Note 7 to the Financial Statements for additional information.

Common Stock Dividends

In May 2015, PPL declared its quarterly common stock dividend, payable July 1, 2015, at 37.25 cents per share (equivalent to $1.49 per annum). On August 3, 2015, PPL announced that the company is increasing its common stock dividend to 37.75 cents per share on a quarterly basis (equivalent to $1.51 per annum). The increased dividend will be payable on October 1, 2015 to shareowners of record as of September 10, 2015. Future dividends, declared at the discretion of the Board of Directors, will be dependent upon future earnings, cash flows, financial and legal requirements and other factors.

Rating Agency Actions

(All Registrants)

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

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of the Registrants and their subsidiaries are based on information provided by the Registrants and other sources. The ratings of Moody's, S&P and Fitch are not a recommendation to buy, sell or hold any securities of the Registrants or their subsidiaries. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities. The credit ratings of the Registrants and their subsidiaries affect their liquidity, access to capital markets and cost of borrowing under their credit facilities.

The rating agencies have taken the following actions related to the Registrants and their subsidiaries during 2015.

In January 2015, Fitch withdrew its ratings for PPL, PPL Capital Funding, PPL Electric, LKE, LG&E, and KU.

(PPL)

In May 2015, Moody's upgraded the following ratings with a stable outlook:
- the long-term issuer rating from Baa3 to Baa2 for PPL;
- the senior unsecured rating from Baa3 to Baa2 for PPL Capital Funding; and
- the junior subordinated rating from Ba1 to Baa3 for PPL Capital Funding.

In May 2015, Fitch affirmed and withdrew its ratings for PPL UK Distribution Holdings Limited (formerly known as PPL WW), WPD (South Wales) and WPD (South West).

In June 2015, S&P upgraded the following ratings with a stable outlook:
- the long-term issuer rating from BBB to A- for PPL;

- the senior unsecured rating from BBB- to BBB+ for PPL Capital Funding; and
- the junior subordinated rating from BB+ to BBB for PPL Capital Funding.

In June 2015, S&P affirmed the short-term ratings for WPD plc, WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West). S&P also upgraded the following ratings with a stable outlook:

- the long-term issuer rating from BBB to A- for WPD plc, WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West);
- the senior unsecured rating from BBB- to BBB+ for WPD plc; and
- the senior unsecured rating from BBB to A- for WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West).

(PPL and PPL Electric)

In May 2015, Moody's affirmed its ratings and revised its outlook to positive for PPL Electric.

In June 2015, S&P affirmed its commercial paper rating and upgraded the following ratings with a stable outlook for PPL Electric:

- the long-term issuer rating from BBB to A-; and
- the senior secured rating from A- to A.

(PPL, LKE, LG&E and KU)

In May 2015, Moody's upgraded the following ratings with a stable outlook for LKE:

- the long-term issuer rating from Baa2 to Baa1; and
- the senior unsecured rating from Baa2 to Baa1.

In June 2015, S&P affirmed its commercial paper ratings for LG&E and KU. S&P also upgraded the following ratings with a stable outlook:

- the long-term issuer ratings from BBB to A- for LKE, LG&E and KU;
- the senior secured ratings from A- to A for LG&E and KU; and
- the senior unsecured rating from BBB- to BBB+ for LKE.

In June 2015, S&P upgraded its ratings from AA+ to AAA for KU's 2000 Series A Solid Waste Disposal Facility Revenue Bonds, KU's 2004 Series A and 2008 Series A Environmental Facilities Revenue Bonds and KU's 2006 Series B Environmental Facilities Revenue Refunding Bonds and removed them from CreditWatch with positive implications.

Ratings Triggers

(PPL, LKE, LG&E and KU)

Various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, interest rate and foreign currency instruments (for PPL), contain provisions that require the posting of additional collateral or permit the counterparty to terminate the contract, if PPL's, LKE's, LG&E's or KU's or their subsidiaries' credit rating, as applicable, were to fall below investment grade. See Note 14 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral requirements for PPL, LKE and LG&E for derivative contracts in a net liability position at June 30, 2015.

(All Registrants)

For additional information on the Registrants' liquidity and capital resources, see "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Registrants' 2014 Form 10-K.

Risk Management

Market Risk

(All Registrants)

See Notes 13 and 14 to the Financial Statements for information about the Registrants' risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These disclosures are not precise indicators of expected future losses, but only indicators of possible losses under normal market conditions at a given confidence level.

Interest Rate Risk

The Registrants and their subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. The Registrants and their subsidiaries utilize various financial derivative instruments to adjust the mix of fixed and floating interest rates in their debt portfolios, adjust the duration of their debt portfolios and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under the risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolios due to changes in the absolute level of interest rates.

The following interest rate hedges were outstanding at June 30, 2015.

	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through
PPL				
Cash flow hedges				
Interest rate swaps (c)	$ 1,300	$ (59)	$ (52)	2045
Cross-currency swaps (d)	1,262	63	(159)	2028
Economic hedges				
Interest rate swaps (e)	179	(45)	(3)	2033
LKE				
Cash flow hedges				
Interest rate swaps (c)	1,000	(46)	(44)	2045
Economic hedges				
Interest rate swaps (e)	179	(45)	(3)	2033
LG&E				
Cash flow hedges				
Interest rate swaps (c)	500	(23)	(22)	2045
Economic hedges				
Interest rate swaps (e)	179	(45)	(3)	2033
KU				
Cash flow hedges				
Interest rate swaps (c)	500	(23)	(22)	2045

(a) Includes accrued interest, if applicable.
(b) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability. Sensitivities represent a 10% adverse movement in interest rates, except for cross-currency swaps which also includes foreign currency exchange rates.
(c) Changes in the fair value of such cash flow hedges are recorded in equity or as regulatory assets or regulatory liabilities, if recoverable through regulated rates, and reclassified into earnings in the same period during which the item being hedged affects earnings.
(d) Cross-currency swaps are utilized to hedge the principal and interest payments of WPD's U.S. dollar-denominated senior notes. Changes in the fair value of these instruments are recorded in equity and reclassified into earnings in the same period during which the item being hedged affects earnings.
(e) Realized changes in the fair value of such economic hedges are recoverable through regulated rates and any subsequent changes in the fair value of these derivatives are included in regulatory assets or regulatory liabilities.

The Registrants are exposed to a potential increase in interest expense and to changes in the fair value of their debt portfolios. The estimated impact of a 10% adverse movement in interest rates on interest expense at June 30, 2015 was insignificant for PPL, PPL Electric, LKE, LG&E and KU. The estimated impact of a 10% adverse movement in interest rates on the fair value of debt at June 30, 2015 is shown below.

	10% Adverse Movement in Rates
PPL	$ 630
PPL Electric	131
LKE	135
LG&E	43
KU	81

Foreign Currency Risk (PPL)

PPL is exposed to foreign currency risk primarily through investments in U.K. affiliates. Under its risk management program, PPL may enter into financial instruments to hedge certain foreign currency exposures, including translation risk of expected earnings, firm commitments, recognized assets or liabilities, anticipated transactions and net investments.

The following foreign currency hedges were outstanding at June 30, 2015.

	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Maturities Ranging Through
Net investment hedges (b)	£ 134	$ 12	$ (21)	2016
Economic hedges (c)	1,571	61	(230)	2017

(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.
(c) To economically hedge the translation of expected earnings denominated in GBP to U.S. dollars.

Commodity Price Risk (Non-trading)

(PPL, LKE, LG&E and KU)

LG&E's and KU's retail electric and natural gas rates and municipal wholesale electric 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 their business operations. LG&E and KU sell 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 14 to the Financial Statements for additional information.

(PPL and PPL Electric)

PPL Electric is exposed to market price and volumetric risks from its obligation as a 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.

Credit Risk *(All Registrants)*

See Notes 13 and 14 to the Financial Statements in this Form 10-Q and "Risk Management - Credit Risk" in the Registrants' 2014 Form 10-K for additional information.

Foreign Currency Translation *(PPL)*

The value of the British pound sterling fluctuates in relation to the U.S. dollar. Changes in this exchange rate resulted in a foreign currency translation loss of $149 million for the six months ended June 30, 2015, which primarily reflected a $376 million decrease to PP&E and goodwill offset by a decrease of $227 million to net liabilities. Changes in this exchange rate resulted in a foreign currency translation gain of $140 million for the six months ended June 30, 2014, which primarily reflected a $349 million increase to PP&E and goodwill offset by an increase of $209 million to net liabilities. The impact of foreign currency translation is recorded in AOCI.

Related Party Transactions *(All Registrants)*

The Registrants are not aware of any material ownership interests or operating responsibility by senior management in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with the Registrants. See Note 11 to the Financial Statements for additional information on related party transactions for PPL Electric, LKE, LG&E and KU.

Acquisitions, Development and Divestitures

(All Registrants)

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with the projects, sell, cancel or expand them, execute tolling agreements or pursue other options. See Note 8 to the Financial Statements for information on the more significant activities.

(PPL)

See Note 8 to the Financial Statements for information on the spinoff of PPL Energy Supply.

Environmental Matters

(All Registrants)

Extensive federal, state and local environmental laws and regulations are applicable to PPL's, LKE's, LG&E's and KU's air emissions, water discharges and the management of hazardous and solid waste, as well as other aspects of the Registrants' businesses. The cost of compliance or alleged non-compliance cannot be predicted with certainty but could be significant. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed. Costs may take the form of increased capital expenditures or operating and maintenance expenses, monetary fines, penalties or other restrictions. Many of these environmental law considerations are also applicable to the operations of key suppliers, or customers, such as coal producers and industrial power users, and may impact the cost for their products or their demand for the Registrants' services. Increased capital and operating costs are subject to rate recovery. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

The following is a discussion of the more significant environmental matters. See Note 10 to the Financial Statements and "Item 1. Business - Environmental Matters" in the Registrants' 2014 Form 10-K for additional information on environmental matters.

Climate Change

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, as applicable, to the Registrants' generation assets, electricity transmission and delivery systems, as well as impacts on the Registrants' customers. In addition, changed weather patterns could potentially reduce annual rainfall in areas where PPL, LKE, LG&E and KU have hydroelectric generating facilities or where river water is used to cool their fossil powered generators, as applicable. The Registrants cannot currently predict whether their businesses will experience these potential risks or estimate the cost of their related consequences.

In June 2013, President Obama released his Climate Action Plan which reiterates the goal of reducing GHG emissions in the U.S. through such actions as regulating power plant emissions, promoting increased use of renewables and clean energy technology, and establishing more restrictive energy efficiency standards. Additionally, the Climate Action Plan calls for the U.S. to prepare for the impacts of climate change. Requirements related to this plan could affect the Registrants and others in the industry as modifications may be needed to electricity delivery systems to improve the ability to withstand major storms in order to meet those requirements. As further described below, the EPA has proposed rules pursuant to this directive for both new power plants and existing power plants, which it expects to finalize in the third quarter of 2015. The EPA has also announced that it will develop a federal implementation plan which would apply to any states that fail to submit an acceptable state implementation plan under these rules. The EPA's authority to promulgate these regulations under Section 111 of the Clean Air Act when the sources are already regulated under Section 112 is under challenge in the D.C. Circuit Court. Oral arguments were heard on April 16, 2015.

The EPA's proposal for new power plants was issued in January 2014. The proposed limits for coal-fired plants can only be achieved through carbon capture and sequestration, a technology that is not presently commercially viable and, therefore, effectively preclude the construction of new coal-fired plants. The proposed standards for new gas-fired plants may also not be continuously achievable. The preclusion of new coal-fired plants and the compliance difficulties posed for new gas-fired plants could have a significant industry-wide impact.

The EPA's proposal for existing power plants was issued in June 2014. The existing plant proposal contains stringent, state-specific rate-based reduction goals to be achieved in two phases (2020-2029 and 2030 and beyond). The EPA believes it has offered some flexibility to the states as to how state compliance plans can be crafted, including the option to demonstrate compliance on a mass basis and through multi-state collaborations. The EPA is also proposing potential state plan extensions based on the type of plan filed (single or multi-state). LG&E and KU have analyzed the proposal and identified potential impacts and solutions in comments filed in December 2014. PPL also submitted Supplemental Comments to FERC through EEI, advocating for reliability coordination and relief in response to technical conferences hosted by FERC on the reliability implications of implementing this rule. LG&E and KU are also working closely with state regulators in the development of Kentucky's state implementation plan. The regulation of carbon dioxide emissions from existing plants could have a significant industry-wide impact depending on the structure and stringency of the final rule and state implementation plans.

Waters of the United States (WOTUS)

On May 27, 2015, the EPA released a final rule on the definition of WOTUS. Although the rule was meant to clarify which streams and other bodies of water fall under the jurisdiction of EPA and the Army Corps of Engineers under the Clean Water Act, significant ambiguity remains. The Registrants do not currently expect the rule to have a significant impact on their operations. Until such time as ongoing litigation is complete, however, the Registrants are unable to predict the impact of the rule which could be substantial and include significant project delays and added costs, as permits and other regulatory requirements may be imposed for many activities presently not covered by permitting requirements (including vegetation management for transmission lines and activities affecting storm water conveyances and wetlands). However, these costs are subject to rate recovery.

(PPL, LKE, LG&E and KU)

Coal Combustion Residuals (CCRs)

On April 17, 2015, the EPA published its final rule regulating CCRs. CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. The rule will become effective on October 14, 2015. It imposes extensive new requirements, including location restrictions, design and operating standards, groundwater monitoring and corrective action requirements and closure and post-closure care requirements on CCR impoundments and landfills that are located on active power plants and not closed. Under the rule, the EPA will regulate CCRs as non-hazardous under Subtitle D of RCRA and allow beneficial use of CCRs, with some restrictions. This self-implementing rule requires posting of compliance documentation on a publicly accessible website and is enforceable through citizen suits. LG&E's and KU's plants using surface impoundments for management and disposal of CCRs will be most impacted by this rule. The rule's requirements for covered CCR impoundments and landfills include commencement or completion of closure activities generally between three and ten years from certain triggering events. PPL, LKE, LG&E and KU also anticipate incurring capital or operation and maintenance costs prior to that time to address other provisions of the rule, such as groundwater monitoring and disposal facility modifications or closings, or to implement various compliance strategies.

In connection with the final CCR rule, LG&E and KU recorded increases to existing AROs during the second quarter of 2015. See Note 16 for additional information. Further increases to AROs or changes to current capital plans or to operating costs may be required as estimates are refined based on closure developments, groundwater monitoring results and regulatory or legal proceedings. Costs relating to this rule are subject to rate recovery.

Effluent Limitation Guidelines (ELGs)

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 ELGs contain requirements that would affect the inspection and operation of CCR facilities, if finalized as proposed. The proposal contains alternative approaches, some of which could impose significant costs on LG&E's and KU's coal-fired plants. The final regulation is expected to be issued by the fourth quarter of 2015. At the present time, PPL, LKE, LG&E and KU are unable to estimate a range of reasonably possible costs, but the costs could be significant. Pending finalization of the ELGs, certain states (including Kentucky) and environmental groups 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. Costs to comply with ELGs or technology-based limits are subject to rate recovery.

Mercury and Air Toxics Standards (MATS)

In February 2012, the EPA finalized the MATS rule requiring reductions of mercury and other hazardous air pollutants from fossil-fuel fired power plants, with an effective date of April 16, 2012. The MATS rule was challenged by industry groups and states and was upheld by the U.S. Court of Appeals for the D.C. Circuit Court (D.C. Circuit Court) in April 2014. A group of states subsequently petitioned the U.S. Supreme Court (Supreme Court) to review this decision and on June 29, 2015, the Supreme Court held that the EPA failed to properly consider costs when deciding to regulate hazardous air emissions from power plants under MATS. The Court remanded the matter to the D.C. Circuit Court. EPA's MATS rule remains in effect pending action by the D.C. Circuit Court. It is uncertain whether the D.C. Circuit Court will vacate the MATS rule, remand the rule to the EPA, or require further proceedings or actions.

LG&E and KU have installed significant controls in connection with the MATS rule and in conjunction with compliance with other environmental requirements, including fabric-filter baghouses, upgraded FGDs or chemical additive systems for which appropriate KPSC authorization and/or ECR treatment has been received. PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact, if any, on plant operations, rate treatment or future capital or operating needs.

National Ambient Air Quality Standards (NAAQS)

In 2008, the EPA revised the NAAQS for ozone and proposed to further strengthen the standard in November 2014.The EPA is required under court order to finalize the standard by October 1, 2015. States are also obligated to address interstate transport issues associated with new ozone standards through the establishment of "good neighbor" state implementation plans for those states that are found to contribute significantly to another states' non-attainment. States that are not in the ozone transport region, including Kentucky, are working together to evaluate further nitrogen oxide reductions from fossil-fueled plants with SCRs. The nature and timing of any additional reductions resulting from these evaluations cannot be predicted at this time.

In 2010, the EPA finalized revised NAAQS for sulfur dioxide and required states to identify areas that meet those standards and areas that are in "non-attainment". In July 2013, the EPA finalized non-attainment designations for parts of the country, including part of Jefferson County in Kentucky. Attainment must be achieved by 2018. PPL, LKE, LG&E and KU anticipate that some of the measures required for compliance with Clean Air Act regulations governing attainment of ozone or particulates standards, such as upgraded or new sulfur dioxide scrubbers at certain plants and the previously announced retirement of coal-fired generating units, at LG&E's Cane Run plant and KU's Green River and Tyrone plants, will help to achieve compliance with the new sulfur dioxide standard. If additional reductions were to be required, the costs could be significant. Such costs are subject to rate recovery.

New Accounting Guidance *(All Registrants)*

See Notes 2 and 18 to the Financial Statements for a discussion of new accounting guidance adopted and pending adoption.

Application of Critical Accounting Policies *(All Registrants)*

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following table summarizes the accounting policies by Registrant that are particularly important to an understanding of the reported financial condition or results of operations, and require management to make estimates or other judgments of matters that are inherently uncertain. See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Registrants' 2014 Form 10-K for a discussion of each critical accounting policy.

	PPL	PPL Electric	LKE	LG&E	KU
Defined Benefits	X	X	X	X	X
Loss Accruals	X	X	X	X	X
Income Taxes	X	X	X	X	X
Asset Impairments (Excluding Investments)	X		X	X	X
AROs	X		X	X	X
Price Risk Management	X		X	X	X
Regulatory Assets and Liabilities	X	X	X	X	X
Revenue Recognition - unbilled revenue		X	X	X	X

PPL Corporation
PPL Electric Utilities Corporation
LG&E and KU Energy LLC
Louisville Gas and Electric Company
Kentucky Utilities Company

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Reference is made to "Risk Management" in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The Registrants' principal executive officers and principal financial officers, based on their evaluation of the Registrants' disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) have concluded that, as of June 30, 2015, the Registrants' disclosure controls and procedures are effective to ensure that material information relating to the Registrants and their consolidated subsidiaries is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, particularly during the period for which this quarterly report has been prepared. The aforementioned principal officers have concluded that the disclosure controls and procedures are also effective to ensure that information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive and principal financial officers, to allow for timely decisions regarding required disclosure.

(b) Change in internal controls over financial reporting.

The Registrants' principal executive officers and principal financial officers have concluded that there were no changes in the Registrants' internal control over financial reporting during the Registrants' second fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrants' internal control over financial reporting.

PPL Corporation

Following the announcement of the transaction to spin off PPL Energy Supply, LLC to form Talen Energy, management determined the appropriate staffing for Talen Energy and for PPL and its subsidiaries. During the six months ended June 30, 2015, staffing changes, including the consolidation of certain positions and transition of responsibilities, resulted in changes in certain individuals responsible for executing internal controls. However, changes to system applications, business processes and the associated internal controls were not significant. Management has taken steps to minimize the risk from the changes in individuals executing internal controls.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding pending administrative and judicial proceedings involving regulatory, environmental and other matters, which information is incorporated by reference into this Part II, see:

- "Item 3. Legal Proceedings" in each Registrant's 2014 Form 10-K; and
- Notes 6 and 10 to the Financial Statements.

Item 1A. Risk Factors

There have been no material changes in the Registrants' risk factors from those disclosed in "Item 1A. Risk Factors" of the Registrants' 2014 Form 10-K, except that as a result of the June 1, 2015 spinoff by PPL of PPL Energy Supply, the risk factors disclosed under the heading "Risks Related to Supply Segment" at pages 26 through 31 of the Registrants' 2014 Form 10-K are no longer applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchase of Equity Securities during the Second Quarter of 2015:

	(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
April 1 to April 30, 2015	18,576	$33.66		
May 1 to May 31, 2015				
June 1 to June 30, 2015	18,569	$34.77		
Total	37,145	$34.21		

(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 Incentive Compensation Plan and Incentive Compensation Plan for Key Employees.

Item 4. Mine Safety Disclosures

Not applicable.

Item 6. Exhibits

The following Exhibits indicated by an asterisk preceding the Exhibit number are filed herewith. The balance of the Exhibits has heretofore been filed with the Commission and pursuant to Rule 12(b)-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, 2015 (Exhibit 3(i) to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 27, 2015)
3(b)	- Bylaws of PPL Corporation, effective as of May 21, 2015 (Exhibit 3(ii) to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 27, 2015)
*4(a)	- Amendment No. 11 to the PPL Employee Stock Ownership Plan, dated May 11, 2015
[_]10(a)	- Form of Retention Agreement, dated May 6, 2015, among PPL Corporation, PPL Services Corporation and Robert J. Grey (Exhibit 99.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 7, 2015)
[_]10(b)	- Form of Grant Letter dated May 29, 2015 (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated June 1, 2015)
*12(a)	- PPL Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(b)	- PPL Electric Utilities Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(c)	- LG&E and KU Energy LLC and Subsidiaries Computation of Ratio of Earnings to Fixed Charges
*12(d)	- Louisville Gas and Electric Company Computation of Ratio of Earnings to Fixed Charges
*12(e)	- Kentucky Utilities Company Computation of Ratio of Earnings to Fixed Charges

Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended June 30, 2015, filed by the following officers for the following companies:

*31(a)	- PPL Corporation's principal executive officer
*31(b)	- PPL Corporation's principal financial officer
*31(c)	- PPL Electric Utilities Corporation's principal executive officer
*31(d)	- PPL Electric Utilities Corporation's principal financial officer
*31(e)	- LG&E and KU Energy LLC's principal executive officer
*31(f)	- LG&E and KU Energy LLC's principal financial officer
*31(g)	- Louisville Gas and Electric Company's principal executive officer
*31(h)	- Louisville Gas and Electric Company's principal financial officer
*31(i)	- Kentucky Utilities Company's principal executive officer
*31(j)	- Kentucky Utilities Company's principal financial officer

Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended June 30, 2015, furnished by the following officers for the following companies:

*32(a)	- PPL Corporation's principal executive officer and principal financial officer
*32(b)	- PPL Electric Utilities Corporation's principal executive officer and principal financial officer
*32(c)	- LG&E and KU Energy LLC's principal executive officer and principal financial officer
*32(d)	- Louisville Gas and Electric Company's principal executive officer and principal financial officer
*32(e)	- Kentucky Utilities Company's principal executive officer and principal financial officer

101.INS	- XBRL Instance Document
101.SCH	- XBRL Taxonomy Extension Schema
101.CAL	- XBRL Taxonomy Extension Calculation Linkbase
101.DEF	- XBRL Taxonomy Extension Definition Linkbase
101.LAB	- XBRL Taxonomy Extension Label Linkbase
101.PRE	- XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiaries.

PPL Corporation
(Registrant)

Date: August 3, 2015

/s/ Stephen K. Breininger
Stephen K. Breininger
Vice President and Controller
(Principal Accounting Officer)

PPL Electric Utilities Corporation
(Registrant)

Date: August 3, 2015

/s/ Dennis A. Urban, Jr.
Dennis A. Urban, Jr.
Controller
(Principal Financial Officer and Principal Accounting Officer)

LG&E and KU Energy LLC
(Registrant)

Louisville Gas and Electric Company
(Registrant)

Kentucky Utilities Company
(Registrant)

Date: August 3, 2015

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 4(a)

AMENDMENT NO. 11
TO
PPL EMPLOYEE STOCK OWNERSHIP PLAN

WHEREAS, PPL Services Corporation ("PPL") has adopted the PPL Employee Stock Ownership Plan ("Plan") effective January 1, 2000; and

WHEREAS, the Plan was amended and restated effective January 1, 2002, and subsequently amended by Amendment No. 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10; and

NOW, THEREFORE, the Plan is hereby amended as follows:

I. Effective April 10, 2015, Article V Allocation is amended to read as follows:

Article V
Allocation

5.3 Allocation of Earnings.

(a) Any cash dividends paid prior to July 1, 2003 with respect to Stock that is allocated to a Participant's Account as of the record date of such dividend shall be paid no later than 90 days after the close of the Plan Year to the Participant in cash either by the Trustee or directly by PPL, a Participating Company or PPL Corporation.

(b) Any cash dividends paid on or after July 1, 2003 with respect to Stock that is allocated to a Participant's Account as of the record date of such dividend shall be, as elected by the Participant in the manner and at the time prescribed by the Employee Benefit Plan Board, (1) distributed in cash to the Participant as soon as administratively practicable following the date such dividend is paid by PPL Corporation (but in no event later than 90 days after the close of the Plan Year in which such dividend is paid by PPL Corporation) or (2) credited to the Participant's Account and invested in additional Stock. Dividends that are invested in Stock in the Plan pursuant to an election under section 404(k)(A)(iii) of the Code shall be treated as earnings under the Plan. Pursuant to rules established by the Employee Benefit Plan Board, a Participant's failure to elect either a cash distribution or investment in Stock shall be deemed an election of cash distribution.

(c) Effective July 1, 2003, any non-cash distributions paid with respect to Stock allocated to a Participant's Account shall be credited to the Participant's Account and invested in additional Stock and treated as earnings under the Plan.

The initial deposit of non-cash dividends to the Trust shall commence a blackout of any and all distribution activity under Article VII with respect to such non-cash dividends until such time as the Employee Benefit Plan Board specifies the blackout shall end. The allocable share of non-cash dividends for each Participant's account shall be established in a temporary sub-account which shall have no distributions permitted. The sub-accounts shall be liquidated and reinvested in stock in an orderly manner, and such sub-accounts, when allocated their allocable share of the stock purchased by reinvestment of non-cash dividends, shall be merged into the Participant's accounts when the blackout ends. Article VII distributions for the Participant's full account, including the additional stock from the merged sub-account, shall be permitted as of the date the blackout ends. During the blackout, only that portion of the Participant's account which is not in the temporary sub-account may have distributions described in Article VII.

II. Except as provided in this Amendment No. 11, all other provisions of the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, this Amendment No. 11 is executed this ____day of _____________, 2015.

Employee Benefit Plan Board

By: ___________________________________
Julissa Burgos
Chair, Employee Benefit Plan Board

Exhibit 12(a)

PPL CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	6 Months Ended June 30, 2015(a)	Years Ended December 31, (a)				
		2014	2013	2012	2011	2010
Earnings, as defined:						
Income from Continuing Operations Before Income Taxes	**$ 1,090**	$ 2,129	$ 1,728	$ 1,406	$ 922	$ 321
Adjustment to reflect earnings from equity method investments on a cash basis (b)	**(2)**			34		
	1,088	2,129	1,728	1,440	922	321
Total fixed charges as below	**590**	1,095	1,096	1,065	1,022	698
Less:						
Capitalized interest	**8**	11	11	6	4	
Preferred security distributions of subsidiaries on a pre-tax basis				5	23	21
Interest expense and fixed charges related to discontinued operations	**150**	186	235	235	231	255
Total fixed charges included in Income from Continuing Operations Before Income Taxes	**432**	898	850	819	764	422
Total earnings	**$ 1,520**	$ 3,027	$ 2,578	$ 2,259	$ 1,686	$ 743
Fixed charges, as defined:						
Interest charges (c)	**$ 586**	$ 1,073	$ 1,058	$ 1,019	$ 955	$ 637
Estimated interest component of operating rentals	**4**	22	38	41	44	39
Preferred security distributions of subsidiaries on a pre-tax basis				5	23	21
Fixed charges of majority-owned share of 50% or less-owned persons						1
Total fixed charges (d)	**$ 590**	$ 1,095	$ 1,096	$ 1,065	$ 1,022	$ 698
Ratio of earnings to fixed charges	**2.6**	2.8	2.4	2.1	1.7	1.1
Ratio of earnings to combined fixed charges and preferred stock dividends (e)	**2.6**	2.8	2.4	2.1	1.7	1.1

(a) All periods reflect PPL's Supply segment as Discontinued Operations. See Note 8 to the Financial Statements for additional information.
(b) Includes other-than-temporary impairment loss of $25 million in 2012.
(c) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.
(d) Interest on unrecognized tax benefits is not included in fixed charges.
(e) PPL, the parent holding company, does not have any preferred stock outstanding; therefore, the ratio of earnings to combined fixed charges and preferred stock dividends is the same as the ratio of earnings to fixed charges.

Exhibit 12(b)

PPL ELECTRIC UTILITIES CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	6 Months Ended June 30, 2015	Years Ended December 31, 2014	2013	2012	2011	2010
Earnings, as defined:						
Income Before Income Taxes	**$ 231**	$ 423	$ 317	$ 204	$ 257	$ 192
Total fixed charges as below	**69**	131	117	107	105	102
Total earnings	**$ 300**	$ 554	$ 434	$ 311	$ 362	$ 294
Fixed charges, as defined:						
Interest charges (a)	**$ 67**	$ 127	$ 113	$ 104	$ 102	$ 101
Estimated interest component of operating rentals	**2**	4	4	3	3	1
Total fixed charges (b)	**$ 69**	$ 131	$ 117	$ 107	$ 105	$ 102
Ratio of earnings to fixed charges	**4.3**	4.2	3.7	2.9	3.4	2.9
Preferred stock dividend requirements on a pre-tax basis				$ 6	$ 21	$ 23
Fixed charges, as above	**$ 69**	$ 131	$ 117	107	105	102
Total fixed charges and preferred stock dividends	**$ 69**	$ 131	$ 117	$ 113	$ 126	$ 125
Ratio of earnings to combined fixed charges and preferred stock dividends	**4.3**	4.2	3.7	2.8	2.9	2.4

(a) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.
(b) Interest on unrecognized tax benefits is not included in fixed charges.

Exhibit 12(c)

LG&E AND KU ENERGY LLC AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Successor (a)						Predecessor (b)
	6 Months Ended Jun. 30, 2015	**Year Ended Dec. 31, 2014**	**Year Ended Dec. 31, 2013**	**Year Ended Dec. 31, 2012**	**Year Ended Dec. 31, 2011**	**2 Months Ended Dec. 31, 2010**	**10 Months Ended Oct. 31, 2010**
Earnings, as defined:							
Income from Continuing Operations Before Income Taxes	**$ 298**	$ 553	$ 551	$ 331	$ 419	$ 70	$ 300
Adjustment to reflect earnings from equity method investments on a cash basis (c)	**(2)**	(1)	(1)	33	(1)		(4)
Mark to market impact of derivative instruments						2	(20)
	296	552	550	364	418	72	276
Total fixed charges as below	**89**	173	151	157	153	25	158
Total earnings	**$ 385**	$ 725	$ 701	$ 521	$ 571	$ 97	$ 434
Fixed charges, as defined:							
Interest charges (d) (e)	**$ 85**	$ 167	$ 145	$ 151	$ 147	$ 24	$ 153
Estimated interest component of operating rentals	**4**	6	6	6	6	1	5
Total fixed charges	**$ 89**	$ 173	$ 151	$ 157	$ 153	$ 25	$ 158
Ratio of earnings to fixed charges	**4.3**	4.2	4.6	3.3	3.7	3.9	2.7

(a) Post-acquisition activity covering the time period after October 31, 2010.
(b) Pre-acquisition activity covering the time period prior to November 1, 2010.
(c) Includes other-than-temporary impairment loss of $25 million in 2012.
(d) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.
(e) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(d)

LOUISVILLE GAS AND ELECTRIC COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Successor (a)						Predecessor (b)
	6 Months Ended Jun. 30, 2015	**Year Ended Dec. 31, 2014**	**Year Ended Dec. 31, 2013**	**Year Ended Dec. 31, 2012**	**Year Ended Dec. 31, 2011**	**2 Months Ended Dec. 31, 2010**	**10 Months Ended Oct. 31, 2010**
Earnings, as defined:							
Income Before Income Taxes	**$ 143**	**$ 272**	$ 257	$ 192	$ 195	$ 29	$ 167
Mark to market impact of derivative instruments						1	(20)
	143	**272**	257	192	195	30	147
Total fixed charges as below	**28**	**51**	36	44	46	8	40
Total earnings	**$ 171**	**$ 323**	$ 293	$ 236	$ 241	$ 38	$ 187
Fixed charges, as defined:							
Interest charges (c) (d)	**$ 26**	**$ 49**	$ 34	$ 42	$ 44	$ 8	$ 38
Estimated interest component of operating rentals	**2**	**2**	2	2	2		2
Total fixed charges	**$ 28**	**$ 51**	$ 36	$ 44	$ 46	$ 8	$ 40
Ratio of earnings fixed charges	**6.1**	**6.3**	8.1	5.4	5.2	4.8	4.7

(a) Post-acquisition activity covering the time period after October 31, 2010.
(b) Pre-acquisition activity covering the time period prior to November 1, 2010.
(c) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.
(d) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(e)

KENTUCKY UTILITIES COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Successor (a)						Predecessor (b)
	6 Months Ended Jun. 30, 2015	**Year Ended Dec. 31, 2014**	**Year Ended Dec. 31, 2013**	**Year Ended Dec. 31, 2012**	**Year Ended Dec. 31, 2011**	**2 Months Ended Dec. 31, 2010**	**10 Months Ended Oct. 31, 2010**
Earnings, as defined:							
Income Before Income Taxes	**$ 188**	**$ 355**	$ 360	$ 215	$ 282	$ 55	$ 218
Adjustment to reflect earnings from equity method investments on a cash basis (c)	**(2)**	**(1)**	(1)	33	(1)		(4)
	186	**354**	359	248	281	55	214
Total fixed charges as below	**40**	**80**	73	72	73	11	71
Total earnings	**$ 226**	**$ 434**	$ 432	$ 320	$ 354	$ 66	$ 285
Fixed charges, as defined:							
Interest charges (d)	**$ 38**	**$ 77**	$ 70	$ 69	$ 70	$ 10	$ 69
Estimated interest component of operating rentals	**2**	**3**	3	3	3	1	2
Total fixed charges	**$ 40**	**$ 80**	$ 73	$ 72	$ 73	$ 11	$ 71
Ratio of earnings to fixed charges	**5.7**	**5.4**	5.9	4.4	4.8	6.0	4.0

(a) Post-acquisition activity covering the time period after October 31, 2010.
(b) Pre-acquisition activity covering the time period prior to November 1, 2010.
(c) Includes other-than-temporary impairment loss of $25 million in 2012.
(d) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

CERTIFICATION

I, WILLIAM H. SPENCE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2015

/s/ William H. Spence
William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

CERTIFICATION

I, VINCENT SORGI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2015

/s/ Vincent Sorgi
Vincent Sorgi
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

CERTIFICATION

I, GREGORY N. DUDKIN, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2015

/s/ Gregory N. Dudkin
Gregory N. Dudkin
President
(Principal Executive Officer)
PPL Electric Utilities Corporation

CERTIFICATION

I, DENNIS A. URBAN, JR., certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2015

/s/ Dennis A. Urban, Jr.
Dennis A. Urban, Jr.
Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2015

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
LG&E and KU Energy LLC

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2015

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
LG&E and KU Energy LLC

Exhibit 31(g)

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2015

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Louisville Gas and Electric Company

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2015

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Louisville Gas and Electric Company

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kentucky Utilities Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2015

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Kentucky Utilities Company

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kentucky Utilities Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2015

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Kentucky Utilities Company

Exhibit 32(a)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2015

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended June 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, William H. Spence, the Principal Executive Officer of the Company, and Vincent Sorgi, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2015

/s/ William H. Spence
William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

/s/ Vincent Sorgi
Vincent Sorgi
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ELECTRIC UTILITIES CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2015

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended June 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Gregory N. Dudkin, the Principal Executive Officer of the Company, and Dennis A. Urban, Jr., the Principal Financial Officer and Principal Accounting Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2015

/s/ Gregory N. Dudkin
Gregory N. Dudkin
President
(Principal Executive Officer)
PPL Electric Utilities Corporation

/s/ Dennis A. Urban, Jr.
Dennis A. Urban, Jr.
Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(c)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LG&E AND KU ENERGY LLC'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2015

In connection with the quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "Company") for the quarter ended June 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2015

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
LG&E and KU Energy LLC

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
LG&E and KU Energy LLC

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(d)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LOUISVILLE GAS AND ELECTRIC COMPANY'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2015

In connection with the quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "Company") for the quarter ended June 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2015

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Louisville Gas and Electric Company

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Louisville Gas and Electric Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(e)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR KENTUCKY UTILITIES COMPANY'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2015

In connection with the quarterly report on Form 10-Q of Kentucky Utilities Company (the "Company") for the quarter ended June 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2015

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Kentucky Utilities Company

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Kentucky Utilities Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

FORM 8-K

LOUISVILLE GAS & ELECTRIC CO /KY/ - N/A

Filed: July 01, 2015 (period: June 30, 2015)

Report of unscheduled material events or corporate changes.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 30, 2015

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
333-173665	**LG&E and KU Energy LLC** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-2893	**Louisville Gas and Electric Company** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150
1-3464	**Kentucky Utilities Company** (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 7 - Regulation FD

Item 7.01 Regulation FD Disclosure

A copy of the Companies' (as defined below) below-described press release is furnished as Exhibit 99.1 to this report.

Section 8 - Other Events

Item 8.01 Other Events

On June 30, 2015, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU" and, together with LG&E, the "Companies") issued a press release announcing that the Kentucky Public Service Commission ("KPSC") has approved the unanimous settlement agreement in the Companies' rate increase proceedings. The settlement agreement was previously announced on April 21, 2015. The rate changes become effective on July 1, 2015.

The order provides for increases of $125 million in the annual revenue requirement associated with KU base electric rates and $7 million in the annual revenue requirement associated with LG&E base gas rates. The annual revenue requirement associated with base electric rates at LG&E will not increase. No return on equity was established for base rates. The order, however, authorizes a 10% return on equity with respect to the Companies' environmental cost recovery and gas line tracker rate mechanisms. The order also provides for deferred recovery of portions of certain pension-related and certain plant-related costs.

Section 9 - Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

99.1 - Press Release dated June 30, 2015 of Louisville Gas and Electric Company and Kentucky Utilities Company.

Statements in this report and the accompanying press release, including statements with respect to future events and their timing, including the Companies' future rates, rate mechanisms or returns on equity ultimately authorized or achieved, as well as statements as to future costs or expenses, regulation, corporate strategy and performance, are "forward-looking statements" within the meaning of the federal securities laws. Although the Companies believe that the expectations and assumptions reflected in these forward-looking statements are reasonable, these expectations, assumptions and statements are subject to a number of risks and uncertainties, and actual results may differ materially from the results discussed in the statements. The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: subsequent phases of rate relief and regulatory cost recovery; market demand and prices for electricity; political, regulatory or economic conditions in states and regions where the Companies conduct business; and the progress of actual construction, purchase or repair of assets or operations subject to tracker mechanisms. Any such forward-looking statements should be considered in light of such important factors and in conjunction with PPL Corporation's, LG&E and KU Energy LLC's and the Companies' Form 10-K and other reports on file with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

PPL CORPORATION

By: /s/ Stephen K. Breininger
Stephen K. Breininger
Vice President and Controller

LG&E AND KU ENERGY LLC

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

LOUISVILLE GAS AND ELECTRIC COMPANY

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

KENTUCKY UTILITIES COMPANY

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

Dated: July 1, 2015

Exhibit 99.1

Media Contact: Chris Whelan
24-hour media hotline:
1-888-627-4999

June 30, 2015

KPSC approves settlement reached in LG&E and KU rate cases
New rates for KU electric and LG&E natural gas customers to take effect July 1

(LOUISVILLE, Ky.) — Stating that the unanimous settlement agreement reached by the parties to the LG&E and KU rates cases was "fair, just and reasonable," the Kentucky Public Service Commission today announced its approval to increase base rates for KU electric and LG&E natural gas customers.

While the monthly basic service charge will remain unchanged, the per-kilowatt charge will be modified to provide additional annual cost-recovery revenues of $125 million for KU, incorporating costs associated with the new 640-megawatt natural gas combined-cycle generating plant at the companies' Cane Run site, among other investments. KU owns 78 percent of that facility, with LG&E owning the remaining 22 percent.

"We are pleased to receive the commission's approval of this case," said Ed Staton, vice president of State Regulation and Rates. "Each of the parties was willing to compromise to develop a unanimous settlement that was fair, just and reasonable and the commission acknowledged the importance of that agreement."

The settlement agreement provides no increase in revenues for LG&E's electric operations and a $7 million increase in LG&E's gas operations.

A residential LG&E electric customer, using an average of 984 kWh per month, will see a 10 cent decrease in their overall monthly bill. A residential LG&E natural gas customer, using an average of 57 Ccf per month, will see an increase of $1.23 per month. A KU residential customer, using an average of 1,200 kWh per month, will see an increase of $8.98 per month.

The settlement does not attach specific dollars or concessions to any particular issue in the case, but provides an overall settlement that, on balance, is a fair, just and reasonable result. No return on equity was established with respect to base rates; however, the average customer's monthly bill will reflect an authorized 10 percent return on equity investment related to the environmental cost recovery mechanism and the gas line tracker mechanism. The settlement agreement also provides for deferred cost recovery of a portion of the costs associated with pensions and KU's Green River plant which is currently scheduled to be retired in April 2016.

In addition to LG&E and KU, parties to the unanimous settlement agreement included: the Attorney General of the Commonwealth of Kentucky; the Kentucky Industrial Utilities Customers; the Lexington-Fayette Urban County Government; the Kroger Company; the Community Action Council of Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties; Kentucky Cable Telecommunications Association; Kentucky School Boards Association; Sierra Club; Wal-Mart Stores East, LP and Sam's East; Association of Community Ministries; and Metropolitan Housing Coalition.

LG&E and KU also agreed to a minimum annual contribution of shareholder funds of $1.15 million to low-income programs. The current Home Energy Assistance program also will become a permanent program under the companies' tariffs and maintain its current rate of 25 cents per meter.

The agreement also provides for an extension of the collection period for residential customer deposits from four to six months. Additionally, LG&E and KU have agreed to develop an energy efficiency filing for Kentucky's school districts and reaffirmed their commitment to study the feasibility of energy efficiency programs for industrial customers.

Customers will notice the adjustments on their bills beginning July 1.

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Louisville Gas and Electric Company and Kentucky Utilities Company, part of the PPL Corporation (NYSE: PPL) family of companies, are regulated utilities that serve a total of 1.2 million customers and have consistently ranked among the best companies for customer service in the United States. LG&E serves 321,000 natural gas and 400,000 electric customers in Louisville and 16 surrounding counties. Kentucky Utilities serves 543,000 customers in 77

Kentucky counties and five counties in Virginia. More information is available at www.lge-ku.com *and* www.pplweb.com*.*

FORM 8-K

LOUISVILLE GAS & ELECTRIC CO /KY/ - N/A

Filed: July 30, 2015 (period: July 28, 2015)

Report of unscheduled material events or corporate changes.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 28, 2015

Commission File Number	Registrant; State of Incorporation; Address and Telephone Number	IRS Employer Identification No.
1-11459	**PPL Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-2758192
1-905	**PPL Electric Utilities Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-0959590
333-173665	**LG&E and KU Energy LLC** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-2893	**Louisville Gas and Electric Company** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150
1-3464	**Kentucky Utilities Company** (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 4 - Matters Related to Accountants and Financial Statements

Item 4.01 Changes in Registrant's Certifying Accountant

Pursuant to the previously announced policy of the Audit Committee of the Board of Directors ("Audit Committee") of PPL Corporation ("PPL" or the "Company") to solicit competitive proposals for audit services from independent accounting firms at least once every ten years, the Audit Committee recently conducted a competitive selection process to determine the Company's independent registered public accounting firm for the audits of the consolidated financial statements as of and for the fiscal year ending December 31, 2016 of PPL and its subsidiary registrants: PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company. The Audit Committee invited several international public accounting firms to participate in this process, including Ernst & Young LLP ("EY"), the Company's independent registered public accounting firm for the fiscal year ended December 31, 2015. As a result of this process, on July 28, 2015, the Audit Committee approved the appointment of Deloitte & Touche LLP ("Deloitte") as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016. This action effectively dismisses EY as the Company's independent registered public accounting firm and will become effective upon EY's completion of its procedures on the financial statements of PPL and its subsidiaries as of and for the fiscal year ended December 31, 2015 and the filing of the related Form 10-K, except with respect to audit and audit-related services pertaining to the fiscal year ended December 31, 2015, as required by PPL.

The audit reports of EY on the consolidated financial statements of PPL and its subsidiaries as of and for the fiscal years ended December 31, 2013 and 2014 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. During PPL's two most recent fiscal years ended December 31, 2014 and the subsequent interim period through July 28, 2015, there were no disagreements between PPL and EY on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure (within the meaning of Item 304(a)(1)(iv) of Regulation S-K), which, if not resolved to the satisfaction of EY would have caused EY to make reference to the subject matter of the disagreement in connection with its report and there were no reportable events (as defined by Item 304(a)(1)(v) of Regulation S-K). PPL has requested that EY furnish it with a letter addressed to the Securities and Exchange Commission ("SEC") stating whether or not it agrees with the above statements. A copy of such letter, dated July 30, 2015, is filed as Exhibit 16.1 to this Form 8-K.

During PPL's two most recent fiscal years ended December 31, 2014 and the subsequent interim periods through July 28, 2015, neither PPL nor anyone on its behalf consulted with Deloitte regarding (i) either the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the consolidated financial statements of PPL or any of its subsidiary registrants, and no written report or oral advice was provided by Deloitte to PPL and its subsidiary registrants that Deloitte concluded was an important factor considered by PPL and its subsidiary registrants in reaching a decision as to the accounting, auditing, or financial reporting issue; or (ii) any matter that was the subject of either a disagreement as defined in Item 304(a)(1)(iv) of the SEC's Regulation S-K or a reportable event as described in Item 304(a)(1)(v) of the SEC's Regulation S-K.

Section 9 - Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

16.1 - Letter of Ernst & Young LLP regarding change in certifying accountant.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

PPL CORPORATION

By: /s/ Stephen K. Breininger
Stephen K. Breininger
Vice President and Controller

PPL ELECTRIC UTILITIES CORPORATION

By: /s/ Dennis A. Urban, Jr.
Dennis A. Urban, Jr.
Controller

LG&E AND KU ENERGY LLC

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

LOUISVILLE GAS AND ELECTRIC COMPANY

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

KENTUCKY UTILITIES COMPANY

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

Dated: July 30, 2015

Exhibit 16.1

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

30 July 2015

Ladies and Gentlemen:

We have read Item 4.01 of Form 8-K dated July 30, 2015 of PPL Corporation ("PPL" or the "Company") and its subsidiary registrants: PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company, and are in agreement with the statements contained in paragraph 2 on page 2. We have no basis to agree or disagree with other statements of the registrants contained therein.

/s/ Ernst & Young LLP

FORM 8-K

LOUISVILLE GAS & ELECTRIC CO /KY/ - N/A

Filed: September 28, 2015 (period: September 21, 2015)

Report of unscheduled material events or corporate changes.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 21, 2015

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
333-173665	LG&E and KU Energy LLC (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-2893	Louisville Gas and Electric Company (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150
1-3464	Kentucky Utilities Company (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 2 - Financial Information

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

and

Section 8 - Other Events

Item 8.01 Other Events

Louisville Gas and Electric Company

On September 21, 2015, Louisville Gas and Electric Company ("LG&E") entered into an underwriting agreement (the "LG&E Underwriting Agreement") with BNP Paribas Securities Corp., Goldman, Sachs & Co., J.P. Morgan Securities LLC, and Mizuho Securities USA Inc., as representatives of the several underwriters, relating to the offering and sale by LG&E of $300 million of 3.300% First Mortgage Bonds Series due 2025 (the "LG&E 2025 Bonds") and $250 million of 4.375% First Mortgage Bonds due 2045 (the "LG&E 2045 Bonds" and, together with the LG&E 2025 Bonds, the "LG&E Bonds").

The LG&E Bonds were issued on September 28, 2015, under LG&E's Indenture (the "LG&E Indenture"), dated as of October 1, 2010, to The Bank of New York Mellon, as trustee, as previously supplemented and as supplemented by Supplemental Indenture No. 4 thereto (the "LG&E Supplemental Indenture"), dated as of September 1, 2015 (collectively, the "LG&E Indenture"). The LG&E Bonds will be secured by the lien of the LG&E Indenture, which creates, subject to certain exceptions and exclusions, a lien 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, transportation and distribution of natural gas, as described therein.

The LG&E 2025 Bonds are due October 1, 2025, subject to early redemption, and the LG&E 2045 Bonds are due October 1, 2045, subject to early redemption. LG&E will use the net proceeds from the sale of the LG&E Bonds to repay short term debt, for the repayment of $250 million of LG&E's 1.625% First Mortgage Bonds due November 15, 2015 and for other general corporate purposes.

The LG&E Bonds were offered and sold under LG&E's Registration Statement on Form S-3 on file with the Securities and Exchange Commission (Registration No. 333-202290-03).

A copy of the LG&E Underwriting Agreement is attached as Exhibit 1(a) to this report and incorporated herein by reference. The LG&E Supplemental Indenture and LG&E Officer's Certificates are filed with this report as Exhibits 4(a), 4(c) and 4(d), respectively.

Kentucky Utilities Company

On September 21, 2015, Kentucky Utilities Company ("KU") entered into an underwriting agreement (the "KU Underwriting Agreement") with J.P. Morgan Securities LLC, Mitsubishi UFJ Securities (USA), Inc., Morgan Stanley & Co. LLC and UBS Securities LLC, as representatives of the several underwriters, relating to the offering and sale by KU of $250 million of 3.300% First Mortgage Bonds Series due 2025 (the "KU 2025 Bonds") and $250 million of 4.375% First Mortgage Bonds due 2045 (the "KU 2045 Bonds" and, together with the KU 2025 Bonds, the "KU Bonds").

The KU Bonds were issued on September 28, 2015, under KU's Indenture (the "KU Indenture"), dated as of October 1, 2010, to The Bank of New York Mellon, as trustee, as previously supplemented and as supplemented by Supplemental Indenture No. 4 thereto (the "KU Supplemental Indenture"), dated as of September 1, 2015 (collectively, the "KU Indenture"). The KU Bonds will be secured by the lien of the KU Indenture, which creates, subject to certain exceptions and exclusions, a lien 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, as described therein.

The KU 2025 Bonds are due October 1, 2025, subject to early redemption, and the KU 2045 Bonds are due October 1, 2045, subject to early redemption. KU will use the net proceeds from the sale of the KU Bonds to repay short term debt, for the repayment of $250 million of KU's 1.625% First Mortgage Bonds due November 1, 2015 and for other general corporate purposes.

The KU Bonds were offered and sold under KU's Registration Statement on Form S-3 on file with the Securities and Exchange Commission (Registration No. 333-202290-04).

A copy of the KU Underwriting Agreement is attached as Exhibit 1(b) to this report and incorporated herein by reference. The KU Supplemental Indenture and KU Officer's Certificates are filed with this report as Exhibits 4(b), 4(e) and 4(f), respectively.

Section 9 - Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(a) Exhibits

1(a)	Underwriting Agreement, dated September 21, 2015, among Louisville Gas and Electric Company and BNP Paribas Securities Corp., Goldman, Sachs & Co., J.P. Morgan Securities LLC, and Mizuho Securities USA Inc., as representatives of the several underwriters named therein.
1(b)	Underwriting Agreement, dated September 21, 2015, among Kentucky Utilities Company and J.P. Morgan Securities LLC, Mitsubishi UFJ Securities (USA), Inc., Morgan Stanley & Co. LLC and UBS Securities LLC, as representatives of the several underwriters named therein.
4(a)	Supplemental Indenture No 4, dated as of September 1, 2015, of Louisville Gas and Electric Company to The Bank of New York Mellon, as Trustee.
4(b)	Supplemental Indenture No. 4, dated as of September 1, 2015, of Kentucky Utilities Company to The Bank of New York Mellon, as Trustee.
4(c)	LG&E Officer's Certificate, dated September 28, 2015 relating to the LG&E 2025 Bonds, pursuant to Section 201 and 301 of the LG&E Indenture.
4(d)	LG&E Officer's Certificate, dated September 28, 2015 relating to the LG&E 2045 Bonds, pursuant to Section 201 and 301 of the LG&E Indenture.
4(e)	KU Officer's Certificate, dated September 28, 2015 relating to the KU 2025 Bonds, pursuant to Section 201 and 301 of the KU Indenture.
4(f)	KU Officer's Certificate, dated September 28, 2015 relating to the KU 2045 Bonds, pursuant to Section 201 and 301 of the KU Indenture.
5(a)	Opinion of Gerald A. Reynolds, General Counsel, Chief Compliance Officer and Corporate Secretary of Louisville Gas and Electric Company.
5(b)	Opinion of Gerald A. Reynolds, General Counsel, Chief Compliance Officer and Corporate Secretary of Kentucky Utilities Company.
5(c)	Opinion of Pillsbury Winthrop Shaw Pittman LLP as to the LG&E Bonds.
5(d)	Opinion of Pillsbury Winthrop Shaw Pittman LLP as to the KU Bonds.
5(e)	Opinion of Stoll Keenon Ogden PLLC as to the KU Bonds.
23(a)	Consent of Gerald A. Reynolds, General Counsel, Chief Compliance Officer and Corporate Secretary of Louisville Gas and Electric Company (included as part of Exhibit 5(a)).
23(b)	Consent of Gerald A. Reynolds, General Counsel, Chief Compliance Officer and Corporate Secretary of Kentucky Utilities Company (included as part of Exhibit 5(b)).
23(c)	Consent of Pillsbury Winthrop Shaw Pittman LLP (included as part of Exhibit 5(c)).
23(d)	Consent of Pillsbury Winthrop Shaw Pittman LLP (included as part of Exhibit 5(d)).
23(e)	Consent of Stoll Keenon Ogden PLLC (included as part of Exhibit 5(e)).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

PPL CORPORATION

By: /s/ Mark F. Wilten
Mark F. Wilten
Vice President, Treasurer and Chief Risk Officer

LG&E AND KU ENERGY LLC

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

LOUISVILLE GAS AND ELECTRIC COMPANY

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

KENTUCKY UTILITIES COMPANY

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

Dated: September 28, 2015

Exhibit 1(a)

LOUISVILLE GAS AND ELECTRIC COMPANY

$300,000,000 First Mortgage Bonds, 3.300% Series due 2025
$250,000,000 First Mortgage Bonds, 4.375% Series due 2045

UNDERWRITING AGREEMENT

September 21, 2015

J.P. Morgan Securities LLC
BNP Paribas Securities Corp.
Goldman, Sachs & Co.
Mizuho Securities USA Inc.
As Representatives of the Several Underwriters
c/o J.P. Morgan Securities LLC
383 Madison Avenue
New York, New York 10179

Ladies and Gentlemen:

1. Introductory.

Louisville Gas and Electric Company, a corporation organized under the laws of the Commonwealth of Kentucky (the "Company"), proposes to issue and sell, and the several Underwriters named in Section 3 hereof (the "Underwriters"), for whom you are acting as representatives (the "Representatives"), propose, severally and not jointly, to purchase, upon the terms and conditions set forth herein, $300,000,000 aggregate principal amount of the Company's First Mortgage Bonds, 3.300% Series due 2025 (the "2025 Bonds") and $250,000,000 aggregate principal amount of the Company's First Mortgage Bonds, 4.375% Series due 2045 (the "2045 Bonds", and together with the 2025 Bonds, the "Bonds") to be issued under an Indenture, dated as of October 1, 2010 (the "Base Indenture"), as heretofore amended and supplemented by Supplemental Indenture No. 1 thereto, dated as of October 15, 2010, Supplemental Indenture No. 2 thereto, dated as of November 1, 2010, Supplemental Indenture No. 3 thereto, dated as of November 1, 2013, and as to be further supplemented by Supplemental Indenture No. 4 thereto relating to the Bonds, dated as of September 1, 2015 (the "Supplemental Indenture", and the Base Indenture as so amended and supplemented, the "Indenture"), between the Company and The Bank of New York Mellon, as trustee thereunder (the "Trustee").

The Company has filed with the Securities and Exchange Commission (the "Commission") an automatic shelf registration statement (No. 333-202290-03) on Form S-3, including the related preliminary prospectus or prospectus, which registration statement became effective upon filing under Rule 462(e) ("Rule 462(e)") of the rules and regulations of the Commission (the "Securities Act Regulations") under the Securities Act of 1933, as amended (the "Securities Act"). Such registration statement covers the registration of the Bonds under the Securities Act. Promptly after the date of this Agreement, the Company will prepare and file a prospectus in accordance with the provisions of Rule 430B ("Rule 430B") of the Securities Act Regulations and paragraph (b) of Rule 424 ("Rule 424(b)") of the Securities Act Regulations. Any information included in such prospectus that was omitted from such registration statement at the time it became effective but that is deemed to be part of and included in such registration statement pursuant to Rule 430B is referred to as "Rule 430B Information." Each prospectus used in connection with the offering of the Bonds that omitted Rule 430B Information (other than a "free writing prospectus" as defined in Rule 405 of the Securities Act Regulations that has not been approved in writing by the Company and the Representatives), including any related prospectus supplement and the documents incorporated by reference therein pursuant to Item 12 of Form S-3, is herein called a "preliminary prospectus." Such registration statement, at any given time, including the amendments or supplements thereto to such time, the exhibits and any schedules thereto at such time, the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Securities Act at such time and the documents otherwise deemed to be a part thereof or included therein by the Securities Act Regulations, is herein called the "Registration Statement." The Registration Statement at the time it originally became effective is herein called the "Original Registration Statement." The final prospectus in the form first furnished to the Underwriters for use in connection with the offering of the Bonds, including the related prospectus supplement and the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Securities Act as of the date hereof, is herein called the "Prospectus." For purposes of this Agreement, all references to the Registration Statement, any preliminary prospectus, the Prospectus or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval ("EDGAR") system.

All references in this Agreement to financial statements and schedules and other information which is "contained," "included" or "stated" in the Registration Statement, any preliminary prospectus or the Prospectus (or other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information which is incorporated by reference in or otherwise deemed by the Securities Act Regulations to be a part of or included in the Registration Statement, any preliminary prospectus or the Prospectus, as the case may be; and all references in this Agreement to amendments or supplements to the Registration Statement, any preliminary prospectus or the Prospectus shall be deemed to mean and include the filing of any document under the Securities Exchange Act of 1934, as amended (the "Exchange Act") which is incorporated by reference in or otherwise deemed by the Securities Act Regulations to be a part of or included in the Registration Statement, such preliminary prospectus or the Prospectus, as the case may be.

2. Representations and Warranties.

The Company represents and warrants to each Underwriter as of the date hereof, as of the Applicable Time referred to in Section 2(b) hereof and as of the Closing Date referred to in Section 5 hereof, and agrees with each Underwriter as follows:

(a) (A) At the time of filing the Original Registration Statement, (B) at the time of the most recent amendment thereto for the purposes of complying with Section 10(a)(3) of the Securities Act (whether such amendment was by post-effective amendment, incorporated report filed pursuant to Section 13 or 15(d) of the Exchange Act or form of prospectus), (C) at the time the Company or any person acting on its behalf (within the meaning, for this clause only, of Rule 163(c) of the Securities Act Regulations) made any offer relating to the Bonds in reliance on the exemption of Rule 163 of the Securities Act Regulations ("Rule 163") or made a bona fide offer (within the meaning of Rule 164(h)(2) of the Securities Act Regulations) and (D) at the date hereof, the Company was and is eligible to register and issue the Bonds as a "well-known seasoned issuer" as defined in Rule 405 of the Securities Act Regulations ("Rule 405"), including not having been and not being an "ineligible issuer" as defined in Rule 405. The Registration Statement is an "automatic shelf registration statement," as defined in Rule 405, and the Bonds, since their registration on the Registration Statement, have been and remain eligible for registration by the Company on a Rule 405 "automatic shelf registration statement." The Company has not received from the Commission any notice pursuant to Rule 401(g)(2) of the Securities Act Regulations objecting to the use of the automatic shelf registration statement form;

(b) The Original Registration Statement became effective upon filing under Rule 462(e) of the Securities Act Regulations on February 25, 2015, and any post-effective amendment thereto also became effective upon filing under Rule 462(e). No stop order suspending the effectiveness of the Registration Statement or any notice objecting to its use has been issued under the Securities Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

Any offer that is a written communication relating to the Bonds made prior to the filing of the Original Registration Statement by the Company or any person acting on its behalf (within the meaning, for this paragraph only, of Rule 163(c) of the Securities Act Regulations) has been filed with the Commission in accordance with the exemption provided by Rule 163 and otherwise complied with the requirements of Rule 163, including without limitation the legending requirement, to qualify such offer for the exemption from Section 5(c) of the Securities Act provided by Rule 163.

At the respective times the Original Registration Statement and each amendment thereto became effective, at each deemed effective date with respect to the Underwriters pursuant to Rule 430B(f)(2) of the Securities Act Regulations and at the Closing Date, the Registration Statement complied and will comply in all material respects with the requirements of the Securities Act and the Securities Act Regulations and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and the rules and regulations thereunder, and did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

Neither the Prospectus nor any amendments or supplements thereto, at the time the Prospectus or any such amendment or supplement was issued and at the Closing Date, included or will include an untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Each preliminary prospectus (including the prospectus or prospectuses filed as part of the Original Registration Statement or any amendment thereto) complied when so filed and each Prospectus will comply when so filed in all material respects with the Securities Act Regulations and each preliminary prospectus and the Prospectus delivered to the Underwriters for use in connection with this offering was identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

As of the Applicable Time (as defined below), neither (x) the Issuer General Use Free Writing Prospectus(es) (as defined below) issued at or prior to the Applicable Time, the Statutory Prospectus (as defined below) and the Issuer Free Writing Prospectus (as defined below), including the Final Term Sheet prepared and filed pursuant to Section 6(b) identified on Schedule A hereto, all considered together (collectively, the "General Disclosure Package"), nor (y) any individual Issuer Limited Use Free Writing Prospectus (as defined below), when considered together with the General Disclosure Package, included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

As of the time of the filing of the Final Term Sheet, the General Disclosure Package, when considered together with the Final Term Sheet (as defined in Section 6(b)), will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

As used in this subsection and elsewhere in this Agreement:

"Applicable Time" means 3:50 p.m., New York City time, on September 21, 2015 or such other time as agreed by the Company and the Representatives.

"Issuer Free Writing Prospectus" means any "issuer free writing prospectus," as defined in Rule 433 of the Securities Act Regulations ("Rule 433"), relating to the Bonds that (i) is required to be filed with the Commission by the Company, (ii) is a "road show that is a written communication" within the meaning of Rule 433(d)(8)(i), whether or not required to be filed with the Commission or (iii) is exempt from filing pursuant to Rule 433(d)(5)(i) because it contains a description of the Bonds or of the offering that does not reflect the final terms, in each case in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company's records pursuant to Rule 433(g).

"Issuer General Use Free Writing Prospectus" means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors, as evidenced by its being specified in Schedule A hereto.

"Issuer Limited Use Free Writing Prospectus" means any Issuer Free Writing Prospectus that is not an Issuer General Use Free Writing Prospectus.

"Permitted Free Writing Prospectus" means any free writing prospectus consented to in writing by the Company and the Representatives. For the avoidance of doubt, any free writing prospectus that is not consented to in writing by the Company does not constitute a Permitted Free Writing Prospectus and will not be an Issuer Free Writing Prospectus.

"Statutory Prospectus" as of any time means the prospectus relating to the Bonds that is included in the Registration Statement immediately prior to that time, including any document incorporated by reference therein and any preliminary or other prospectus deemed to be a part thereof.

Each Issuer Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the public offer and sale of the Bonds or until any earlier date that the Company notified or notifies the Representatives as described in Section 6(g), did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement or the Prospectus, including any document incorporated by reference therein and any preliminary or other prospectus deemed to be a part thereof that has not been superseded or modified.

The representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement, the Prospectus or any Issuer Free Writing Prospectus made in reliance upon and in conformity with written information furnished to the Company as set forth in Schedule B hereto by any Underwriter through the Representatives expressly for use therein or to any statements in or omissions from the Statement of Eligibility of the Trustee under the Indenture. At the effective date of the Registration Statement, the Indenture conformed in all material respects to the Trust Indenture Act and the rules and regulations thereunder;

(c) The Company has been duly organized, is validly existing as a corporation in good standing under the laws of the Commonwealth of Kentucky, has the power and authority to own its property and to conduct its business as described in the General Disclosure Package and the Prospectus and to enter into and perform its obligations under this Agreement, the Indenture and the Bonds, and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company;

(d) The Bonds have been duly authorized by the Company and, when issued, authenticated and delivered in the manner provided for in the Indenture and delivered against payment of the consideration therefor, will constitute valid and binding obligations of the Company enforceable in accordance with their terms, except to the extent limited by bankruptcy, insolvency, fraudulent conveyance, reorganization or moratorium laws or by other laws now or hereafter in effect relating to or affecting the enforcement of mortgagee's and other creditors' rights and by general equitable principles (regardless of whether considered in a proceeding in equity or at law), an implied covenant of good faith and fair dealing and consideration of public policy, and federal or state securities law limitations on indemnification and contribution (the "Enforceability Exceptions"); the Bonds will be in the forms established pursuant to, and entitled to the benefits of, the Indenture; and the Bonds will conform in all material respects to the statements relating thereto contained in the General Disclosure Package and the Prospectus;

(e) The Indenture has been duly authorized by the Company; at the Closing Date, the Supplemental Indenture will have been duly executed and delivered by the Company, and assuming due authorization, execution and delivery of the Indenture by the Trustee, the Indenture will constitute a valid and legally binding obligation of the Company enforceable in accordance with its terms (except to the extent limited by the Enforceability Exceptions); the Indenture conforms and will conform in all material respects to the statements relating thereto contained in the General Disclosure Package and the Prospectus; and at the effective date of the Registration Statement, the Indenture was duly qualified under the Trust Indenture Act;

(f) The Company is in compliance in all material respects with its amended and restated articles of incorporation and bylaws;

(g) The Order of the Kentucky Public Service Commission, dated June 16, 2014, has been obtained and is in full force and effect and is sufficient to authorize the issuance and sale by the Company of the Bonds as contemplated by this Agreement, and no further consent, approval, authorization, order, registration or qualification of or with any federal, state or local governmental agency or body or any federal, state or local court is required to be obtained by the Company for the consummation of the transactions contemplated by this Agreement and the Indenture in connection with the offering, issuance and sale of the Bonds by the Company, or the performance by the Company of its obligations hereunder or thereunder, except (i) such as have been obtained or (ii) such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Bonds by the Underwriters in the manner contemplated herein and in the General Disclosure Package and the Prospectus;

(h) None of the execution and delivery of this Agreement, the Supplemental Indenture, the issue and sale of the Bonds, or the consummation of any of the transactions herein or therein contemplated, will (i) violate any law or any regulation, order, writ, injunction or decree of any court or governmental instrumentality applicable to the Company, (ii) breach or violate, or constitute a default under, the Company's amended and restated articles of incorporation or bylaws, or (iii) breach or violate, or constitute a default under, any material agreement or instrument to which the Company is a party or by which it is bound, except in the case of clauses (i) and (iii), for such violations, breaches or defaults that would not in the aggregate have a material adverse effect on the Company's ability to perform its obligations hereunder or thereunder;

(i) The consolidated financial statements of the Company, together with the related notes and schedules, each set forth or incorporated by reference in the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Exchange Act and the related published rules and regulations thereunder; such audited financial statements have been prepared in all material respects in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except as disclosed therein; and no material modifications are required to be made to the unaudited interim financial statements for them to be in conformity with generally accepted accounting principles;

(j) This Agreement has been duly and validly authorized, executed and delivered by the Company;

(k) Since the respective dates as of which information is given in the General Disclosure Package and the Prospectus, except as otherwise stated therein or contemplated thereby, there has been no material adverse change, or event or occurrence that would result in a material adverse change, in the financial position or results of operations of the Company;

(l) The Company is not, and after giving effect to the offering and sale of the Bonds and the application of the proceeds thereof as described in the General Disclosure Package and the Prospectus, will not be, an "investment company" as such term is defined in the Investment Company Act of 1940, as amended;

(m) Ernst & Young LLP, which has audited certain financial statements of the Company and issued its report with respect to the audited consolidated financial statements and schedules included and incorporated by reference in the General Disclosure Package and the Prospectus, is an independent registered public accounting firm with respect to the Company during the periods covered by its reports within the meaning of the Securities Act and the Securities Act Regulations and the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB");

(n) The Company maintains systems of internal accounting controls sufficient to provide reasonable assurance that transactions are executed in accordance with management's authorizations and transactions are recorded as necessary to permit preparation of financial statements. The Company maintains effective "disclosure controls and procedures" as such term is defined in Rule 13a-15(e) under the Exchange Act;

(o) (i) The Company has good and sufficient title to the interest and estate of the Company in all real property, and good title to all other property, which is or is to be specifically or generally described or referred to in the Indenture as being subject to the lien thereof, subject only to (A) the lien of the Indenture, (B) Permitted Liens (as defined in the Indenture), and (C) defects and irregularities in title and other Liens (as defined in the Indenture) that in each case are not prohibited by the Indenture and that, in the Company's judgment, do not, individually or in the aggregate, impair the operation of the Company's business in any material respect; (ii) the descriptions of all such property contained or referred to in the Indenture are adequate for purposes of the lien purported to be created by the Indenture; (iii) the Indenture (excluding the Supplemental Indenture) constitutes, and, on the Closing Date, the Indenture will constitute, a valid mortgage lien on and security interest in all property which is specifically or generally described or referred to therein as being subject to the lien thereof (other than such property as has been released from the lien of the Indenture in accordance with the terms thereof), subject only to the Liens, defects and irregularities referred to in subparagraph (i) above; and (iv) on and after the Closing Date, the Indenture by its terms will effectively subject to the lien thereof all property located in the Commonwealth of Kentucky acquired by the Company after the Closing Date of the character generally described or referred to in the Indenture as being subject to the lien thereof, subject to (A) defects and irregularities in title existing at the time of such acquisition, (B) Purchase Money Liens (as defined in the Indenture) and any other Liens placed or otherwise existing or placed on such property at the time of such acquisition, (C) with respect to real property, Liens placed thereon following the acquisition thereof by the Company and prior to the recording and filing of a supplemental indenture or other instrument specifically describing such real property and (D) possible limitations arising out of laws relating to preferential transfers of property during certain periods prior to commencement of bankruptcy, insolvency or similar proceedings and to limitations on liens on property acquired by a debtor after the commencement of any such proceedings, and possible claims and taxes of the federal government, and except as otherwise provided in Article Thirteen of the Indenture; it being understood that, if any property were to become subject to the lien of the Indenture by virtue of the "springing lien provisions" contained in the proviso at the end of the definition of "Excepted Property" in the granting clauses of the Indenture, the lien of the Indenture as to such property would be subject to any Liens existing on such property at the time such property became subject to the lien of the Indenture;

(p) On the Closing Date, the Indenture will have been duly recorded or lodged for record as a mortgage of real estate, and any required filings with respect to personal property and fixtures subject to the lien of the Indenture will have been duly made, in each place in which such recording and filing is required to protect, preserve and perfect the lien of the Indenture, and all taxes and recording and filing fees required to be paid with respect to the execution, recording or filing of the Indenture, the filing of financing statements and similar documents and the issuance of the Bonds will have been paid;

(q) The interactive data in eXtensible Business Reporting Language included or incorporated by reference in the Registration Statement fairly presents the information called for in all material respects and has been prepared in accordance with the Commission's rules and guidelines applicable thereto;

(r) None of the Company or, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (collectively, the "FCPA"), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA, and the Company and, to the knowledge of the Company, its affiliates have conducted their businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith;

(s) The operations of the Company are and have been conducted at all times in compliance in all material respects with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency (collectively, the "Money Laundering Laws") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company with respect to the Money Laundering Laws is pending or, to the best knowledge of the Company, threatened; and

(t) None of the Company or any of its subsidiaries or, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company or any of its subsidiaries is currently the target of any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC") ("Sanctions"); and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds, to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person, or in any country or territory, that, at the time of such financing, is the target of Sanctions.

Each of you, as one of the several Underwriters, represents and warrants to, and agrees with, the Company, its directors and such of its officers as shall have signed the Registration Statement, and to each other Underwriter, that the information set forth in Schedule B hereto furnished to the Company by or through you or on your behalf expressly for use in the Registration Statement or the Prospectus does not contain an untrue statement of a material fact and does not omit to state a material fact in connection with such information required to be stated therein or necessary to make such information not misleading.

3. Purchase and Sale of Bonds.

On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein contained, the Company agrees to sell to the Underwriters, and the Underwriters agree, severally and not jointly, to purchase from the Company, at a purchase price of 99.307% of the principal amount per 2025 Bond and a purchase price of 99.042% of the principal amount per 2045 Bond thereof, plus accrued interest, if any, from the date of the first authentication of the Bonds to the Closing Date (as hereinafter defined), the respective principal amounts of the Bonds set forth below opposite the names of such Underwriters.

Underwriters	Principal Amount of 2025 Bonds	Principal Amount of 2045 Bonds
J.P. Morgan Securities LLC	$ 60,000,000	$ 50,000,000
BNP Paribas Securities Corp.	$ 60,000,000	$ 50,000,000
Goldman, Sachs & Co.	$ 60,000,000	$ 50,000,000
Mizuho Securities USA Inc.	$ 60,000,000	$ 50,000,000
CIBC World Markets Corp.	$ 15,000,000	$ 12,500,000
PNC Capital Markets LLC	$ 15,000,000	$ 12,500,000
SunTrust Robinson Humphrey, Inc.	$ 15,000,000	$ 12,500,000
U.S. Bancorp Investments, Inc.	$ 15,000,000	$ 12,500,000
Total	$300,000,000	$250,000,000

4. Offering of the Bonds.

The several Underwriters agree that as soon as practicable, in their judgment, they will make an offering of their respective portions of the Bonds in accordance with the terms set forth in the General Disclosure Package and the Prospectus.

5. Delivery and Payment.

The Bonds will be represented by one or more definitive global securities in book-entry form which will be deposited by or on behalf of the Company with The Depository Trust Company ("DTC") or its designated custodian. The Company will deliver the Bonds to you against payment by you of the purchase price therefor (such delivery and payment herein referred to as the "Closing") by wire transfer of immediately available funds to the Company's account (No. 3752099133) at Bank of America (ABA Routing Number 026-0095-93) by 10:00 a.m., New York City time, on the Closing Date. Such payment shall be made upon delivery of the Bonds for the account of J.P. Morgan Securities LLC at DTC. The Bonds so to be delivered will be in fully registered form in such authorized denominations as established pursuant to the Indenture. The Company will make the Bonds available for inspection by you at the office of The Bank of New York Mellon, 101 Barclay Street, 8th Floor, New York, New York 10286, Attention: Corporate Trust, not later than 10:00 a.m., New York City time, on the Business Day next preceding the Closing Date. "Business Day" shall mean any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in The City of New York.

Each Underwriter represents and agrees that, unless it obtains the prior written consent of the Company and the Representatives, it has not and will not make any offer relating to the Bonds that would constitute or would use an "issuer free writing prospectus" as defined in Rule 433 or that would otherwise constitute a "free writing prospectus" as defined in Rule 405 of the Securities Act Regulations that would be required to be filed with the Commission, other than information contained in the Final Term Sheet prepared in accordance with Section 6(b).

The term "Closing Date" wherever used in this Agreement shall mean September 28, 2015, or such other date (i) not later than the seventh full Business Day thereafter as may be agreed upon in writing by the Company and you, or (ii) as shall be determined by postponement pursuant to the provisions of Section 10 hereof.

6. Certain Covenants of the Company.

The Company covenants and agrees with the several Underwriters:

(a) Subject to Section 6(b), to comply with the requirements of Rule 430B and to notify the Representatives immediately, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement or new registration statement relating to the Bonds shall become effective, or any supplement to the Prospectus or any amended Prospectus shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or the filing of a new registration statement or any amendment or supplement to the Prospectus or any document incorporated by reference therein or otherwise deemed to be a part thereof or for additional information, (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or such new registration statement or any notice objecting to its use or of any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the Bonds for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes or of any examination pursuant to Section 8(e) of the Securities Act concerning the Registration Statement and (v) if the Company becomes the subject of a proceeding under Section 8A of the Securities Act in connection with the offering of the Bonds. The Company will effect the filings required under Rule 424(b), in the manner and within the time period required by Rule 424(b) (without reliance on Rule 424(b)(8)). The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment. The Company shall pay the required Commission filing fees relating to the Bonds within the time required by Rule 456(b)(1)(i) of the Securities Act Regulations without regard to the proviso therein and otherwise in accordance with Rules 456(b) and 457(r) of the Securities Act Regulations (including, if applicable, by updating the "Calculation of Registration Fee" table in accordance with Rule 456(b)(1)(ii) either in a post-effective amendment to the Registration Statement or on the cover page of a prospectus filed pursuant to Rule 424(b)).

(b) To give the Representatives notice of its intention to file or prepare any amendment to the Registration Statement or new registration statement relating to the Bonds or any amendment, supplement or revision to either any preliminary prospectus (including any prospectus included in the Original Registration Statement or amendment thereto at the time it became effective) or to the Prospectus, whether pursuant to the Securities Act, the Exchange Act or otherwise, and the Company will furnish the Representatives with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the Representatives shall reasonably object in writing. The Company will give the Representatives notice of its intention to make any such filing pursuant to the Exchange Act, Securities Act or Securities Act Regulations from the Applicable Time to the Closing Date and will furnish the Representatives with copies of any such documents a reasonable amount of time prior to such proposed filing and will not file or use any such document to which the Representatives shall reasonably object in writing. The Company will prepare a final term sheet (the "Final Term Sheet") substantially in the form attached as Annex I hereto reflecting the final terms of the Bonds, and shall file such Final Term Sheet as an "Issuer Free Writing Prospectus" in accordance with Rule 433; provided that the Company shall furnish the Representatives with copies of any such Final Term Sheet a reasonable amount of time prior to such proposed filing and will not use or file any such document to which the Representatives shall reasonably object in writing.

(c) To furnish to each Underwriter, without charge, during the period when the Prospectus is required to be delivered under the Securities Act, as many copies of the Prospectus and any amendments and supplements thereto as each Underwriter may reasonably request.

(d) That before amending and supplementing the preliminary prospectus or the Prospectus, it will furnish to the Representatives a copy of each such proposed amendment or supplement and that it will not use any such proposed amendment or supplement to which the Representatives reasonably object in writing.

(e) To use its best efforts to qualify the Bonds and to assist in the qualification of the Bonds by you or on your behalf for offer and sale under the securities or "blue sky" laws of such jurisdictions as you may designate, to continue such qualification in effect so long as required for the distribution of the Bonds and to reimburse you for any expenses (including filing fees and fees and disbursements of counsel) paid by you or on your behalf to qualify the Bonds for offer and sale, to continue such qualification, to determine its eligibility for investment and to print any preliminary or supplemental "blue sky" survey or legal investment memorandum relating thereto; provided that the Company shall not be required to qualify as a foreign corporation in any State, to consent to service of process in any State other than with respect to claims arising out of the offering or sale of the Bonds, or to meet any other requirement in connection with this paragraph (e) deemed by the Company to be unduly burdensome;

(f) Promptly to deliver to you one signed copy of the Registration Statement as originally filed and of all amendments thereto heretofore or hereafter filed, including conformed copies of all exhibits except those incorporated by reference, and such number of conformed copies of the Registration Statement (but excluding the exhibits), each related preliminary prospectus, the Prospectus, and any amendments and supplements thereto, as you may reasonably request;

(g) If at any time prior to the completion of the sale of the Bonds by the Underwriters (as determined by the Representatives), any event occurs as a result of which the Prospectus, as then amended or supplemented, would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it should be necessary to amend or supplement the Prospectus to comply with applicable law, the Company promptly (i) will notify the Representatives of any such event; (ii) subject to the requirements of paragraph (b) of this Section 6, will prepare an amendment or supplement that will correct such statement or omission or effect such compliance; and (iii) will supply any supplemented or amended Prospectus to the several Underwriters without charge in such quantities as they may reasonably request; provided that the expense of preparing and filing any such amendment or supplement to the Prospectus (x) that is necessary in connection with such a delivery of a supplemented or amended Prospectus more than nine months after the date of this Agreement or (y) that relates solely to the activities of any Underwriter shall be borne by the Underwriter or Underwriters or the dealer or dealers requiring the same; and provided further that you shall, upon inquiry by the Company, advise the Company whether or not any Underwriter or dealer which shall have been selected by you retains any unsold Bonds and, for the purposes of this subsection (g), the Company shall be entitled to assume that the distribution of the Bonds has been completed when they are advised by you that no such Underwriter or dealer retains any Bonds. If at any time following issuance of an Issuer Free Writing Prospectus, there occurs an event or development as a result of which such Issuer Free Writing Prospectus would conflict with the information contained in the Registration Statement (or any other registration statement related to the Bonds) or the Statutory Prospectus or any preliminary prospectus would include an untrue statement of a material fact or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at that subsequent time, not misleading, the Company will promptly notify the Representatives and will promptly amend or supplement, at its own expense, such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission.

(h) As soon as practicable, to make generally available to its security holders an earnings statement covering a period of at least twelve months beginning after the "effective date of the registration statement" within the meaning of Rule 158 under the Securities Act which will satisfy the provisions of Section 11(a) of the Securities Act;

(i) To pay or bear (i) all expenses in connection with the matters herein required to be performed by the Company, including all expenses (except as provided in Section 6(g) above) in connection with the preparation and filing of the Registration Statement, the General Disclosure Package and the Prospectus, and any amendment or supplement thereto, and the furnishing of copies thereof to the Underwriters, and all audits, statements or reports in connection therewith, and all expenses in connection with the issue and delivery of the Bonds to the Underwriters at the place designated in Section 5 hereof, any fees and expenses relating to the eligibility and issuance of the Bonds in book-entry form and the cost of obtaining CUSIP or other identification numbers for the Bonds, all federal and state taxes (if any) payable (not including any transfer taxes) upon the original issue of the Bonds; (ii) all expenses in connection with the printing, reproduction and delivery of this Agreement and the printing, reproduction and delivery of any preliminary prospectus and each Prospectus, and (except as provided in Section 6(g) above) any amendment or supplement thereto, to the Underwriters; (iii) any and all fees payable in connection with the rating of the Bonds; (iv) all costs and expenses relating to the creation, filing or perfection of the security interests under the Indenture; and (v) the reasonable fees and expenses of the Trustee, including the fees and disbursements of counsel for the Trustee, in connection with the Indenture and the Bonds;

(j) During the period from the date of this Agreement through the Closing Date, the Company shall not, without the Representatives' prior written consent, directly or indirectly, sell, offer to sell, grant any option for the sale of, or otherwise dispose of, any Bonds, any security convertible into or exchangeable into or exercisable for Bonds or any debt securities substantially similar to the Bonds (except for the Bonds issued pursuant to this Agreement); and

(k) The Company represents and agrees that, unless it obtains the prior consent of the Representatives (such consent not to be unreasonably withheld), it has not made and will not make any offer relating to the Bonds that would constitute an Issuer Free Writing Prospectus or that would otherwise constitute a "free writing prospectus," as defined in Rule 405 of the Securities Act Regulations, required to be filed with the Commission. The Company represents that it has treated or agrees that it will treat each Permitted Free Writing Prospectus as an "issuer free writing prospectus," as defined in Rule 433, and has complied and will comply with the requirements of Rule 433 applicable to any Permitted Free Writing Prospectus, including timely filing with the Commission where required, legending and record keeping in accordance with the Securities Act Regulations.

7. Conditions of Underwriters' Obligations.

The obligations of the several Underwriters to purchase and pay for the Bonds on the Closing Date shall be subject to the accuracy of the representations and warranties on the part of the Company contained herein at the date of this Agreement and the Closing Date, to the accuracy of the statements of the Company made in any certificates pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder and to the following additional conditions:

(a) You shall have received a certificate, dated the Closing Date, of (1) an executive officer of the Company and (2) a principal financial or accounting officer or the controller of the Company, in which such officers, to the best of their knowledge after reasonable investigation, shall state that (i) the representations and warranties of the Company in this Agreement are true and correct in all material respects as of the Closing Date, (ii) the Company has complied in all material respects with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Date, (iii) no stop order suspending the effectiveness of the Registration Statement has been issued, and no proceedings for that purpose have been instituted or are pending by the Commission, and (iv) subsequent to the date of the latest financial statements in the General Disclosure Package and the Prospectus, there has been no material adverse change in the financial position or results of operations of the Company except as set forth or contemplated in the General Disclosure Package and the Prospectus.

(b) You shall have received from Ernst & Young LLP letters, dated the date of this Agreement and the Closing Date, confirming that Ernst & Young LLP is an independent registered public accounting firm with respect to the Company within the meaning of the Securities Act and the Securities Act Regulations, and that:

(i) in their opinion, the consolidated financial statements of the Company audited by them and included or incorporated by reference in the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Exchange Act, and the related published rules and regulations thereunder;

(ii) they have read the minutes of the meetings of the Company's Board of Directors and committees thereof as set forth in the minute books at a specified date not more than five Business Days prior to the date of delivery of such letter;

(iii) they have, if applicable, performed the procedures specified by the PCAOB for a review of interim financial information as described in PCAOB AU 722, Interim Financial Information, on the unaudited condensed interim financial statements of the Company included or incorporated by reference in the Registration Statement and have read the unaudited interim financial data for the period from the date of the latest balance sheet included or incorporated by reference in the Registration Statement to the date of the latest available interim financial data; and

(iv) on the basis of the review referred to in clauses (ii) and (iii) above, a reading of the latest available interim financial statements of the Company, inquiries performed by them of certain officials of the Company who have responsibility for financial and accounting matters regarding the specific items for which representations are requested below and other specified procedures, nothing came to their attention that caused them to believe that:

(A) any material modifications should be made to the unaudited interim financial statements included or incorporated by reference in the Registration Statement for them to be in conformity with generally accepted accounting principles;

(B) the unaudited interim financial statements included or incorporated by reference in the Registration Statement do not comply as to form in all material respects with the applicable accounting requirements of the Securities Act, the Exchange Act and the related published rules and regulations thereunder;

(C) at the date of the latest available balance sheet of the Company read by such accountants, there was any change in the stockholders equity, common stock, treasury stock or preferred securities (with or without sinking fund requirements), or any increase in long-term debt, as compared with amounts shown on the latest consolidated balance sheet included or incorporated by reference in the Registration Statement, or, at the date of the latest available income statement of the Company read by such accountants, there was any change in the consolidated operating revenue, consolidated operating income or consolidated net income, as compared with amounts shown on the latest consolidated income statement included or incorporated by reference in the Registration Statement; or

(D) at a date not more than five Business Days prior to the date of this Agreement, there was any change in (i) the stockholders equity, common stock, treasury stock or preferred securities (with or without sinking fund requirements), or any increase in long-term debt, as compared with amounts shown on the latest consolidated balance sheet included or incorporated by reference in the Registration Statement or (ii) the consolidated operating revenue, consolidated operating income or consolidated net income, as compared with amounts shown on the latest consolidated income statement included or incorporated by reference in the Registration Statement; except in all cases for changes, increases or decreases that the Prospectus discloses have occurred or may occur or that are described in such letter; and

(v) they have read certain financial and statistical amounts included or incorporated by reference in the Registration Statement and the Prospectus, which amounts are set forth in such letter and agreed such amounts to the Company's accounting records which are subject to controls over financial reporting or which have been derived directly from such accounting records by analysis or computation and have found such amounts to be in agreement with such results, except as otherwise specified in such letter, and such other procedures as the Underwriters may request and Ernst & Young LLP is willing to perform and report upon.

(c) The Registration Statement shall have become effective and, on the Closing Date, no stop order suspending the effectiveness of the Registration Statement and/or any notice objecting to its use shall have been issued under the Securities Act or proceedings therefor initiated or threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of counsel to the Underwriters. A prospectus containing the Rule 430B Information shall have been filed with the Commission in the manner and within the time period required by Rule 424(b) without reliance on Rule 424(b)(8) (or a post-effective amendment providing such information shall have been filed and become effective in accordance with the requirements of Rule 430B). The Company shall have paid the required Commission filing fees relating to the Bonds within the time period required by Rule 456(b)(1)(i) of the Securities Act Regulations without regard to the proviso therein and otherwise in accordance with Rules 456(b) and 457(r) of the Securities Act Regulations and, if applicable, shall have updated the "Calculation of Registration Fee" table in accordance with Rule 456(b)(1)(ii) either in a post-effective amendment to the Registration Statement or on the cover page of a prospectus filed pursuant to Rule 424(b).

(d) Subsequent to the execution of this Agreement, there shall not have occurred (i) any material adverse change not contemplated by the General Disclosure Package or the Prospectus (as it exists on the date hereof) in or affecting particularly the business or properties of the Company which, in your judgment, materially impairs the investment quality of the Bonds; (ii) any suspension or limitation of trading in securities generally on the New York Stock Exchange, or any setting of minimum prices for trading on such exchange, or any suspension of trading of any securities of the Company on any exchange or in the over-the-counter market; (iii) a general banking moratorium declared by federal or New York authorities or a material disruption in securities settlement, payment or clearance services in the United States; (iv) any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by Congress or any other substantial national or international calamity or emergency if, in your reasonable judgment, the effect of any such outbreak, escalation, declaration, calamity or emergency makes it impractical and inadvisable to proceed with completion of the sale of and payment for the Bonds and you shall have made a similar determination with respect to all other underwritings of debt securities of utility or energy companies in which you are participating and have a contractual right to make such a determination; or (v) any decrease in the ratings of the Bonds by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. or Moody's Investors Service, Inc. or any such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of the Bonds.

(e) At or before the Closing Date, the Kentucky Public Service Commission and any other regulatory authority whose consent or approval shall be required for the issue and sale of the Bonds by the Company shall have taken all requisite action, or all such requisite action shall be deemed in fact and law to have been taken, to authorize such issue and sale on the terms set forth in the Prospectus.

(f) You shall have received from Gerald A. Reynolds, General Counsel, Chief Compliance Officer and Corporate Secretary of the Company, or such other counsel for the Company as may be acceptable to you, an opinion in form and substance satisfactory to you, dated the Closing Date and addressed to you, as Representatives of the Underwriters, substantially to the effect that:

(i) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the Commonwealth of Kentucky, with power and authority to own its properties and conduct its business as described in the General Disclosure Package and the Prospectus;

(ii) The Bonds have been duly authorized, executed and delivered by the Company and, assuming due authentication and delivery by the Trustee in the manner provided for in the Indenture and delivery against payment therefor, are valid and legally binding obligations of the Company entitled to the benefits and security of the Indenture, enforceable against the Company in accordance with their terms (except to the extent limited by the Enforceability Exceptions);

(iii) The Indenture has been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms (except to the extent limited by the Enforceability Exceptions);

(iv) The Company has good and sufficient title to the interest and estate of the Company in all real property which is or is to be specifically or generally described or referred to in the Indenture as being subject to the lien thereof, subject only to (A) the lien of the Indenture, (B) Permitted Liens (as defined in the Indenture), and (C) defects and irregularities in title and other Liens (as defined in the Indenture) that in each case are not prohibited by the Indenture and that, in the judgment of such counsel, do not individually or in the aggregate, impair the operation of the Company's business in any material respect;

(v) The descriptions of all such property contained or referred to in the Indenture are adequate for purposes of the lien purported to be created by the Indenture;

(vi) The Indenture constitutes a valid mortgage lien on and security interest in all property which is specifically or generally described or referred to therein as being subject to the lien thereof (other than such property as has been released from the Lien of the Indenture in accordance with the terms thereof), subject only to the Liens, defects and irregularities referred to in subparagraph (iv) above;

(vii) The Indenture by its terms will effectively subject to the lien thereof all property located in the Commonwealth of Kentucky acquired by the Company after the Closing Date of the character generally described or referred to in the Indenture as being subject to the lien thereof, subject to (A) defects and irregularities in title existing at the time of such acquisition, (B) Purchase Money Liens (as defined in the Indenture) and any other Liens placed or otherwise existing on such property at the time of such acquisition, (C) with respect to real property, Liens placed thereon following the acquisition thereof by the Company and prior to the recording and filing of a supplemental indenture or other instrument specifically describing such real property and (D) possible limitations arising out of laws relating to preferential transfers of property during certain periods prior to commencement of bankruptcy, insolvency or similar proceedings and to limitations on liens on property acquired by a debtor after the commencement of any such proceedings, and possible claims and taxes of the federal government, and except as otherwise provided in Article Thirteen of the Indenture; it being understood that, if any property were to become subject to the lien of the Indenture by virtue of the "springing lien" provisions contained in the proviso at the end of the definition of "Excepted Property" in the granting clauses of the Indenture, the lien of the Indenture as to such property would be subject to any Liens existing on such property at the time such property became subject to the Lien of the Indenture;

(viii) The Indenture has been duly recorded or lodged for record as a mortgage of real estate, and any required filings with respect to personal property and fixtures subject to the lien of the Indenture have been duly made, in each place in which such recording and filing is required to protect, preserve and perfect the lien of the Indenture, and all taxes and recording and filing fees required to be paid with respect to the execution, recording or filing of the Indenture, the filing of financing statements and similar documents and the issuance of the Bonds have been paid.

(ix) The descriptions in the Registration Statement, the General Disclosure Package and the Prospectus of statutes, legal and governmental proceedings and contracts and other documents are accurate and fairly present the information required to be shown; and (1) such counsel does not know of any legal or governmental proceedings required to be described in the Registration Statement, the General Disclosure Package or the Prospectus which are not described, or of any contracts or documents of a character required to be described in the Registration Statement, the General Disclosure Package or the Prospectus or to be filed as exhibits to the Registration Statement which are not described and filed as required and (2) nothing has come to the attention of such counsel that would lead such counsel to believe either that the Registration Statement, at its effective date, contained any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or that the General Disclosure Package, as of the Applicable Time, or that the Prospectus, as supplemented, as of the date of this Agreement and as of the Closing Date, contained or contains any untrue statement of a material fact or omits or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that such counsel need express no opinion as to the financial statements and other financial data contained in the Registration Statement, the General Disclosure Package or the Prospectus;

(x) None of the execution and delivery of this Agreement, the Supplemental Indenture, the issue and sale of the Bonds, or the consummation of any of the transactions herein or therein contemplated, will (i) violate any law or any regulation, order, writ, injunction or decree of any court or governmental instrumentality known to such counsel to be applicable to the Company, (ii) breach or violate, or constitute a default under, the Company's amended and restated articles of incorporation or bylaws, or (iii) breach or violate, or constitute a default under, any material agreement or instrument known to such counsel to which the Company is a party or by which it is bound, except in the case of clauses (i) and (iii), for such violations, breaches or defaults that would not in the aggregate have a material adverse effect on the Company's ability to perform its obligations hereunder or thereunder;

(xi) This Agreement has been duly authorized, executed and delivered by the Company;

(xii) The Order of the Kentucky Public Service Commission, dated June 16, 2014, has been obtained and is in full force and effect and is sufficient to authorize the issuance and sale by the Company of the Bonds as contemplated by this Agreement, and no further consent, approval, authorization, order, registration or qualification of or with any federal, state or local governmental agency or body or any federal, state or local court is required to be obtained by the Company for the consummation of the transactions contemplated by this Agreement and the Indenture in connection with the offering, issuance and sale by the Company of the Bonds, or the performance by the Company of its obligations hereunder or thereunder, except (i) such as have been obtained or (ii) such as may be required under the blue sky laws of any jurisdiction; and

(xiii) Except as described in the Registration Statement, the General Disclosure Package and the Prospectus, and except where the failure to hold such is not reasonably expected to have a material adverse effect on the Company's operations, the Company holds all franchises, certificates of public convenience, licenses and permits (some of which expire at various dates and some of which are without time limit) necessary to carry on the utility business in which it is engaged.

In expressing any of the foregoing opinions (other than the opinions in paragraph (ix) above), the General Counsel, Chief Compliance Officer and Corporate Secretary (or such other counsel for the Company) may rely on opinions, dated the

Closing Date, of Pillsbury Winthrop Shaw Pittman LLP, Stoll Keenon Ogden PLLC, special Kentucky counsel to the Company, and/or Steptoe & Johnson LLP, and in the case of the opinions in paragraphs (iv) to (viii) above, General Counsel, Chief Compliance Officer and Corporate Secretary Counsel (or such other counsel as the case may be) shall rely, in part, on such opinions of Stoll Keenon Ogden PLLC and/or Steptoe & Johnson LLP. Copies of the opinions of Stoll Keenon Ogden PLLC and Steptoe & Johnson LLP shall be delivered to the Underwriters and the Underwriters and Counsel for the Underwriters shall be entitled to rely on such opinions.

(g) You shall have received from Pillsbury Winthrop Shaw Pittman LLP, special counsel to the Company, an opinion in form and substance satisfactory to you, dated the Closing Date and addressed to you, as Representatives of the Underwriters, substantially to the effect that:

(i) The Bonds have been duly authorized, executed and delivered by the Company and, assuming due authentication and delivery by the Trustee in the manner provided for in the Indenture and delivery against payment therefor, are valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms (except to the extent limited by the Enforceability Exceptions) and are entitled to the benefits and security of the Indenture;

(ii) The Indenture has been duly authorized, executed and delivered by the Company, has been qualified under the Trust Indenture Act and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms (except to the extent limited by the Enforceability Exceptions);

(iii) This Agreement has been duly authorized, executed and delivered by the Company;

(iv) (1) The Registration Statement has become effective under the Securities Act, and any preliminary prospectus included in the General Disclosure Package at the Applicable Time and the Prospectus were filed with the Commission pursuant to the subparagraph of Rule 424(b) specified in such opinion on the date or dates specified therein, and the Issuer General Use Free Writing Prospectus described in Schedule A attached hereto was filed with the Commission pursuant to Rule 433 on the date specified in such opinion; (2) to the best of the knowledge of such counsel after inquiry of the Company, no stop order suspending the effectiveness of the Registration Statement or any part thereof has been issued and no proceedings for that purpose have been instituted under the Securities Act; (3) the Registration Statement, as of its effective date, the Prospectus, as of the date of this Agreement, and any amendment or supplement thereto, as of its date, appeared on their face to be appropriately responsive in all material respects to the requirements of the Securities Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder; and (4) no facts have come to the attention of such counsel that cause such counsel to believe either that the Registration Statement, as of its effective date, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading; the General Disclosure Package, as of the Applicable Time, contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or that the Prospectus, as supplemented, as of the date of this Agreement and as it shall have been amended or supplemented, as of the Closing Date, contained or contains any untrue statement of a material fact or omits or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that such counsel need express no opinion as to the financial statements and other financial or statistical data, or management's assessment of the effectiveness of the Company's internal controls, contained or incorporated by reference in the Registration Statement, the General Disclosure Package or the Prospectus;

(v) No consent, approval, authorization or other order of any public board or body of the United States or the State of New York (except for the registration of the Bonds under the Securities Act and the qualification of the Indenture under the Trust Indenture Act and other than in connection or compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which such counsel need express no opinion) is legally required for the authorization of the issuance of the Bonds in the manner contemplated herein and in the General Disclosure Package and the Prospectus;

(vi) The statements in the General Disclosure Package and the Prospectus under the caption "Description of the Bonds", insofar as they purport to constitute summaries of certain terms of the Indenture and the Bonds, constitute accurate summaries of such terms of such document and securities in all material respects; and

(vii) The Company is not an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

In rendering such opinion, Pillsbury Winthrop Shaw Pittman LLP may rely as to matters governed by Kentucky law upon the opinion of the General Counsel, Chief Compliance Officer and Corporate Secretary of the Company or such other counsel referred to in Section 7(f).

(h) You shall have received from Sullivan & Cromwell LLP, counsel for the Underwriters, such opinion or opinions in form and substance satisfactory to you, dated the Closing Date, with respect to matters as you may require, and the Company shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters. In rendering such opinion or opinions, Sullivan & Cromwell LLP may rely, as to matters governed by Kentucky law, upon the opinion of the General Counsel, Chief Compliance Officer and Corporate Secretary of the Company referred to above or the opinion of any special counsel referred to above; and

(i) You shall have received from the Company a copy of the rating letters from Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. and Moody's Investors Service, Inc. assigning ratings on the Bonds or other evidence reasonably satisfactory to the Representatives of such ratings.

The Company will furnish you as promptly as practicable after the Closing Date with such conformed copies of such opinions, certificates, letters and documents as you may reasonably request.

In case any such condition shall not have been satisfied, this Agreement may be terminated by you upon notice in writing or by telegram to the Company without liability or obligation on the part of the Company or any Underwriter, except as provided in Sections 6(e), 6(i), 9, 11 and 14 hereof.

8. Conditions of Company's Obligations.

The obligations of the Company to sell and deliver the Bonds on the Closing Date are subject to the following conditions:

(a) At the Closing Date, no stop order suspending the effectiveness of the Registration Statement shall be in effect or proceeding therefor shall have been instituted or, to the knowledge of the Company, shall be contemplated.

(b) At or before the Closing Date, the Kentucky Public Service Commission and any other regulatory authority whose consent or approval shall be required for the issue and sale of the Bonds by the Company shall have taken all requisite action, or all such requisite action shall be deemed in fact and law to have been taken, to authorize such issue and sale on the terms set forth in the Prospectus.

If any such conditions shall not have been satisfied, then the Company shall be entitled, by notice in writing or by telegram to you, to terminate this Agreement without any liability or obligation on the part of the Company or any Underwriter, except as provided in Sections 6(e), 6(i), 9, 11 and 14 hereof.

9. Indemnification and Contribution.

(a) The Company agrees that it will indemnify and hold harmless each Underwriter and the officers, directors, partners, members, employees, agents and affiliates of each Underwriter and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Securities Act (each "an indemnified party"), against any loss, expense, claim, damage or liability to which, jointly or severally, such Underwriter, indemnified party or such controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, expense, claim, damage or liability (or actions in respect thereof) arises out of or is based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Statutory Prospectus, any Issuer Free Writing Prospectus or the Prospectus, or any amendment or supplement to any thereof, or arises out of or is based upon the omission or alleged omission to state therein any material fact required to be stated therein or necessary to make the statements therein not misleading and, except as hereinafter in this Section 9 provided, the Company agrees to reimburse each indemnified party for any reasonable legal or other expenses as incurred by such indemnified party in connection with investigating or defending any such loss, expense, claim, damage or liability; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, expense, claim, damage or liability arises out of or is based on an untrue statement or alleged untrue statement or omission or alleged omission made in any such document in reliance upon, and in conformity with, written information furnished to the Company as set forth in Schedule B hereto by or through you on behalf of any Underwriter expressly for use in any such document or arises out of, or is based on, statements or omissions from the part of the Registration Statement which shall constitute the Statement of Eligibility under the Trust Indenture Act of the Trustee under the Indenture.

(b) Each Underwriter, severally and not jointly, agrees that it will indemnify and hold harmless the Company and its officers and directors, and each of them, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, against any loss, expense, claim, damage or liability to which it or they may become subject, under the Securities Act or otherwise, insofar as such loss, expense, claim, damage or liability (or actions in respect thereof) arises out of or is based on any untrue statement or alleged untrue statement of any material fact contained in the Statutory Prospectus, any Issuer Free Writing Prospectus or the Prospectus, or any amendment or supplement to any thereof, or arises out of or is based upon the omission or alleged omission to state therein any material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, and only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any such documents in reliance upon, and in conformity with, written information furnished to the Company as set forth in Schedule B hereto by or through you on behalf of such Underwriter expressly for use in any such document; and, except as hereinafter in this Section 9 provided, each Underwriter, severally and not jointly, agrees to reimburse the Company and its officers and directors, and each of them, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, for any reasonable legal or other expenses incurred by it or them in connection with investigating or defending any such loss, expense, claim, damage or liability.

(c) Upon receipt of notice of the commencement of any action against an indemnified party, the indemnified party shall, with reasonable promptness, if a claim in respect thereof is to be made against an indemnifying party under its agreement contained in this Section 9, notify such indemnifying party in writing of the commencement thereof; but the omission so to notify an indemnifying party shall not relieve it from any liability which it may have to the indemnified party otherwise than under subsection (a) or (b) of this Section 9. In the case of any such notice to an indemnifying party, the indemnifying party shall be entitled to participate at its own expense in the defense, or if it so elects, to assume the defense, of any such action, but, if it elects to assume the defense, such defense shall be conducted by counsel chosen by it and satisfactory to the indemnified party and to any other indemnifying party that is a defendant in the suit. In the event that any indemnifying party elects to assume the defense of any such action and retain such counsel, the indemnified party shall bear the fees and expenses of any additional counsel retained by it unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the contrary; (ii) the indemnifying party has failed within a reasonable time to retain counsel reasonably satisfactory to the indemnified party; (iii) the indemnified party shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the indemnifying party; or (iv) the named parties in any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and the representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them; provided, however, that in no event shall the indemnifying party be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from its own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall be liable in the event of any settlement of any such action effected without its consent. Each indemnified party agrees promptly to notify each indemnifying party of the commencement of any litigation or proceedings against it in connection with the issue and sale of the Bonds.

(d) If any Underwriter or person entitled to indemnification by the terms of subsection (a) of this Section 9 shall have given notice to the Company of a claim in respect thereof pursuant to subsection (c) of this Section 9, and if such claim for indemnification is thereafter held by a court to be unavailable for any reason other than by reason of the terms of this Section 9 or if such claim is unavailable under controlling precedent, such Underwriter or person shall be entitled to contribution from the Company for liabilities and expenses, except to the extent that contribution is not permitted under Section 11(f) of the Securities Act. In determining the amount of contribution to which such Underwriter or person is entitled, there shall be considered the relative benefits received by such Underwriter or person and the Company from the offering of the Bonds that were the subject of the claim for indemnification (taking into account the portion of the proceeds of the offering realized by each), the Underwriter or person's relative knowledge and access to information concerning the matter with respect to which the claim was asserted, the opportunity to correct and prevent any statement or omission, and any other equitable considerations appropriate under the circumstances. The Company and the Underwriters agree that it would not be equitable if the amount of such contribution were determined by pro rata or per capita allocation (even if the Underwriters were treated as one entity for such purpose).

(e) No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 9 (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party and all liability arising out of such litigation, investigation, proceeding or claim, and (ii) does not include a statement as to or an admission of fault, culpability or the failure to act by or on behalf of any indemnified party.

(f) The indemnity and contribution provided for in this Section 9 and the representations and warranties of the Company and the several Underwriters set forth in this Agreement shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter or the Company or their respective directors or officers, (ii) the acceptance of any Bonds and payment therefor under this Agreement, and (iii) any termination of this Agreement.

10. Default of Underwriters.

If any Underwriter or Underwriters default in their obligations to purchase Bonds hereunder, the non-defaulting Underwriters may make arrangements satisfactory to the Company for the purchase of such Bonds by other persons, including any of the non-defaulting Underwriters, but if no such arrangements are made by the

Closing Date, the other Underwriters shall be obligated, severally in the proportion which their respective commitments hereunder bear to the total commitment of the non-defaulting Underwriters, to purchase the Bonds which such defaulting Underwriter or Underwriters agreed but failed to purchase. In the event that any Underwriter or Underwriters default in their obligations to purchase Bonds hereunder, the Company may by prompt written notice to non-defaulting Underwriters postpone the Closing Date for a period of not more than seven full Business Days in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus or in any other documents, and the Company will promptly file any amendments to the Registration Statement or supplements to the Prospectus which may thereby be made necessary. As used in this Agreement, the term "Underwriter" includes any person substituted for an Underwriter under this Section. Nothing herein will relieve an Underwriter from liability for its default.

11. Survival of Certain Representations and Obligations.

The respective indemnities, agreements, representations and warranties of the Company and of or on behalf of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of any Underwriter or the Company or any of its officers or directors or any controlling person, and will survive delivery of and payment for the Bonds. If for any reason the purchase of the Bonds by the Underwriters is not consummated, the Company shall remain responsible for the expenses to be paid or reimbursed by it pursuant to Section 6, and the respective obligations of the Company and the Underwriters pursuant to Section 9 hereof shall remain in effect.

12. Notices.

The Company shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of each of the Underwriters if the same shall have been made or given by you jointly or by J.P. Morgan Securities LLC. All statements, requests, notices, consents and agreements hereunder shall be in writing, or by telegraph subsequently confirmed in writing, and, if to the Company, shall be sufficient in all respects if delivered or mailed to the Company at 220 West Main Street, Louisville, Kentucky 40202, Attention: Treasurer, and, if to you, shall be sufficient in all respects if delivered or mailed to you at the address set forth on the first page hereof (a copy of which shall be sent to J.P. Morgan Securities LLC, 383 Madison Avenue, New York, New York 10179 (facsimile: (212) 834-6081), Attention: Investment Grade Syndicate Desk—3rd Floor; BNP Paribas Securities Corp., 787 Seventh Avenue, New York, New York 10019 (facsimile: (212) 841-2871), Attention: Syndicate Desk; Goldman, Sachs & Co., 200 West Street, New York, New York 10282-2198, Attention: Registration Department; and Mizuho Securities USA Inc., 320 Park Avenue 12th Floor, New York, New York 10022 (facsimile: (212) 205-7812), Attention: Debt Capital Markets Desk); provided, however, that any notice to an Underwriter pursuant to Section 9 hereof will also be delivered or mailed to such Underwriter at the address, if any, of such Underwriter furnished to the Company in writing for the purpose of communications hereunder.

13. Parties in Interest.

This Agreement shall inure solely to the benefit of the Company and the Underwriters and, to the extent provided in Section 9 hereof, to any indemnified party or any person who controls any Underwriter, to the officers and directors of the Company, and to any person who controls the Company, and their respective successors. No other person, partnership, association or corporation shall acquire or have any right under or by virtue of this Agreement. The term "successor" shall not include any assignee of an Underwriter (other than one who shall acquire all or substantially all of such Underwriter's business and properties), nor shall it include any purchaser of Bonds from any Underwriter merely because of such purchase.

14. No Advisory or Fiduciary Relationship.

The Company acknowledges and agrees that (a) the purchase and sale of the Bonds pursuant to this Agreement, including the determination of the public offering price of the Bonds and any related discounts and commissions, is an arm's-length commercial transaction between the Company, on the one hand, and the several Underwriters, on the other hand, (b) in connection with the offering contemplated hereby and the process leading to such transaction, each Underwriter is and has been acting solely as a principal and is not the agent or fiduciary of the Company, or its stockholders, creditors, employees or any other party, (c) no Underwriter has assumed or will assume an advisory or fiduciary responsibility in favor of the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Company on other matters) and no Underwriter has any obligation to the Company with respect to the offering contemplated hereby except the obligations expressly set forth in this Agreement, (d) the Underwriters and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company, (e) the Underwriters have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate and (f) the Company waives, to the fullest extent permitted by law, any claims it may have against the Underwriters for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that the Underwriters shall have no liability (whether direct or indirect) to the Company in respect of such a fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Company, including its respective stockholders, creditors or employees.

15. Representation of Underwriters.

Any action under this Agreement taken by the Representatives will be binding upon all the Underwriters.

16. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

17. Effectiveness.

This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

18. Waiver of Jury Trial.

The Company and each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, 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.

19. Headings.

The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

20. Applicable Law.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Please confirm that the foregoing correctly sets forth the agreement between us by signing in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement between the Company and the several Underwriters in accordance with its terms.

Yours very truly,

LOUISVILLE GAS AND ELECTRIC COMPANY

By: /s/ Daniel K. Arbough
Name: Daniel K. Arbough
Title: Treasurer

The foregoing Underwriting Agreement is hereby confirmed and accepted as of the date first above written.

J.P. MORGAN SECURITIES LLC

By: /s/ Som Bhattacharyya
Name: Som Bhattacharyya
Title: Vice President

BNP PARIBAS SECURITIES CORP.

By: /s/ Jim Turner
Name: Jim Turner
Title: Head of Debt Capital Markets

GOLDMAN, SACHS & CO.

By: /s/ Adam Greene
Name: Adam Greene
Title: Vice President

MIZUHO SECURITIES USA INC.

By: /s/ Jerry Ko
Name: Jerry Ko
Title: Director

Acting severally on behalf of themselves and as Representatives of the several Underwriters named in Section 3 hereof.

SCHEDULE A

Issuer General Use Free Writing Prospectus

1. Final Terms and Conditions, dated September 21, 2015, for $300,000,000 aggregate principal amount of First Mortgage Bonds, 3.300% Series due 2025 and $250,000,000 aggregate principal amount of First Mortgage Bonds, 4.375% Series due 2045 filed with the Commission by the Company pursuant to Rule 433 under the Securities Act, a form of which is included herein as Annex I.

SCHEDULE B

Information Represented and Warranted by the Underwriters
Pursuant to Section 2 of the Underwriting Agreement

1. The third paragraph under the caption “Underwriting” in the Prospectus related to the initial public offering price and selling concessions;
2. The second and third sentences of the fourth paragraph under the caption “Underwriting” in the Prospectus related to market making;
3. The fifth, sixth and seventh paragraphs under the caption “Underwriting” in the Prospectus related to short sales, stabilizing transactions and short covering transactions; and
4. The eleventh and twelfth paragraphs under the caption “Underwriting” in the Prospectus related to activities of the Underwriters.

Annex I

Form of Final Term Sheet

LOUISVILLE GAS AND ELECTRIC COMPANY
$300,000,000 FIRST MORTGAGE BONDS, 3.300% SERIES DUE 2025
$250,000,000 FIRST MORTGAGE BONDS, 4.375% SERIES DUE 2045

Issuer:	Louisville Gas and Electric Company	
Issuance Format:	SEC Registered	
Trade Date:	September 21, 2015	
Settlement Date:	September 28, 2015 (T+5)	
Joint Book-Running Managers:	J.P. Morgan Securities LLC BNP Paribas Securities Corp. Goldman, Sachs & Co. Mizuho Securities USA Inc.	
Co-Managers:	CIBC World Markets Corp. PNC Capital Markets LLC SunTrust Robinson Humphrey, Inc. U.S. Bancorp Investments, Inc.	
Title:	First Mortgage Bonds, 3.300% Series due 2025	First Mortgage Bonds, 4.375% Series due 2045
Principal Amount:	$300,000,000	$250,000,000
Stated Maturity Date:	October 1, 2025	October 1, 2045
Interest Payment Dates:	April 1 and October 1, commencing April 1, 2016	April 1 and October 1, commencing April 1, 2016
Annual Interest Rate:	3.300%	4.375%
Price to Public:	99.957%	99.917%
Benchmark Treasury:	2.000% due August 15, 2025	3.000% due May 15, 2045
Benchmark Treasury Yield:	2.205%	3.030%
Spread to Benchmark Treasury:	+110 basis points	+135 basis points
Yield to Maturity:	3.305%	4.380%
Optional Redemption:	Prior to July 1, 2025 (the "Par Call Date"), the bonds will be redeemable, in whole at any time or in part from time to time, at a	Prior to April 1, 2045 (the "Par Call Date"), the bonds will be redeemable, in whole at any time or in part from time to

	redemption price equal to the greater of (i) 100% of the principal amount of the bonds being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the bonds being redeemed that would be due if the Stated Maturity Date of such bonds were the Par Call Date (not including any portion of any payments of interest accrued to, but not including, the Redemption Date), discounted to the Redemption Date on a semi-annual basis at the Adjusted Treasury Rate, plus 20 basis points; plus, in either case, accrued and unpaid interest to the Redemption Date. On or after the Par Call Date, the bonds will be redeemable at a redemption price equal to 100% of the principal amount of the bonds being redeemed, plus accrued and unpaid interest to the Redemption Date.	time, at a redemption price equal to the greater of (i) 100% of the principal amount of the bonds being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the bonds being redeemed that would be due if the Stated Maturity Date of such bonds were the Par Call Date (not including any portion of any payments of interest accrued to, but not including, the Redemption Date), discounted to the Redemption Date on a semi-annual basis at the Adjusted Treasury Rate, plus 25 basis points; plus, in either case, accrued and unpaid interest to the Redemption Date. On or after the Par Call Date, the bonds will be redeemable at a redemption price equal to 100% of the principal amount of the bonds being redeemed, plus accrued and unpaid interest to the Redemption Date.
CUSIP / ISIN:	546676AW7 / US546676AW72	546676AX5 / US546676AX55

Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Bonds prior to the settlement date will be required, by virtue of the fact that the Bonds initially will settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Bonds who wish to trade the Bonds prior to the settlement date should consult their advisors.

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling J.P. Morgan Securities LLC collect at (212) 834-4533; BNP Paribas Securities Corp. toll-free at (800) 854-5674; Goldman, Sachs & Co. toll-free at (866) 471-2526 or Mizuho Securities USA Inc. at (866) 271-7403.

Exhibit 1(b)

KENTUCKY UTILITIES COMPANY

$250,000,000 First Mortgage Bonds, 3.300% Series due 2025
$250,000,000 First Mortgage Bonds, 4.375% Series due 2045

UNDERWRITING AGREEMENT

September 21, 2015

J.P. Morgan Securities LLC
Mitsubishi UFJ Securities (USA), Inc.
Morgan Stanley & Co. LLC
UBS Securities LLC
As Representatives of the Several Underwriters
c/o J.P. Morgan Securities LLC
383 Madison Avenue
New York, New York 10179

Ladies and Gentlemen:

1. Introductory.

Kentucky Utilities Company, a corporation organized under the laws of the Commonwealth of Kentucky and the Commonwealth of Virginia (the "Company"), proposes to issue and sell, and the several Underwriters named in Section 3 hereof (the "Underwriters"), for whom you are acting as representatives (the "Representatives"), propose, severally and not jointly, to purchase, upon the terms and conditions set forth herein, $250,000,000 aggregate principal amount of the Company's First Mortgage Bonds, 3.300% Series due 2025 (the "2025 Bonds") and $250,000,000 aggregate principal amount of the Company's First Mortgage Bonds, 4.375% Series due 2045 (the "2045 Bonds", and together with the 2025 Bonds, the "Bonds") to be issued under an Indenture, dated as of October 1, 2010 (the "Base Indenture"), as heretofore amended and supplemented by Supplemental Indenture No. 1 thereto, dated as of October 15, 2010, Supplemental Indenture No. 2 thereto, dated as of November 1, 2010, Supplemental Indenture No. 3 thereto, dated as of November 1, 2013, and as to be further supplemented by Supplemental Indenture No. 4 thereto relating to the Bonds, to be dated as of September 1, 2015 (the "Supplemental Indenture", and the Base Indenture as so amended and supplemented, the "Indenture"), between the Company and The Bank of New York Mellon, as trustee thereunder (the "Trustee").

The Company has filed with the Securities and Exchange Commission (the "Commission") an automatic shelf registration statement (No. 333-202290-04) on Form S-3, including the related preliminary prospectus or prospectus, which registration statement became effective upon filing under Rule 462(e) ("Rule 462(e)") of the rules and regulations of the Commission (the "Securities Act Regulations") under the Securities Act of 1933, as amended (the "Securities Act"). Such registration statement covers the registration of the Bonds under the Securities Act. Promptly after the date of this Agreement, the Company will prepare and file a prospectus in accordance with the provisions of Rule 430B ("Rule 430B") of the Securities Act Regulations and paragraph (b) of Rule 424 ("Rule 424(b)") of the Securities Act Regulations. Any information included in such prospectus that was omitted from such registration statement at the time it became effective but that is deemed to be part of and included in such registration statement pursuant to Rule 430B is referred to as "Rule 430B Information." Each prospectus used in connection with the offering of the Bonds that omitted Rule 430B Information (other than a "free writing prospectus" as defined in Rule 405 of the Securities Act Regulations that has not been approved in writing by the Company and the Representatives), including any related prospectus supplement and the documents incorporated by reference therein pursuant to Item 12 of Form S-3, is herein called a "preliminary prospectus." Such registration statement, at any given time, including the amendments or supplements thereto to such time, the exhibits and any schedules thereto at such time, the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Securities Act at such time and the documents otherwise deemed to be a part thereof or included therein by the Securities Act Regulations, is herein called the "Registration Statement." The Registration Statement at the time it originally became effective is herein called the "Original Registration Statement." The final prospectus in the form first furnished to the Underwriters for use in connection with the offering of the Bonds, including the related prospectus supplement and the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Securities Act as of the date hereof, is herein called the "Prospectus." For purposes of this Agreement, all references to the Registration Statement, any preliminary prospectus, the Prospectus or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval ("EDGAR") system.

All references in this Agreement to financial statements and schedules and other information which is "contained," "included" or "stated" in the Registration Statement, any preliminary prospectus or the Prospectus (or other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information which is incorporated by reference in or otherwise deemed by the Securities Act Regulations to be a part of or included in the Registration Statement, any preliminary prospectus or the Prospectus, as the case may be; and all references in this Agreement to amendments or supplements to the Registration Statement, any preliminary prospectus or the Prospectus shall be deemed to mean and include the filing of any document under the Securities Exchange Act of 1934, as amended (the "Exchange Act") which is incorporated by reference in or otherwise deemed by the Securities Act Regulations to be a part of or included in the Registration Statement, such preliminary prospectus or the Prospectus, as the case may be.

2. Representations and Warranties.

The Company represents and warrants to each Underwriter as of the date hereof, as of the Applicable Time referred to in Section 2(b) hereof and as of the Closing Date referred to in Section 5 hereof, and agrees with each Underwriter as follows:

(a) (A) At the time of filing the Original Registration Statement, (B) at the time of the most recent amendment thereto for the purposes of complying with Section 10(a)(3) of the Securities Act (whether such amendment was by post-effective amendment, incorporated report filed pursuant to Section 13 or 15(d) of the Exchange Act or form of prospectus), (C) at the time the Company or any person acting on its behalf (within the meaning, for this clause only, of Rule 163(c) of the Securities Act Regulations) made any offer relating to the Bonds in reliance on the exemption of Rule 163 of the Securities Act Regulations ("Rule 163") or made a bona fide offer (within the meaning of Rule 164(h)(2) of the Securities Act Regulations) and (D) at the date hereof, the Company was and is eligible to register and issue the Bonds as a "well-known seasoned issuer" as defined in Rule 405 of the Securities Act Regulations ("Rule 405"), including not having been and not being an "ineligible issuer" as defined in Rule 405. The Registration Statement is an "automatic shelf registration statement," as defined in Rule 405, and the Bonds, since their registration on the Registration Statement, have been and remain eligible for registration by the Company on a Rule 405 "automatic shelf registration statement." The Company has not received from the Commission any notice pursuant to Rule 401(g)(2) of the Securities Act Regulations objecting to the use of the automatic shelf registration statement form;

(b) The Original Registration Statement became effective upon filing under Rule 462(e) of the Securities Act Regulations on February 25, 2015, and any post-effective amendment thereto also became effective upon filing under Rule 462(e). No stop order suspending the effectiveness of the Registration Statement or any notice objecting to its use has been issued under the Securities Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

Any offer that is a written communication relating to the Bonds made prior to the filing of the Original Registration Statement by the Company or any person acting on its behalf (within the meaning, for this paragraph only, of Rule 163(c) of the Securities Act Regulations) has been filed with the Commission in accordance with the exemption provided by Rule 163 and otherwise complied with the requirements of Rule 163, including without limitation the legending requirement, to qualify such offer for the exemption from Section 5(c) of the Securities Act provided by Rule 163.

At the respective times the Original Registration Statement and each amendment thereto became effective, at each deemed effective date with respect to the Underwriters pursuant to Rule 430B(f)(2) of the Securities Act Regulations and at the Closing Date, the Registration Statement complied and will comply in all material respects with the requirements of the Securities Act and the Securities Act Regulations and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and the rules and regulations thereunder, and did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

Neither the Prospectus nor any amendments or supplements thereto, at the time the Prospectus or any such amendment or supplement was issued and at the Closing Date, included or will include an untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Each preliminary prospectus (including the prospectus or prospectuses filed as part of the Original Registration Statement or any amendment thereto) complied when so filed and each Prospectus will comply when so filed in all material respects with the Securities Act Regulations and each preliminary prospectus and the Prospectus delivered to the Underwriters for use in connection with this offering was identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

As of the Applicable Time (as defined below), neither (x) the Issuer General Use Free Writing Prospectus(es) (as defined below) issued at or prior to the Applicable Time, the Statutory Prospectus (as defined below) and the Issuer Free Writing Prospectus (as defined below), including the Final Term Sheet prepared and filed pursuant to Section 6(b) identified on Schedule A hereto, all considered together (collectively, the "General Disclosure Package"), nor (y) any individual Issuer Limited Use Free Writing Prospectus (as defined below), when considered together with the General Disclosure Package, included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

As of the time of the filing of the Final Term Sheet, the General Disclosure Package, when considered together with the Final Term Sheet (as defined in Section 6(b)), will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

As used in this subsection and elsewhere in this Agreement:

"Applicable Time" means 3:50 p.m., New York City time, on September 21, 2015 or such other time as agreed by the Company and the Representatives.

"Issuer Free Writing Prospectus" means any "issuer free writing prospectus," as defined in Rule 433 of the Securities Act Regulations ("Rule 433"), relating to the Bonds that (i) is required to be filed with the Commission by the Company, (ii) is a "road show that is a written communication" within the meaning of Rule 433(d)(8)(i), whether or not required to be filed with the Commission or (iii) is exempt from filing pursuant to Rule 433(d)(5)(i) because it contains a description of the Bonds or of the offering that does not reflect the final terms, in each case in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company's records pursuant to Rule 433(g).

"Issuer General Use Free Writing Prospectus" means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors, as evidenced by its being specified in Schedule A hereto.

"Issuer Limited Use Free Writing Prospectus" means any Issuer Free Writing Prospectus that is not an Issuer General Use Free Writing Prospectus.

"Permitted Free Writing Prospectus" means any free writing prospectus consented to in writing by the Company and the Representatives. For the avoidance of doubt, any free writing prospectus that is not consented to in writing by the Company does not constitute a Permitted Free Writing Prospectus and will not be an Issuer Free Writing Prospectus.

"Statutory Prospectus" as of any time means the prospectus relating to the Bonds that is included in the Registration Statement immediately prior to that time, including any document incorporated by reference therein and any preliminary or other prospectus deemed to be a part thereof.

Each Issuer Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the public offer and sale of the Bonds or until any earlier date that the Company notified or notifies the Representatives as described in Section 6(g), did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement or the Prospectus, including any document incorporated by reference therein and any preliminary or other prospectus deemed to be a part thereof that has not been superseded or modified.

The representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement, the Prospectus or any Issuer Free Writing Prospectus made in reliance upon and in conformity with written information furnished to the Company as set forth in Schedule B hereto by any Underwriter through the Representatives expressly for use therein or to any statements in or omissions from the Statement of Eligibility of the Trustee under the Indenture. At the effective date of the Registration Statement, the Indenture conformed in all material respects to the Trust Indenture Act and the rules and regulations thereunder;

(c) The Company has been duly organized, is validly existing as a corporation in good standing under the laws of the Commonwealths of Kentucky and Virginia, has the power and authority to own its property and to conduct its business as described in the General Disclosure Package and the Prospectus and to enter into and perform its obligations under this Agreement, the Indenture and the Bonds, and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company;

(d) The Bonds have been duly authorized by the Company and, when issued, authenticated and delivered in the manner provided for in the Indenture and delivered against payment of the consideration therefor, will constitute valid and binding obligations of the Company enforceable in accordance with their terms, except to the extent limited by bankruptcy, insolvency, fraudulent conveyance, reorganization or moratorium laws or by other laws now or hereafter in effect relating to or affecting the enforcement of mortgagee's and other creditors' rights and by general equitable principles (regardless of whether considered in a proceeding in equity or at law), an implied covenant of good faith and fair dealing and consideration of public policy, and federal or state securities law limitations on indemnification and contribution (the "Enforceability Exceptions"); the Bonds will be in the forms established pursuant to, and entitled to the benefits of, the Indenture; and the Bonds will conform in all material respects to the statements relating thereto contained in the General Disclosure Package and the Prospectus;

(e) The Indenture has been duly authorized by the Company; at the Closing Date, the Supplemental Indenture will have been duly executed and delivered by the Company, and assuming due authorization, execution and delivery of the Indenture by the Trustee, the Indenture will constitute a valid and legally binding obligation of the Company enforceable in accordance with its terms (except to the extent limited by the Enforceability Exceptions); the Indenture conforms and will conform in all material respects to the statements relating thereto contained in the General Disclosure Package and the Prospectus; and at the effective date of the Registration Statement, the Indenture was duly qualified under the Trust Indenture Act;

(f) The Company is in compliance in all material respects with its amended and restated articles of incorporation and bylaws;

(g) The Order of the Kentucky Public Service Commission, dated June 16, 2014, the Order of the State Corporation Commission of the Commonwealth of Virginia, dated May 8, 2014, and the Order of the Tennessee Regulatory Authority, dated June 24, 2014, have been obtained and are in full force and effect and are sufficient to authorize the issuance and sale by the Company of the Bonds as contemplated by this Agreement, and no further consent, approval, authorization, order, registration or qualification of or with any federal, state or local governmental agency or body or any federal, state or local court is required to be obtained by the Company for the consummation of the transactions contemplated by this Agreement and the Indenture in connection with the offering, issuance and sale of the Bonds by the Company, or the performance by the Company of its obligations hereunder or thereunder, except (i) such as have been obtained or (ii) such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Bonds by the Underwriters in the manner contemplated herein and in the General Disclosure Package and the Prospectus;

(h) None of the execution and delivery of this Agreement, the Supplemental Indenture, the issue and sale of the Bonds, or the consummation of any of the transactions herein or therein contemplated, will (i) violate any law or any regulation, order, writ, injunction or decree of any court or governmental instrumentality applicable to the Company, (ii) breach or violate, or constitute a default under, the Company's amended and restated articles of incorporation or bylaws, or (iii) breach or violate, or constitute a default under, any material agreement or instrument to which the Company is a party or by which it is bound, except in the case of clauses (i) and (iii), for such violations, breaches or defaults that would not in the aggregate have a material adverse effect on the Company's ability to perform its obligations hereunder or thereunder;

(i) The consolidated financial statements of the Company, together with the related notes and schedules, each set forth or incorporated by reference in the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Exchange Act and the related published rules and regulations thereunder; such audited financial statements have been prepared in all material respects in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except as disclosed therein; and no material modifications are required to be made to the unaudited interim financial statements for them to be in conformity with generally accepted accounting principles;

(j) This Agreement has been duly and validly authorized, executed and delivered by the Company;

(k) Since the respective dates as of which information is given in the General Disclosure Package and the Prospectus, except as otherwise stated therein or contemplated thereby, there has been no material adverse change, or event or occurrence that would result in a material adverse change, in the financial position or results of operations of the Company;

(l) The Company is not, and after giving effect to the offering and sale of the Bonds and the application of the proceeds thereof as described in the General Disclosure Package and the Prospectus, will not be, an "investment company" as such term is defined in the Investment Company Act of 1940, as amended;

(m) Ernst & Young LLP, which has audited certain financial statements of the Company and issued its report with respect to the audited consolidated financial statements and schedules included and incorporated by reference in the General Disclosure Package and the Prospectus, is an independent registered public accounting firm with respect to the Company during the periods covered by its reports within the meaning of the Securities Act and the Securities Act Regulations and the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB");

(n) The Company maintains systems of internal accounting controls sufficient to provide reasonable assurance that transactions are executed in accordance with management's authorizations and transactions are recorded as necessary to permit preparation of financial statements. The Company maintains effective "disclosure controls and procedures" as such term is defined in Rule 13a-15(e) under the Exchange Act;

(o) (i) The Company has good and sufficient title to the interest and estate of the Company in all real property, and good title to all other property, which is or is to be specifically or generally described or referred to in the Indenture as being subject to the lien thereof, subject only to (A) the lien of the Indenture, (B) Permitted Liens (as defined in the Indenture), and (C) defects and irregularities in title and other Liens (as defined in the Indenture) that in each case are not prohibited by the Indenture and that, in the Company's judgment, do not, individually or in the aggregate, impair the operation of the Company's business in any material respect; (ii) the descriptions of all such property contained or referred to in the Indenture are adequate for purposes of the lien purported to be created by the Indenture; (iii) the Indenture (excluding the Supplemental Indenture) constitutes, and, on the Closing Date, the Indenture will constitute, a valid mortgage lien on and security interest in all property which is specifically or generally described or referred to therein as being subject to the lien thereof (other than such property as has been released from the lien of the Indenture in accordance with the terms thereof), subject only to the Liens, defects and irregularities referred to in subparagraph (i) above; and (iv) on and after the Closing Date, the Indenture by its terms will effectively subject to the lien thereof all property located in the Commonwealth of Kentucky acquired by the Company after the Closing Date of the character generally described or referred to in the Indenture as being subject to the lien thereof, subject to (A) defects and irregularities in title existing at the time of such acquisition, (B) Purchase Money Liens (as defined in the Indenture) and any other Liens placed or otherwise existing or placed on such property at the time of such acquisition, (C) with respect to real property, Liens placed thereon following the acquisition thereof by the Company and prior to the recording and filing of a supplemental indenture or other instrument specifically describing such real property and (D) possible limitations arising out of laws relating to preferential transfers of property during certain periods prior to commencement of bankruptcy, insolvency or similar proceedings and to limitations on liens on property acquired by a debtor after the commencement of any such proceedings, and possible claims and taxes of the federal government, and except as otherwise provided in Article Thirteen of the Indenture; it being understood that, if any property were to become subject to the lien of the Indenture by virtue of the “springing lien provisions” contained in the proviso at the end of the definition of “Excepted Property” in the granting clauses of the Indenture, the lien of the Indenture as to such property would be subject to any Liens existing on such property at the time such property became subject to the lien of the Indenture;

(p) On the Closing Date, the Indenture will have been duly recorded or lodged for record as a mortgage of real estate, and any required filings with respect to personal property and fixtures subject to the lien of the Indenture will have been duly made, in each place in which such recording and filing is required to protect, preserve and perfect the lien of the Indenture, and all taxes and recording and filing fees required to be paid with respect to the execution, recording or filing of the Indenture, the filing of financing statements and similar documents and the issuance of the Bonds will have been paid;

(q) The interactive data in eXtensible Business Reporting Language included or incorporated by reference in the Registration Statement fairly presents the information called for in all material respects and has been prepared in accordance with the Commission’s rules and guidelines applicable thereto;

(r) None of the Company or, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (collectively, the "FCPA"), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA, and the Company and, to the knowledge of the Company, its affiliates have conducted their businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith;

(s) The operations of the Company are and have been conducted at all times in compliance in all material respects with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency (collectively, the "Money Laundering Laws") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company with respect to the Money Laundering Laws is pending or, to the best knowledge of the Company, threatened; and

(t) None of the Company or any of its subsidiaries or, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company or any of its subsidiaries is currently the target of any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC") ("Sanctions"); and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds, to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person, or in any country or territory, that, at the time of such financing, is the target of Sanctions.

Each of you, as one of the several Underwriters, represents and warrants to, and agrees with, the Company, its directors and such of its officers as shall have signed the Registration Statement, and to each other Underwriter, that the information set forth in Schedule B hereto furnished to the Company by or through you or on your behalf expressly for use in the Registration Statement or the Prospectus does not contain an untrue statement of a material fact and does not omit to state a material fact in connection with such information required to be stated therein or necessary to make such information not misleading.

3. Purchase and Sale of Bonds.

On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein contained, the Company agrees to sell to the Underwriters, and the Underwriters agree, severally and not jointly, to purchase from the Company, at a purchase price of 99.307% of the principal amount per 2025 Bond and a purchase price of 99.042% of the principal amount per 2045 Bond thereof, plus accrued interest, if any, from the date of the first authentication of the Bonds to the Closing Date (as hereinafter defined), the respective principal amounts of the Bonds set forth below opposite the names of such Underwriters.

Underwriters	Principal Amount of 2025 Bonds	Principal Amount of 2045 Bonds
J.P. Morgan Securities LLC	$ 50,000,000.00	$ 50,000,000.00
Mitsubishi UFJ Securities (USA), Inc.	$ 50,000,000.00	$ 50,000,000.00
Morgan Stanley & Co. LLC	$ 50,000,000.00	$ 50,000,000.00
UBS Securities LLC	$ 50,000,000.00	$ 50,000,000.00
BNY Mellon Capital Markets, LLC	$ 12,500,000.00	$ 12,500,000.00
CIBC World Markets Corp.	$ 12,500,000.00	$ 12,500,000.00
Credit Suisse Securities (USA) LLC.	$ 12,500,000.00	$ 12,500,000.00
SunTrust Robinson Humphrey, Inc.	$ 12,500,000.00	$ 12,500,000.00
Total	$250,000,000.00	$250,000,000.00

4. Offering of the Bonds.

The several Underwriters agree that as soon as practicable, in their judgment, they will make an offering of their respective portions of the Bonds in accordance with the terms set forth in the General Disclosure Package and the Prospectus.

5. Delivery and Payment.

The Bonds will be represented by one or more definitive global securities in book-entry form which will be deposited by or on behalf of the Company with The Depository Trust Company ("DTC") or its designated custodian. The Company will deliver the Bonds to you against payment by you of the purchase price therefor (such delivery and payment herein referred to as the "Closing") by wire transfer of immediately available funds to the Company's account (No. 3752099120) at Bank of America (ABA Routing Number 026-0095-93) by 10:00 a.m., New York City time, on the Closing Date. Such payment shall be made upon delivery of the Bonds for the account of J.P. Morgan Securities LLC at DTC. The Bonds so to be delivered will be in fully registered form in such authorized denominations as established pursuant to the Indenture. The Company will make the Bonds available for inspection by you at the office of The Bank of

New York Mellon, 101 Barclay Street, 8th Floor, New York, New York 10286, Attention: Corporate Trust, not later than 10:00 a.m., New York City time, on the Business Day next preceding the Closing Date. "Business Day" shall mean any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in The City of New York.

Each Underwriter represents and agrees that, unless it obtains the prior written consent of the Company and the Representatives, it has not and will not make any offer relating to the Bonds that would constitute or would use an "issuer free writing prospectus" as defined in Rule 433 or that would otherwise constitute a "free writing prospectus" as defined in Rule 405 of the Securities Act Regulations that would be required to be filed with the Commission, other than information contained in the Final Term Sheet prepared in accordance with Section 6(b).

The term "Closing Date" wherever used in this Agreement shall mean September 28, 2015, or such other date (i) not later than the seventh full Business Day thereafter as may be agreed upon in writing by the Company and you, or (ii) as shall be determined by postponement pursuant to the provisions of Section 10 hereof.

6. Certain Covenants of the Company.

The Company covenants and agrees with the several Underwriters:

(a) Subject to Section 6(b), to comply with the requirements of Rule 430B and to notify the Representatives immediately, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement or new registration statement relating to the Bonds shall become effective, or any supplement to the Prospectus or any amended Prospectus shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or the filing of a new registration statement or any amendment or supplement to the Prospectus or any document incorporated by reference therein or otherwise deemed to be a part thereof or for additional information, (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or such new registration statement or any notice objecting to its use or of any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the Bonds for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes or of any examination pursuant to Section 8(e) of the Securities Act concerning the Registration Statement and (v) if the Company becomes the subject of a proceeding under Section 8A of the Securities Act in connection with the offering of the Bonds. The Company will effect the filings required under Rule 424(b), in the manner and within the time period required by Rule 424(b) (without reliance on Rule 424(b)(8)). The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment. The Company shall pay the required Commission filing fees relating to the Bonds within the time required by Rule 456(b)(1)(i) of the Securities Act Regulations without regard to the proviso therein and otherwise in accordance with Rules 456(b) and 457(r) of the Securities Act Regulations (including, if applicable, by updating the "Calculation of Registration Fee" table in accordance with Rule 456(b)(1)(ii) either in a post-effective amendment to the Registration Statement or on the cover page of a prospectus filed pursuant to Rule 424(b)).

(b) To give the Representatives notice of its intention to file or prepare any amendment to the Registration Statement or new registration statement relating to the Bonds or any amendment, supplement or revision to either any preliminary prospectus (including any prospectus included in the Original Registration Statement or amendment thereto at the time it became effective) or to the Prospectus, whether pursuant to the Securities Act, the Exchange Act or otherwise, and the Company will furnish the Representatives with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the Representatives shall reasonably object in writing. The Company will give the Representatives notice of its intention to make any such filing pursuant to the Exchange Act, Securities Act or Securities Act Regulations from the Applicable Time to the Closing Date and will furnish the Representatives with copies of any such documents a reasonable amount of time prior to such proposed filing and will not file or use any such document to which the Representatives shall reasonably object in writing. The Company will prepare a final term sheet (the "Final Term Sheet") substantially in the form attached as Annex I hereto reflecting the final terms of the Bonds, and shall file such Final Term Sheet as an "Issuer Free Writing Prospectus" in accordance with Rule 433; provided that the Company shall furnish the Representatives with copies of any such Final Term Sheet a reasonable amount of time prior to such proposed filing and will not use or file any such document to which the Representatives shall reasonably object in writing.

(c) To furnish to each Underwriter, without charge, during the period when the Prospectus is required to be delivered under the Securities Act, as many copies of the Prospectus and any amendments and supplements thereto as each Underwriter may reasonably request.

(d) That before amending and supplementing the preliminary prospectus or the Prospectus, it will furnish to the Representatives a copy of each such proposed amendment or supplement and that it will not use any such proposed amendment or supplement to which the Representatives reasonably object in writing.

(e) To use its best efforts to qualify the Bonds and to assist in the qualification of the Bonds by you or on your behalf for offer and sale under the securities or "blue sky" laws of such jurisdictions as you may designate, to continue such qualification in effect so long as required for the distribution of the Bonds and to reimburse you for any expenses (including filing fees and fees and disbursements of counsel) paid by you or on your behalf to qualify the Bonds for offer and sale, to continue such qualification, to determine its eligibility for investment and to print any preliminary or supplemental "blue sky" survey or legal investment memorandum relating thereto; provided that the Company shall not be required to qualify as a foreign corporation in any State, to consent to service of process in any State other than with respect to claims arising out of the offering or sale of the Bonds, or to meet any other requirement in connection with this paragraph (e) deemed by the Company to be unduly burdensome;

(f) Promptly to deliver to you one signed copy of the Registration Statement as originally filed and of all amendments thereto heretofore or hereafter filed, including conformed copies of all exhibits except those incorporated by reference, and such number of conformed copies of the Registration Statement (but excluding the exhibits), each related preliminary prospectus, the Prospectus, and any amendments and supplements thereto, as you may reasonably request;

(g) If at any time prior to the completion of the sale of the Bonds by the Underwriters (as determined by the Representatives), any event occurs as a result of which the Prospectus, as then amended or supplemented, would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it should be necessary to amend or supplement the Prospectus to comply with applicable law, the Company promptly (i) will notify the Representatives of any such event; (ii) subject to the requirements of paragraph (b) of this Section 6, will prepare an amendment or supplement that will correct such statement or omission or effect such compliance; and (iii) will supply any supplemented or amended Prospectus to the several Underwriters without charge in such quantities as they may reasonably request; provided that the expense of preparing and filing any such amendment or supplement to the Prospectus (x) that is necessary in connection with such a delivery of a supplemented or amended Prospectus more than nine months after the date of this Agreement or (y) that relates solely to the activities of any Underwriter shall be borne by the Underwriter or Underwriters or the dealer or dealers requiring the same; and provided further that you shall, upon inquiry by the Company, advise the Company whether or not any Underwriter or dealer which shall have been selected by you retains any unsold Bonds and, for the purposes of this subsection (g), the Company shall be entitled to assume that the distribution of the Bonds has been completed when they are advised by you that no such Underwriter or dealer retains any Bonds. If at any time following issuance of an Issuer Free Writing Prospectus, there occurs an event or development as a result of which such Issuer Free Writing Prospectus would conflict with the information contained in the Registration Statement (or any other registration statement related to the Bonds) or the Statutory Prospectus or any preliminary prospectus would include an untrue statement of a material fact or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at that subsequent time, not misleading, the Company will promptly notify the Representatives and will promptly amend or supplement, at its own expense, such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission.

(h) As soon as practicable, to make generally available to its security holders an earnings statement covering a period of at least twelve months beginning after the "effective date of the registration statement" within the meaning of Rule 158 under the Securities Act which will satisfy the provisions of Section 11(a) of the Securities Act;

(i) To pay or bear (i) all expenses in connection with the matters herein required to be performed by the Company, including all expenses (except as provided in Section 6(g) above) in connection with the preparation and filing of the Registration Statement, the General Disclosure Package and the Prospectus, and any amendment or supplement thereto, and the furnishing of copies thereof to the Underwriters, and all audits, statements or reports in connection therewith, and all expenses in connection with the issue and delivery of the Bonds to the Underwriters at the place designated in Section 5 hereof, any fees and expenses relating to the eligibility and issuance of the Bonds in book-entry form and the cost of obtaining CUSIP or other identification numbers for the Bonds, all federal and state taxes (if any) payable (not including any transfer taxes) upon the original issue of the Bonds; (ii) all expenses in connection with the printing, reproduction and delivery of this Agreement and the printing, reproduction and delivery of any preliminary prospectus and each Prospectus, and (except as provided in Section 6(g) above) any amendment or supplement thereto, to the Underwriters; (iii) any and all fees payable in connection with the rating of the Bonds; (iv) all costs and expenses relating to the creation, filing or perfection of the security interests under the Indenture; and (v) the reasonable fees and expenses of the Trustee, including the fees and disbursements of counsel for the Trustee, in connection with the Indenture and the Bonds;

(j) During the period from the date of this Agreement through the Closing Date, the Company shall not, without the Representatives' prior written consent, directly or indirectly, sell, offer to sell, grant any option for the sale of, or otherwise dispose of, any Bonds, any security convertible into or exchangeable into or exercisable for Bonds or any debt securities substantially similar to the Bonds (except for the Bonds issued pursuant to this Agreement); and

(k) The Company represents and agrees that, unless it obtains the prior consent of the Representatives (such consent not to be unreasonably withheld), it has not made and will not make any offer relating to the Bonds that would constitute an Issuer Free Writing Prospectus or that would otherwise constitute a "free writing prospectus," as defined in Rule 405 of the Securities Act Regulations, required to be filed with the Commission. The Company represents that it has treated or agrees that it will treat each Permitted Free Writing Prospectus as an "issuer free writing prospectus," as defined in Rule 433, and has complied and will comply with the requirements of Rule 433 applicable to any Permitted Free Writing Prospectus, including timely filing with the Commission where required, legending and record keeping in accordance with the Securities Act Regulations.

7. Conditions of Underwriters' Obligations.

The obligations of the several Underwriters to purchase and pay for the Bonds on the Closing Date shall be subject to the accuracy of the representations and warranties on the part of the Company contained herein at the date of this Agreement and the Closing Date, to the accuracy of the statements of the Company made in any certificates pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder and to the following additional conditions:

(a) You shall have received a certificate, dated the Closing Date, of (1) an executive officer of the Company and (2) a principal financial or accounting officer or the controller of the Company, in which such officers, to the best of their knowledge after reasonable investigation, shall state that (i) the representations and warranties of the Company in this Agreement are true and correct in all material respects as of the Closing Date, (ii) the Company has complied in all material respects with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Date, (iii) no stop order suspending the effectiveness of the Registration Statement has been issued, and no proceedings for that purpose have been instituted or are pending by the Commission, and (iv) subsequent to the date of the latest financial statements in the General Disclosure Package and the Prospectus, there has been no material adverse change in the financial position or results of operations of the Company except as set forth or contemplated in the General Disclosure Package and the Prospectus.

(b) You shall have received from Ernst & Young LLP letters, dated the date of this Agreement and the Closing Date, confirming that Ernst & Young LLP is an independent registered public accounting firm with respect to the Company within the meaning of the Securities Act and the Securities Act Regulations, and that:

(i) in their opinion, the consolidated financial statements of the Company audited by them and included or incorporated by reference in the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Exchange Act, and the related published rules and regulations thereunder;

(ii) they have read the minutes of the meetings of the Company's Board of Directors and committees thereof as set forth in the minute books at a specified date not more than five Business Days prior to the date of delivery of such letter;

(iii) they have, if applicable, performed the procedures specified by the PCAOB for a review of interim financial information as described in PCAOB AU 722, Interim Financial Information, on the unaudited condensed interim financial statements of the Company included or incorporated by reference in the Registration Statement and have read the unaudited interim financial data for the period from the date of the latest balance sheet included or incorporated by reference in the Registration Statement to the date of the latest available interim financial data; and

(iv) on the basis of the review referred to in clauses (ii) and (iii) above, a reading of the latest available interim financial statements of the Company, inquiries performed by them of certain officials of the Company who have responsibility for financial and accounting matters regarding the specific items for which representations are requested below and other specified procedures, nothing came to their attention that caused them to believe that:

(A) any material modifications should be made to the unaudited interim financial statements included or incorporated by reference in the Registration Statement for them to be in conformity with generally accepted accounting principles;

(B) the unaudited interim financial statements included or incorporated by reference in the Registration Statement do not comply as to form in all material respects with the applicable accounting requirements of the Securities Act, the Exchange Act and the related published rules and regulations thereunder;

(C) at the date of the latest available balance sheet of the Company read by such accountants, there was any change in the stockholders equity, common stock, treasury stock or preferred securities (with or without sinking fund requirements), or any increase in long-term debt, as compared with amounts shown on the latest consolidated balance sheet included or incorporated by reference in the Registration Statement, or, at the date of the latest available income statement of the Company read by such accountants, there was any change in the consolidated operating revenue, consolidated operating income or consolidated net income, as compared with amounts shown on the latest consolidated income statement included or incorporated by reference in the Registration Statement; or

(D) at a date not more than five Business Days prior to the date of this Agreement, there was any change in (i) the stockholders equity, common stock, treasury stock or preferred securities (with or without sinking fund requirements), or any increase in long-term debt, as compared with amounts shown on the latest consolidated balance sheet included or incorporated by reference in the Registration Statement or (ii) the consolidated operating revenue, consolidated operating income or consolidated net income, as compared with amounts shown on the latest consolidated income statement included or incorporated by reference in the Registration Statement; except in all cases for changes, increases or decreases that the Prospectus discloses have occurred or may occur or that are described in such letter; and

(v) they have read certain financial and statistical amounts included or incorporated by reference in the Registration Statement and the Prospectus, which amounts are set forth in such letter and agreed such amounts to the Company's accounting records which are subject to controls over financial reporting or which have been derived directly from such accounting records by analysis or computation and have found such amounts to be in agreement with such results, except as otherwise specified in such letter, and such other procedures as the Underwriters may request and Ernst & Young LLP is willing to perform and report upon.

(c) The Registration Statement shall have become effective and, on the Closing Date, no stop order suspending the effectiveness of the Registration Statement and/or any notice objecting to its use shall have been issued under the Securities Act or proceedings therefor initiated or threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of counsel to the Underwriters. A prospectus containing the Rule 430B Information shall have been filed with the Commission in the manner and within the time period required by Rule 424(b) without reliance on Rule 424(b)(8) (or a post-effective amendment providing such information shall have been filed and become effective in accordance with the requirements of Rule 430B). The Company shall have paid the required Commission filing fees relating to the Bonds within the time period required by Rule 456(b)(1)(i) of the Securities Act Regulations without regard to the proviso therein and otherwise in accordance with Rules 456(b) and 457(r) of the Securities Act Regulations and, if applicable, shall have updated the "Calculation of Registration Fee" table in accordance with Rule 456(b)(1)(ii) either in a post-effective amendment to the Registration Statement or on the cover page of a prospectus filed pursuant to Rule 424(b).

(d) Subsequent to the execution of this Agreement, there shall not have occurred (i) any material adverse change not contemplated by the General Disclosure Package or the Prospectus (as it exists on the date hereof) in or affecting particularly the business or properties of the Company which, in your judgment, materially impairs the investment quality of the Bonds; (ii) any suspension or limitation of trading in securities generally on the New York Stock Exchange, or any setting of minimum prices for trading on such exchange, or any suspension of trading of any securities of the Company on any exchange or in the over-the-counter market; (iii) a general banking moratorium declared by federal or New York authorities or a material disruption in securities settlement, payment or clearance services in the United States; (iv) any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by Congress or any other substantial national or international calamity or emergency if, in your reasonable judgment, the effect of any such outbreak, escalation, declaration, calamity or emergency makes it impractical and inadvisable to proceed with completion of the sale of and payment for the Bonds and you shall have made a similar determination with respect to all other underwritings of debt securities of utility or energy companies in which you are participating and have a contractual right to make such a determination; or (v) any decrease in the ratings of the Bonds by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. or Moody's Investors Service, Inc. or any such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of the Bonds.

(e) At or before the Closing Date, the Kentucky Public Service Commission, the State Corporation Commission of the Commonwealth of Virginia, and the Tennessee Regulatory Authority and any other regulatory authority whose consent or approval shall be required for the issue and sale of the Bonds by the Company shall have taken all requisite action, or all such requisite action shall be deemed in fact and law to have been taken, to authorize such issue and sale on the terms set forth in the Prospectus.

(f) You shall have received from Gerald A. Reynolds, General Counsel, Chief Compliance Officer and Corporate Secretary of the Company, or such other counsel for the Company as may be acceptable to you, an opinion in form and substance satisfactory to you, dated the Closing Date and addressed to you, as Representatives of the Underwriters, substantially to the effect that:

(i) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the Commonwealth of Kentucky and the Commonwealth of Virginia, with power and authority to own its properties and conduct its business as described in the General Disclosure Package and the Prospectus;

(ii) The Bonds have been duly authorized, executed and delivered by the Company and, assuming due authentication and delivery by the Trustee in the manner provided for in the Indenture and delivery against payment therefor, are valid and legally binding obligations of the Company entitled to the benefits and security of the Indenture, enforceable against the Company in accordance with their terms (except to the extent limited by the Enforceability Exceptions);

(iii) The Indenture has been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms (except to the extent limited by the Enforceability Exceptions);

(iv) The Company has good and sufficient title to the interest and estate of the Company in all real property which is or is to be specifically or generally described or referred to in the Indenture as being subject to the lien thereof, subject only to (A) the lien of the Indenture, (B) Permitted Liens (as defined in the Indenture), and (C) defects and irregularities in title and other Liens (as defined in the Indenture) that in each case are not prohibited by the Indenture and that, in the judgment of such counsel, do not individually or in the aggregate, impair the operation of the Company's business in any material respect;

(v) The descriptions of all such property contained or referred to in the Indenture are adequate for purposes of the lien purported to be created by the Indenture;

(vi) The Indenture constitutes a valid mortgage lien on and security interest in all property which is specifically or generally described or referred to therein as being subject to the lien thereof (other than such property as has been released from the Lien of the Indenture in accordance with the terms thereof), subject only to the Liens, defects and irregularities referred to in subparagraph (iv) above;

(vii) The Indenture by its terms will effectively subject to the lien thereof all property located in the Commonwealth of Kentucky acquired by the Company after the Closing Date of the character generally described or referred to in the Indenture as being subject to the lien thereof, subject to (A) defects and irregularities in title existing at the time of such acquisition, (B) Purchase Money Liens (as defined in the Indenture) and any other Liens placed or otherwise existing on such property at the time of such acquisition, (C) with respect to real property, Liens placed thereon following the acquisition thereof by the Company and prior to the recording and filing of a supplemental indenture or other instrument specifically describing such real property and (D) possible limitations arising out of laws relating to preferential transfers of property during certain periods prior to commencement of bankruptcy, insolvency or similar proceedings and to limitations on liens on property acquired by a debtor after the commencement of any such proceedings, and possible claims and taxes of the federal government, and except as otherwise provided in Article Thirteen of the Indenture; it being understood that, if any property were to become subject to the lien of the Indenture by virtue of the "springing lien" provisions contained in the proviso at the end of the definition of "Excepted Property" in the granting clauses of the Indenture, the lien of the Indenture as to such property would be subject to any Liens existing on such property at the time such property became subject to the Lien of the Indenture;

(viii) The Indenture has been duly recorded or lodged for record as a mortgage of real estate, and any required filings with respect to personal property and fixtures subject to the lien of the Indenture have been duly made, in each place in which such recording and filing is required to protect, preserve and perfect the lien of the Indenture, and all taxes and recording and filing fees required to be paid with respect to the execution, recording or filing of the Indenture, the filing of financing statements and similar documents and the issuance of the Bonds have been paid.

(ix) The descriptions in the Registration Statement, the General Disclosure Package and the Prospectus of statutes, legal and governmental proceedings and contracts and other documents are accurate and fairly present the information required to be shown; and (1) such counsel does not know of any legal or governmental proceedings required to be described in the Registration Statement, the General Disclosure Package or the Prospectus which are not described, or of any contracts or documents of a character required to be described in the Registration Statement, the General Disclosure Package or the Prospectus or to be filed as exhibits to the Registration Statement which are not described and filed as required and (2) nothing has come to the attention of such counsel that would lead such counsel to believe either that the Registration Statement, at its effective date, contained any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or that the General Disclosure Package, as of the Applicable Time, or that the Prospectus, as supplemented, as of the date of this Agreement and as of the Closing Date, contained or contains any untrue statement of a material fact or omits or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that such counsel need express no opinion as to the financial statements and other financial data contained in the Registration Statement, the General Disclosure Package or the Prospectus;

(x) None of the execution and delivery of this Agreement, the Supplemental Indenture, the issue and sale of the Bonds, or the consummation of any of the transactions herein or therein contemplated, will (i) violate any law or any regulation, order, writ, injunction or decree of any court or governmental instrumentality known to such counsel to be applicable to the Company, (ii) breach or violate, or constitute a default under, the Company's amended and restated articles of incorporation or bylaws, or (iii) breach or violate, or constitute a default under, any material agreement or instrument known to such counsel to which the Company is a party or by which it is bound, except in the case of clauses (i) and (iii), for such violations, breaches or defaults that would not in the aggregate have a material adverse effect on the Company's ability to perform its obligations hereunder or thereunder;

(xi) This Agreement has been duly authorized, executed and delivered by the Company;

(xii) The Order of the Kentucky Public Service Commission, dated June 16, 2014, the Order of the State Corporation Commission of the Commonwealth of Virginia, dated May 8, 2014, and the Order of the Tennessee Regulatory Authority, dated June 24, 2014, have been obtained and are in full force and effect and are sufficient to authorize the issuance and sale by the Company of the Bonds as contemplated by this Agreement, and no further consent, approval, authorization, order, registration or qualification of or with any federal, state or local governmental agency or body or any federal, state or local court is required to be obtained by the Company for the consummation of the transactions contemplated by this Agreement and the Indenture in connection with the offering, issuance and sale by the Company of the Bonds, or the performance by the Company of its obligations hereunder or thereunder, except (i) such as have been obtained or (ii) such as may be required under the blue sky laws of any jurisdiction; and

(xiii) Except as described in the Registration Statement, the General Disclosure Package and the Prospectus, and except where the failure to hold such is not reasonably expected to have a material adverse effect on the Company's operations, the Company holds all franchises, certificates of public convenience, licenses and permits (some of which expire at various dates and some of which are without time limit) necessary to carry on the utility business in which it is engaged.

In expressing any of the foregoing opinions (other than the opinions in paragraph (ix) above), the General Counsel, Chief Compliance Officer and Corporate Secretary (or such other counsel for the Company) may rely on opinions, dated the Closing Date, of Pillsbury Winthrop Shaw Pittman LLP, Stoll Keenon Ogden PLLC, special counsel to the Company, and in the case of the opinions in paragraphs (iv) to (viii) above, the General Counsel, Chief Compliance Officer and Corporate Secretary (or such other counsel as the case may be) shall rely, in part, on such opinion of Stoll Keenon Ogden PLLC. Copies of the opinion of Stoll Keenon Ogden PLLC shall be delivered to the Underwriters and the Underwriters and Counsel for the Underwriters shall be entitled to rely on such opinions.

(g) You shall have received from Pillsbury Winthrop Shaw Pittman LLP, special counsel to the Company, an opinion in form and substance satisfactory to you, dated the Closing Date and addressed to you, as Representatives of the Underwriters, substantially to the effect that:

(i) The Bonds have been duly authorized, executed and delivered by the Company and, assuming due authentication and delivery by the Trustee in the manner provided for in the Indenture and delivery against payment therefor, are valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms (except to the extent limited by the Enforceability Exceptions) and are entitled to the benefits and security of the Indenture;

(ii) The Indenture has been duly authorized, executed and delivered by the Company, has been qualified under the Trust Indenture Act and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms (except to the extent limited by the Enforceability Exceptions);

(iii) This Agreement has been duly authorized, executed and delivered by the Company;

(iv) (1) The Registration Statement has become effective under the Securities Act, and any preliminary prospectus included in the General Disclosure Package at the Applicable Time and the Prospectus were filed with the Commission pursuant to the subparagraph of Rule 424(b) specified in such opinion on the date or dates specified therein, and the Issuer General Use Free Writing Prospectus described in Schedule A attached hereto was filed with the Commission pursuant to Rule 433 on the date specified in such opinion; (2) to the best of the knowledge of such counsel after inquiry of the Company, no stop order suspending the effectiveness of the Registration Statement or any part thereof has been issued and no proceedings for that purpose have been instituted under the Securities Act; (3) the Registration Statement, as of its effective date, the Prospectus, as of the date of this Agreement, and any amendment or supplement thereto, as of its date, appeared on their face to be appropriately responsive in all material respects to the requirements of the Securities Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder; and (4) no facts have come to the attention of such counsel that cause such counsel to believe either that the Registration Statement, as of its effective date, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading; the General Disclosure Package, as of the Applicable Time, contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or that the Prospectus, as supplemented, as of the date of this Agreement and as it shall have been amended or supplemented, as of the Closing Date, contained or contains any untrue statement of a material fact or omits or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that such counsel need express no opinion as to the financial statements and other financial or statistical data, or management's assessment of the effectiveness of the Company's internal controls, contained or incorporated by reference in the Registration Statement, the General Disclosure Package or the Prospectus;

(v) No consent, approval, authorization or other order of any public board or body of the United States or the State of New York (except for the registration of the Bonds under the Securities Act and the qualification of the Indenture under the Trust Indenture Act and other than in connection or compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which such counsel need express no opinion) is legally required for the authorization of the issuance of the Bonds in the manner contemplated herein and in the General Disclosure Package and the Prospectus;

(vi) The statements in the General Disclosure Package and the Prospectus under the caption "Description of the Bonds", insofar as they purport to constitute summaries of certain terms of the Indenture and the Bonds, constitute accurate summaries of such terms of such document and securities in all material respects; and

(vii) The Company is not an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

In rendering such opinion, Pillsbury Winthrop Shaw Pittman LLP may rely as to matters governed by Kentucky, Virginia or Tennessee law upon the opinion of the General Counsel, Chief Compliance Officer and Corporate Secretary of the Company or such other counsel referred to in Section 7(f).

(h) You shall have received from Sullivan & Cromwell LLP, counsel for the Underwriters, such opinion or opinions in form and substance satisfactory to you, dated the Closing Date, with respect to matters as you may require, and the Company shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters. In rendering such opinion or opinions, Sullivan & Cromwell LLP may rely, as to matters governed by Kentucky, Virginia or Tennessee law, upon the opinion of the General Counsel, Chief Compliance Officer and Corporate Secretary of the Company referred to above or the opinion of any special counsel referred to above; and

(i) You shall have received from the Company a copy of the rating letters from Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. and Moody's Investors Service, Inc. assigning ratings on the Bonds or other evidence reasonably satisfactory to the Representatives of such ratings.

The Company will furnish you as promptly as practicable after the Closing Date with such conformed copies of such opinions, certificates, letters and documents as you may reasonably request.

In case any such condition shall not have been satisfied, this Agreement may be terminated by you upon notice in writing or by telegram to the Company without liability or obligation on the part of the Company or any Underwriter, except as provided in Sections 6(e), 6(i), 9, 11 and 14 hereof.

8. Conditions of Company's Obligations.

The obligations of the Company to sell and deliver the Bonds on the Closing Date are subject to the following conditions:

(a) At the Closing Date, no stop order suspending the effectiveness of the Registration Statement shall be in effect or proceeding therefor shall have been instituted or, to the knowledge of the Company, shall be contemplated.

(b) At or before the Closing Date, the Kentucky Public Service Commission, the State Corporation Commission of the Commonwealth of Virginia, and the Tennessee Regulatory Authority and any other regulatory authority whose consent or approval shall be required for the issue and sale of the Bonds by the Company shall have taken all requisite action, or all such requisite action shall be deemed in fact and law to have been taken, to authorize such issue and sale on the terms set forth in the Prospectus.

If any such conditions shall not have been satisfied, then the Company shall be entitled, by notice in writing or by telegram to you, to terminate this Agreement without any liability or obligation on the part of the Company or any Underwriter, except as provided in Sections 6(e), 6(i), 9, 11 and 14 hereof.

9. Indemnification and Contribution.

(a) The Company agrees that it will indemnify and hold harmless each Underwriter and the officers, directors, partners, members, employees, agents and affiliates of each Underwriter and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Securities Act (each "an indemnified party"), against any loss, expense, claim, damage or liability to which, jointly or severally, such Underwriter, indemnified party or such controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, expense, claim, damage or liability (or actions in respect thereof) arises out of or is based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Statutory Prospectus, any Issuer Free Writing Prospectus or the Prospectus, or any amendment or supplement to any thereof, or arises out of or is based upon the omission or alleged omission to state therein any material fact required to be stated therein or necessary to make the statements therein not misleading and, except as hereinafter in this Section 9 provided, the Company agrees to reimburse each indemnified party for any reasonable legal or other expenses as incurred by such indemnified party in connection with investigating or defending any such loss, expense, claim, damage or liability; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, expense, claim, damage or liability arises out of or is based on an untrue statement or alleged untrue statement or omission or alleged omission made in any such document in reliance upon, and in conformity with, written information furnished to the Company as set forth in Schedule B hereto by or through you on behalf of any Underwriter expressly for use in any such document or arises out of, or is based on, statements or omissions from the part of the Registration Statement which shall constitute the Statement of Eligibility under the Trust Indenture Act of the Trustee under the Indenture.

(b) Each Underwriter, severally and not jointly, agrees that it will indemnify and hold harmless the Company and its officers and directors, and each of them, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, against any loss, expense, claim, damage or liability to which it or they may become subject, under the Securities Act or otherwise, insofar as such loss, expense, claim, damage or liability (or actions in respect thereof) arises out of or is based on any untrue statement or alleged untrue statement of any material fact contained in the Statutory Prospectus, any Issuer Free Writing Prospectus or the Prospectus, or any amendment or supplement to any thereof, or arises out of or is based upon the omission or alleged omission to state therein any material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, and only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any such documents in reliance upon, and in conformity with, written information furnished to the Company as set forth in Schedule B hereto by or through you on behalf of such Underwriter expressly for use in any such document; and, except as hereinafter in this Section 9 provided, each Underwriter, severally and not jointly, agrees to reimburse the Company and its officers and directors, and each of them, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, for any reasonable legal or other expenses incurred by it or them in connection with investigating or defending any such loss, expense, claim, damage or liability.

(c) Upon receipt of notice of the commencement of any action against an indemnified party, the indemnified party shall, with reasonable promptness, if a claim in respect thereof is to be made against an indemnifying party under its agreement contained in this Section 9, notify such indemnifying party in writing of the commencement thereof; but the omission so to notify an indemnifying party shall not relieve it from any liability which it may have to the indemnified party otherwise than under subsection (a) or (b) of this Section 9. In the case of any such notice to an indemnifying party, the indemnifying party shall be entitled to participate at its own expense in the defense, or if it so elects, to assume the defense, of any such action, but, if it elects to assume the defense, such defense shall be conducted by counsel chosen by it and satisfactory to the indemnified party and to any other indemnifying party that is a defendant in the suit. In the event that any indemnifying party elects to assume the defense of any such action and retain such counsel, the indemnified party shall bear the fees and expenses of any additional counsel retained by it unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the contrary; (ii) the indemnifying party has failed within a reasonable time to retain counsel reasonably satisfactory to the indemnified party; (iii) the indemnified party shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the indemnifying party; or (iv) the named parties in any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and the representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them; provided, however, that in no event shall the indemnifying party be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from its own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall be liable in the event of any settlement of any such action effected without its consent. Each indemnified party agrees promptly to notify each indemnifying party of the commencement of any litigation or proceedings against it in connection with the issue and sale of the Bonds.

(d) If any Underwriter or person entitled to indemnification by the terms of subsection (a) of this Section 9 shall have given notice to the Company of a claim in respect thereof pursuant to subsection (c) of this Section 9, and if such claim for indemnification is thereafter held by a court to be unavailable for any reason other than by reason of the terms of this Section 9 or if such claim is unavailable under controlling precedent, such Underwriter or person shall be entitled to contribution from the Company for liabilities and expenses, except to the extent that contribution is not permitted under Section 11(f) of the Securities Act. In determining the amount of contribution to which such Underwriter or person is entitled, there shall be considered the relative benefits received by such Underwriter or person and the Company from the offering of the Bonds that were the subject of the claim for indemnification (taking into account the portion of the proceeds of the offering realized by each), the Underwriter or person's relative knowledge and access to information concerning the matter with respect to which the claim was asserted, the opportunity to correct and prevent any statement or omission, and any other equitable considerations appropriate under the circumstances. The Company and the Underwriters agree that it would not be equitable if the amount of such contribution were determined by pro rata or per capita allocation (even if the Underwriters were treated as one entity for such purpose).

(e) No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 9 (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party and all liability arising out of such litigation, investigation, proceeding or claim, and (ii) does not include a statement as to or an admission of fault, culpability or the failure to act by or on behalf of any indemnified party.

(f) The indemnity and contribution provided for in this Section 9 and the representations and warranties of the Company and the several Underwriters set forth in this Agreement shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter or the Company or their respective directors or officers, (ii) the acceptance of any Bonds and payment therefor under this Agreement, and (iii) any termination of this Agreement.

10. Default of Underwriters.

If any Underwriter or Underwriters default in their obligations to purchase Bonds hereunder, the non-defaulting Underwriters may make arrangements satisfactory to the Company for the purchase of such Bonds by other persons, including any of the non-defaulting Underwriters, but if no such arrangements are made by the Closing Date, the other Underwriters shall be obligated, severally in the proportion which their respective commitments hereunder bear to the total commitment of the non-defaulting Underwriters, to purchase the Bonds which such defaulting Underwriter or Underwriters agreed but failed to purchase. In the event that any Underwriter or Underwriters default in their obligations to purchase Bonds hereunder, the Company may by prompt written notice to non-defaulting Underwriters postpone the Closing Date for a period of not more than seven full Business Days in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus or in any other documents, and the Company will promptly file any amendments to the Registration Statement or supplements to the Prospectus which may thereby be made necessary. As used in this Agreement, the term “Underwriter” includes any person substituted for an Underwriter under this Section. Nothing herein will relieve an Underwriter from liability for its default.

11. Survival of Certain Representations and Obligations.

The respective indemnities, agreements, representations and warranties of the Company and of or on behalf of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of any Underwriter or the Company or any of its officers or directors or any controlling person, and will survive delivery of and payment for the Bonds. If for any reason the purchase of the Bonds by the Underwriters is not consummated, the Company shall remain responsible for the expenses to be paid or reimbursed by it pursuant to Section 6, and the respective obligations of the Company and the Underwriters pursuant to Section 9 hereof shall remain in effect.

12. Notices.

The Company shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of each of the Underwriters if the same shall have been made or given by you jointly or by J.P. Morgan Securities LLC. All statements, requests, notices, consents and agreements hereunder shall be in writing, or by telegraph subsequently confirmed in writing, and, if to the Company, shall be sufficient in all respects if delivered or mailed to the Company at One Quality Street, Lexington, Kentucky 40507, Attention: Treasurer, and, if to you, shall be sufficient in all respects if delivered or mailed to you at the address set forth on the first page hereof (a copy of which shall be sent to J.P. Morgan Securities LLC, 383 Madison Avenue, New York, New York 10179 (facsimile: (212) 834-6081), Attention: Investment Grade Syndicate Desk – 3rd Floor; Mitsubishi UFJ Securities (USA), Inc., 1221 Avenue of the Americas, 6th Floor, New York, NY, 10020-1001, Attention: Investment Grade Syndicate; Morgan Stanley & Co. Incorporated, 1585 Broadway, 29th Floor, New York, NY 10036 (facsimile: (212) 507-8999), Attention: Investment Banking Division; and UBS

Securities LLC, 1285 Avenue of the Americas, New York, NY 10019 (facsimile: (203) 719-0495), Attention: Fixed Income Syndicate; provided, however, that any notice to an Underwriter pursuant to Section 9 hereof will also be delivered or mailed to such Underwriter at the address, if any, of such Underwriter furnished to the Company in writing for the purpose of communications hereunder.

13. Parties in Interest.

This Agreement shall inure solely to the benefit of the Company and the Underwriters and, to the extent provided in Section 9 hereof, to any indemnified party or any person who controls any Underwriter, to the officers and directors of the Company, and to any person who controls the Company, and their respective successors. No other person, partnership, association or corporation shall acquire or have any right under or by virtue of this Agreement. The term "successor" shall not include any assignee of an Underwriter (other than one who shall acquire all or substantially all of such Underwriter's business and properties), nor shall it include any purchaser of Bonds from any Underwriter merely because of such purchase.

14. No Advisory or Fiduciary Relationship.

The Company acknowledges and agrees that (a) the purchase and sale of the Bonds pursuant to this Agreement, including the determination of the public offering price of the Bonds and any related discounts and commissions, is an arm's-length commercial transaction between the Company, on the one hand, and the several Underwriters, on the other hand, (b) in connection with the offering contemplated hereby and the process leading to such transaction, each Underwriter is and has been acting solely as a principal and is not the agent or fiduciary of the Company, or its stockholders, creditors, employees or any other party, (c) no Underwriter has assumed or will assume an advisory or fiduciary responsibility in favor of the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Company on other matters) and no Underwriter has any obligation to the Company with respect to the offering contemplated hereby except the obligations expressly set forth in this Agreement, (d) the Underwriters and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company, (e) the Underwriters have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate and (f) the Company waives, to the fullest extent permitted by law, any claims it may have against the Underwriters for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that the Underwriters shall have no liability (whether direct or indirect) to the Company in respect of such a fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Company, including its respective stockholders, creditors or employees.

15. Representation of Underwriters.

Any action under this Agreement taken by the Representatives will be binding upon all the Underwriters.

16. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

17. Effectiveness.

This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

18. Waiver of Jury Trial.

The Company and each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, 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.

19. Headings.

The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

20. Applicable Law.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Please confirm that the foregoing correctly sets forth the agreement between us by signing in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement between the Company and the several Underwriters in accordance with its terms.

Yours very truly,

KENTUCKY UTILITIES COMPANY

By: /s/ Daniel K. Arbough
Name: Daniel K. Arbough
Title: Treasurer

The foregoing Underwriting Agreement is hereby confirmed and accepted as of the date first above written.

J.P. MORGAN SECURITIES LLC

By: /s/ Som Bhattacharyya
Name: Som Bhattacharyya
Title: Vice President

MITSUBISHI UFJ SECURITIES (USA), INC.

By: /s/ Richard Testa
Name: Richard Testa
Title: Managing Director

MORGAN STANLEY & CO. LLC

By: /s/ Yurij Slyz
Name: Yurij Slyz
Title: Executive Director

UBS SECURITIES LLC

By: /s/ Prath Reddy
Name: Prath Reddy
Title: Associate Director

By: /s/ Mark Spadaccini
Name: Mark Spadaccini
Title: Executive Director

Acting severally on behalf of themselves and as Representatives of the several Underwriters named in Section 3 hereof.

SCHEDULE A

Issuer General Use Free Writing Prospectus

1. Final Terms and Conditions, dated September 21, 2015, for $250,000,000 aggregate principal amount of First Mortgage Bonds, 3.300% Series due 2025 and $250,000,000 aggregate principal amount of First Mortgage Bonds, 4.375% Series due 2045 filed with the Commission by the Company pursuant to Rule 433 under the Securities Act, a form of which is included herein as Annex I.

SCHEDULE B

Information Represented and Warranted by the Underwriters
Pursuant to Section 2 of the Underwriting Agreement

1. The third paragraph under the caption "Underwriting" in the Prospectus related to the initial public offering price and selling concessions;
2. The second and third sentences of the fourth paragraph under the caption "Underwriting" in the Prospectus related to market making;
3. The fifth, sixth and seventh paragraphs under the caption "Underwriting" in the Prospectus related to short sales, stabilizing transactions and short covering transactions; and
4. The eleventh and twelfth paragraphs under the caption "Underwriting" in the Prospectus related to activities of the Underwriters.

Annex I

Form of Final Term Sheet

KENTUCKY UTILITIES COMPANY
$250,000,000 FIRST MORTGAGE BONDS, 3.300% SERIES DUE 2025
$250,000,000 FIRST MORTGAGE BONDS, 4.375% SERIES DUE 2045

Issuer:	Kentucky Utilities Company	
Issuance Format:	SEC Registered	
Trade Date:	September 21, 2015	
Settlement Date:	September 28, 2015 (T+5)	
Joint Book-Running Managers:	J.P. Morgan Securities LLC Mitsubishi UFJ Securities (USA), Inc. Morgan Stanley & Co. LLC UBS Securities LLC	
Co-Managers:	BNY Mellon Capital Markets, LLC CIBC World Markets Corp. Credit Suisse Securities (USA) LLC SunTrust Robinson Humphrey, Inc.	
Title:	First Mortgage Bonds, 3.300% Series due 2025	First Mortgage Bonds, 4.375% Series due 2045
Principal Amount:	$250,000,000	$250,000,000
Stated Maturity Date:	October 1, 2025	October 1, 2045
Interest Payment Dates:	April 1 and October 1, commencing April 1, 2016	April 1 and October 1, commencing April 1, 2016
Annual Interest Rate:	3.300%	4.375%
Price to Public:	99.957%	99.917%
Benchmark Treasury:	2.00% due August 15, 2025	3.00% due May 15, 2045
Benchmark Treasury Yield:	2.205%	3.030%
Spread to Benchmark Treasury:	+110 basis points	+135 basis points
Yield to Maturity:	3.305%	4.380%
Optional Redemption:	Prior to July 1, 2025 (the "Par Call Date"), the bonds will be redeemable, in whole at any time or in part from time to time, at a redemption price equal to the greater of (i) 100% of the principal amount of the bonds	Prior to April 1, 2045 (the "Par Call Date"), the bonds will be redeemable, in whole at any time or in part from time to time, at a redemption price equal to the greater of (i) 100% of the principal amount of the bonds

	being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the bonds being redeemed that would be due if the Stated Maturity Date of such bonds were the Par Call Date (not including any portion of any payments of interest accrued to, but not including, the Redemption Date), discounted to the Redemption Date on a semi-annual basis at the Adjusted Treasury Rate, plus 20 basis points; plus, in either case, accrued and unpaid interest to the Redemption Date. On or after the Par Call Date, the bonds will be redeemable at a redemption price equal to 100% of the principal amount of the bonds being redeemed, plus accrued and unpaid interest to the Redemption Date.	being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the bonds being redeemed that would be due if the Stated Maturity Date of such bonds were the Par Call Date (not including any portion of any payments of interest accrued to, but not including, the Redemption Date), discounted to the Redemption Date on a semi-annual basis at the Adjusted Treasury Rate, plus 25 basis points; plus, in either case, accrued and unpaid interest to the Redemption Date. On or after the Par Call Date, the bonds will be redeemable at a redemption price equal to 100% of the principal amount of the bonds being redeemed, plus accrued and unpaid interest to the Redemption Date.
CUSIP / ISIN:	491674 BK2 / US491674BK27	491674 BL0 / US491674BL00

Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Bonds prior to the settlement date will be required, by virtue of the fact that the Bonds initially will settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Bonds who wish to trade the Bonds prior to the settlement date should consult their advisors.

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling J.P. Morgan Securities LLC collect at (212) 834-4533; Mitsubishi UFJ Securities (USA), Inc. at (877) 649-6848; Morgan Stanley & Co. LLC at (800) 584-6837; or UBS Securities LLC at (888) 827-7275.

Exhibit 4(a)

LOUISVILLE GAS AND ELECTRIC COMPANY

TO

THE BANK OF NEW YORK MELLON,

Trustee

Supplemental Indenture No. 4
dated as of September 1, 2015

Supplemental to the Indenture
dated as of October 1, 2010

Establishing

First Mortgage Bonds, 3.300% Series due 2025
First Mortgage Bonds, 4.375% Series due 2045

SUPPLEMENTAL INDENTURE NO. 4

SUPPLEMENTAL INDENTURE No. 4, dated as of the first day of September, 2015, made and entered into by and between LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky, having its principal corporate offices at 220 West Main Street, Louisville, Kentucky 40202 (hereinafter sometimes called the “Company”), and THE BANK OF NEW YORK MELLON, a New York banking corporation, having its corporate trust office at 101 Barclay Street, 7th Floor, New York, New York 10286 and having its principal place of business at One Wall Street, New York, New York 10286 (hereinafter sometimes called the “Trustee”), as Trustee under the Indenture, dated as of October 1, 2010 (hereinafter called the “Original Indenture”), between the Company and said Trustee, as heretofore supplemented, this Supplemental Indenture No. 4 being supplemental thereto. The Original Indenture, as heretofore supplemented, and this Supplemental Indenture No. 4 are hereinafter sometimes, collectively, called the “Indenture.”

Recitals of the Company

The Original Indenture was authorized, executed and delivered by the Company to provide for the issuance from time to time of its Securities (such term and all other capitalized terms used herein without definition having the meanings assigned to them in the Original Indenture), to be issued in one or more series as contemplated therein, and to provide security for the payment of the principal of and premium, if any, and interest, if any, on such Securities.

The Company has heretofore executed and delivered supplemental indentures for the purpose of creating series of Securities as set forth in Exhibit A hereto.

The Original Indenture and Supplemental Indentures No. 1 and No. 2, and financing statements in respect thereof, have been duly recorded and filed in the various official records in the Commonwealth of Kentucky as set forth in Supplemental Indenture No. 3.

Supplemental Indenture No. 3 has been duly recorded and filed in the various official records in the Commonwealth of Kentucky as set forth in Exhibit B hereto.

Pursuant to Article Three of the Original Indenture, the Company wishes to establish two series of Securities, such series of Securities to be hereinafter sometimes called “Securities of Series No. 5” and “Securities of Series No. 6”, respectively, and, pursuant to Section 1401 of the Original Indenture, the Company wishes to correct errors in certain sections of the Original Indenture.

As contemplated in Section 301 of the Original Indenture, the Company further wishes to establish the designation and certain terms of the Securities of Series No. 5 and of the Securities of Series No. 6. The Company has duly authorized the execution and delivery of this Supplemental Indenture No. 4 to establish the designation and certain terms of such series of Securities and has duly authorized the issuance of such Securities; and all acts necessary to make this Supplemental Indenture No. 4 a valid agreement of the Company, and to make the Securities of Series No. 5 and the Securities of Series No. 6 valid obligations of the Company, have been performed.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE NO. 4 WITNESSETH, that, for and in consideration of the premises and of the purchase of the Securities by the Holders thereof and in order to secure the payment of the principal of and premium, if any, and interest, if any, on all Securities from time to time Outstanding and the performance of the covenants therein and in the Indenture contained, the Company hereby grants, bargains, sells, conveys, assigns, transfers, mortgages, pledges, sets over and confirms to the Trustee, and grants to the Trustee a security interest in and lien on the

Company's right, title and interest in the generating stations described in Exhibit C hereto, as and to the extent, and subject to the terms and conditions, set forth in the Original Indenture; and it is further mutually covenanted and agreed as follows:

ARTICLE ONE

SECURITIES OF SERIES NO. 5

SECTION 101. Creation of Series No. 5.

There is hereby created a series of Securities designated "First Mortgage Bonds, 3.300% Series due 2025", and the Securities of such series shall:

(a) be issued initially in the aggregate principal amount of $300,000,000 and shall be limited to such aggregate principal amount (except as contemplated in Section 301(b) of the Original Indenture); provided, however, that, as contemplated in the last paragraph of Section 301 of the Original Indenture, additional Securities of such series may be subsequently issued from time to time, without any consent of Holders of the Securities of such series, if and to the extent that, prior to each such subsequent issuance, the aggregate principal amount of the additional Securities then to be issued shall have been set forth in a Supplemental Indenture, and, thereupon, the Securities of such series shall be limited to such aggregate principal amount as so increased (except as aforesaid and subject to further such increases);

(b) be dated September 28, 2015;

(c) have a Stated Maturity of October 1, 2025, subject to prior redemption or purchase by the Company;

(d) have such additional terms as are established in an Officer's Certificate as contemplated in Section 301 of the Original Indenture; and

(e) be in substantially the form or forms established therefor in an Officer's Certificate, as contemplated by Section 201 of the Original Indenture.

SECTION 102. Creation of Series No. 6.

There is hereby created a series of Securities designated "First Mortgage Bonds, 4.375% Series due 2045", and the Securities of such series shall:

(a) be issued initially in the aggregate principal amount of $250,000,000 and shall be limited to such aggregate principal amount (except as contemplated in Section 301(b) of the Original Indenture); provided, however, that, as contemplated in the last paragraph of Section 301 of the Original Indenture, additional Securities of such series may be subsequently issued from time to time, without any consent of Holders of the Securities of such series, if and to the extent that, prior to each such subsequent issuance, the aggregate principal amount of the additional Securities then to be issued shall have been set forth in a Supplemental Indenture, and, thereupon, the Securities of such series shall be limited to such aggregate principal amount as so increased (except as aforesaid and subject to further such increases);

(b) be dated September 28, 2015;

(c) have a Stated Maturity of October 1, 2045, subject to prior redemption or purchase by the Company;

(d) have such additional terms as are established in an Officer's Certificate as contemplated in Section 301 of the Original Indenture; and

(e) be in substantially the form or forms established therefor in an Officer's Certificate, as contemplated by Section 201 of the Original Indenture.

ARTICLE TWO

COVENANT

SECTION 201. Satisfaction and Discharge.

The Company hereby agrees that, if the Company shall make any deposit of money and/or Eligible Obligations with respect to any Securities of Series No. 5 or any Securities of Series No. 6, or any portion of the principal amount thereof, as contemplated by Section 901 of the Indenture, the Company shall not deliver an Officer's Certificate described in clause (z) in the first paragraph of said Section 901 unless the Company shall also deliver to the Trustee, together with such Officer's Certificate, either:

(a) an instrument wherein the Company, notwithstanding the satisfaction and discharge of its indebtedness in respect of such Securities, or portions of the principal amount thereof, shall retain the obligation (which shall be absolute and unconditional) to irrevocably deposit with the Trustee or Paying Agent such additional sums of money, if any, or additional Eligible Obligations (meeting the requirements of Section 901), if any, or any combination thereof, at such time or times, as shall be necessary, together with the money and/or Eligible Obligations theretofore so deposited, to pay when due the principal of and premium, if any, and interest due and to become due on such Securities or portions thereof, all in accordance with and subject to the provisions of said Section 901; provided, however, that such instrument may state that the obligation of the Company to make additional deposits as aforesaid shall be subject to the delivery to the Company by the Trustee of a notice asserting the deficiency accompanied by an opinion of an independent public accountant of nationally recognized standing, selected by the Trustee, showing the calculation thereof (which opinion shall be obtained at the expense of the Company); or

(b) an Opinion of Counsel to the effect that the beneficial owners of such Securities, or portions of the principal amount thereof, will not recognize income, gain or loss for United States federal income tax purposes as a result of the satisfaction and discharge of the Company's indebtedness in respect thereof and will be subject to United States federal income tax on the same amounts, at the same times and in the same manner as if such satisfaction and discharge had not been effected.

ARTICLE THREE

CORRECTIONS

SECTION 301. Correction of Certain Sections of the Indenture.

In accordance with Section 1401(l) of the Original Indenture, the Original Indenture is hereby corrected as set forth in Exhibit D hereto.

ARTICLE FOUR

MISCELLANEOUS PROVISIONS

SECTION 401. **Single Instrument**.

This Supplemental Indenture No. 4 is an amendment and supplement to the Original Indenture as heretofore amended and supplemented. As amended and supplemented by this Supplemental Indenture No. 4, the Original Indenture, as heretofore supplemented, is in all respects ratified, approved and confirmed, and the Original Indenture, as heretofore supplemented, and this Supplemental Indenture No. 4 shall together constitute the Indenture.

SECTION 402. **Effect of Headings**.

The Article and Section headings in this Supplemental Indenture No. 4 are for convenience only and shall not affect the construction hereof.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture No. 4 to be duly executed as of the day and year first written above.

LOUISVILLE GAS AND ELECTRIC COMPANY

By: /s/ Daniel K. Arbough
Name: Daniel K. Arbough
Title: Treasurer

ATTEST:

/s/ Gerald A. Reynolds
Name: Gerald A. Reynolds
Title: General Counsel, Chief Compliance Officer and Corporate Secretary

[*Signature Page to Supplemental Indenture No. 4 – Louisville Gas and Electric Utilities Company*]

THE BANK OF NEW YORK MELLON, as Trustee

By: /s/ Francine Kincaid
Name: Francine Kincaid
Title: Vice President

[*Signature Page to Supplemental Indenture No. 4 – Louisville Gas and Electric Company*]

COMMONWEALTH OF KENTUCKY	)	
	)	ss.:
COUNTY OF JEFFERSON	)	

On this 17th day of September, 2015, before me, a notary public, the undersigned, personally appeared Daniel K. Arbough, who acknowledged himself to be the Treasurer of LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation of the Commonwealth of Kentucky and that he, as such Treasurer, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Treasurer.

In witness whereof, I hereunto set my hand and official seal.

/s/ Betty L. Brinly
Notary Public
[Seal]

[*Signature Page to Supplemental Indenture No. 4 – Louisville Gas and Electric Company*]

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 17th day of September, 2015, before me, a notary public, the undersigned, personally appeared Francine Kincaid, who acknowledged herself to be a Vice President of THE BANK OF NEW YORK MELLON, a corporation and that she, as Vice President, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by herself as Vice President.

In witness whereof, I hereunto set my hand and official seal.

By: /s/ Christopher J. Traina
Christopher J. Traina
Notary Public – State of New York
No. 01TR6297825
Qualified in Queens County
My Commission Expires
March 03, 2018
Certified in New York County

The Bank of New York Mellon hereby certifies that its precise name and address as Trustee hereunder are:

The Bank of New York Mellon
101 Barclay Street, 7th Floor
New York, New York 10286
Attn: Corporate Trust Administration

THE BANK OF NEW YORK MELLON, as Trustee

By: /s/ Francine Kincaid
Name: Francine Kincaid
Title: Vice President

[*Signature Page to Supplemental Indenture No. 4 – Louisville Gas and Electric Company*]

CERTIFICATE OF PREPARER

The foregoing instrument was prepared by:

James J. Dimas, Senior Corporate Attorney
Louisville Gas and Electric Company
220 West Main Street
Louisville, Kentucky 40202

/s/ James J. Dimas
James J. Dimas

[*Signature Page to Supplemental Indenture No. 4 – Louisville Gas and Electric Utilities Company*]

EXHIBIT A

LOUISVILLE GAS AND ELECTRIC COMPANY

Bonds Issued and Outstanding under the Indenture

Supplemental Indenture No.	Dated as of	Series No.	Series Designation	Date of Securities	Principal Amount Issued	Principal Amount Outstanding[1]
1	October 15, 2010	1	Collateral Series 2010	October 20, 2010	$574,304,000	$574,304,000
2	November 1, 2010	2	1.625% Series due 2015	November 16, 2010	$250,000,000	$250,000,000
		3	5.125% Series due 2040	November 16, 2010	$285,000,000	$285,000,000
3	November 1, 2013	4	4.65% Series due 2043	November 14, 2013	$250,000,000	$250,000,000

1 As of September 1, 2015.

EXHIBIT B

LOUISVILLE GAS AND ELECTRIC COMPANY

Filing and Recording
of
Supplemental Indenture No. 3, dated as of November 1, 2013,
to
Indenture, dated as of October 1, 2010

COUNTY	DEED BOOK	PAGE NO.
Breckinridge	BK: MTG 403	180 - 200
Bullitt	BK: M1522	376 - 396
Clark	BK: M776	399 - 419
Green	MBK: 285	341 - 361
Hardin	BK: 2084	706 - 726
Hart	MBK: 344	173
Henry	BK: M319	868 - 888
Jefferson	M: 13592	0087
Larue	MTGBK: 327	68
Meade	MBK: 734	567 (21)
Metcalfe	MBK: 159	463
Muhlenberg	BK: M647	436
Nelson	BK: MTG M1022	690 - 710
Oldham	BK: M2100	500 - 528
Shelby	BK: M933	24 - 44
Trimble	MBK: 197	55

EXHIBIT C

LOUISVILLE GAS AND ELECTRIC COMPANY

Generating Facilities

Schedule of additional generating stations located in the Commonwealth of Kentucky

1. An undivided 22% interest in Unit 7 of the Cane Run Generating Station, located in Jefferson County, Kentucky, the remaining undivided 78% interest in Unit 7 being owned by Kentucky Utilities Company.
2. An undivided 38% interest in each of Unit 6 and Unit 7 of E.W. Brown Generating Station, locating in Mercer County, Kentucky, the remaining 62% undivided interest in such Units being owned by Kentucky Utilities Company.

EXHIBIT D

LOUISVILLE GAS AND ELECTRIC COMPANY

Corrections to Original Indenture

1. Clause (d) of the exceptions to the granting clauses under "EXCEPTED PROPERTY" in the Original Indenture is hereby corrected by inserting "(b)," immediately following the words "referred to in clause".
2. Clause (p) in the third paragraph of Section 301 of the Original Indenture is hereby corrected by deleting the word "Eight" in each instance and replacing such word with the word "Nine" in each instance.
3. Clause (e) in the first paragraph of Section 806 of the Original Indenture is hereby corrected by deleting the word "Eight" and replacing such word with the word "Nine".
4. The fourth paragraph of Section 1107 of the Original Indenture is hereby corrected by deleting the word "Eight" and replacing such word with the word "Nine".

Exhibit 4(b)

KENTUCKY UTILITIES COMPANY

TO

THE BANK OF NEW YORK MELLON,

Trustee

Supplemental Indenture No. 4
dated as of September 1, 2015

Supplemental to the Indenture
dated as of October 1, 2010

Establishing

First Mortgage Bonds, 3.300% Series due 2025
First Mortgage Bonds, 4.375% Series due 2045

SUPPLEMENTAL INDENTURE NO. 4

SUPPLEMENTAL INDENTURE No. 4, dated as of the first day of September, 2015, made and entered into by and between KENTUCKY UTILITIES COMPANY, a corporation duly organized and existing under the laws of the Commonwealths of Kentucky and Virginia, having its principal corporate offices at One Quality Street, Lexington, Kentucky 40507 (hereinafter sometimes called the "Company"), and THE BANK OF NEW YORK MELLON, a New York banking corporation, having its corporate trust office at 101 Barclay Street, 7th Floor, New York, New York 10286 and having its principal place of business at One Wall Street, New York, New York 10286 (hereinafter sometimes called the "Trustee"), as Trustee under the Indenture, dated as of October 1, 2010 (hereinafter called the "Original Indenture"), between the Company and said Trustee, as heretofore supplemented, this Supplemental Indenture No. 4 being supplemental thereto. The Original Indenture, as heretofore supplemented, and this Supplemental Indenture No. 4 are hereinafter sometimes, collectively, called the "Indenture."

Recitals of the Company

The Original Indenture was authorized, executed and delivered by the Company to provide for the issuance from time to time of its Securities (such term and all other capitalized terms used herein without definition having the meanings assigned to them in the Original Indenture), to be issued in one or more series as contemplated therein, and to provide security for the payment of the principal of and premium, if any, and interest, if any, on such Securities.

The Company has heretofore executed and delivered supplemental indentures for the purpose of creating series of Securities as set forth in Exhibit A hereto.

The Original Indenture and Supplemental Indentures No. 1 and No. 2, and financing statements in respect thereof, have been duly recorded and filed in the various official records in the Commonwealth of Kentucky as set forth in Supplemental Indenture No. 3.

Supplemental Indenture No. 3 has been duly recorded and filed in the various official records in the Commonwealth of Kentucky as set forth in Exhibit B hereto.

Pursuant to Article Three of the Original Indenture, the Company wishes to establish two series of Securities, such series of Securities to be hereinafter sometimes called "Securities of Series No. 6" and "Securities of Series No. 7", respectively, and, pursuant to Section 1401 of the Original Indenture, the Company wishes to correct errors in certain sections of the Original Indenture.

As contemplated in Section 301 of the Original Indenture, the Company further wishes to establish the designation and certain terms of the Securities of Series No. 6 and of the Securities of Series No. 7. The Company has duly authorized the execution and delivery of this Supplemental Indenture No. 4 to establish the designation and certain terms of such series of Securities and has duly authorized the issuance of such Securities; and all acts necessary to make this Supplemental Indenture No. 4 a valid agreement of the Company, and to make the Securities of Series No. 6 and the Securities of Series No. 7 valid obligations of the Company, have been performed.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE NO. 4 WITNESSETH, that, for and in consideration of the premises and of the purchase of the Securities by the Holders thereof and in order to secure the payment of the principal of and premium, if any, and interest, if any, on all Securities from time to time Outstanding and the performance of the covenants therein and in the Indenture contained, the Company hereby grants, bargains, sells, conveys, assigns, transfers, mortgages, pledges, sets over and confirms to the Trustee, and grants to the Trustee a security interest in and lien on, (a) the real property specifically referred to in Exhibit C attached hereto and incorporated herein by reference and all right, title and interest of the Company in and to all property personal and mixed located thereon (other than Excepted Property) and (b) the Company's right, title and interest in the generating stations described in Exhibit D hereto, as and to the extent, and subject to the terms and conditions, set forth in the Original Indenture; and it is further mutually covenanted and agreed as follows:

ARTICLE ONE

SECURITIES OF SERIES NO. 6

SECTION 101. Creation of Series No. 6.

There is hereby created a series of Securities designated "First Mortgage Bonds, 3.300% Series due 2025", and the Securities of such series shall:

(a) be issued initially in the aggregate principal amount of $250,000,000 and shall be limited to such aggregate principal amount (except as contemplated in Section 301(b) of the Original Indenture); provided, however, that, as contemplated in the last paragraph of Section 301 of the Original Indenture, additional Securities of such series may be subsequently issued from time to time, without any consent of Holders of the Securities of such series, if and to the extent that, prior to each such subsequent issuance, the aggregate principal amount of the additional Securities then to be issued shall have been set forth in a Supplemental Indenture, and, thereupon, the Securities of such series shall be limited to such aggregate principal amount as so increased (except as aforesaid and subject to further such increases);

(b) be dated September 28, 2015;

(c) have a Stated Maturity of October 1, 2025, subject to prior redemption or purchase by the Company;

(d) have such additional terms as are established in an Officer's Certificate as contemplated in Section 301 of the Original Indenture; and

(e) be in substantially the form or forms established therefor in an Officer's Certificate, as contemplated by Section 201 of the Original Indenture.

SECTION 102. Creation of Series No. 7.

There is hereby created a series of Securities designated "First Mortgage Bonds, 4.375% Series due 2045", and the Securities of such series shall:

(a) be issued initially in the aggregate principal amount of $250,000,000 and shall be limited to such aggregate principal amount (except as contemplated in Section 301(b) of the Original Indenture); provided, however, that, as contemplated in the last paragraph of Section 301 of the Original Indenture, additional Securities of such series may be subsequently issued from time to time, without any consent of Holders of the Securities of such series, if and to the extent that, prior to each such subsequent issuance, the aggregate principal amount of the additional Securities then to be issued shall have been set forth in a Supplemental Indenture, and, thereupon, the Securities of such series shall be limited to such aggregate principal amount as so increased (except as aforesaid and subject to further such increases);

(b) be dated September 28, 2015;

(c) have a Stated Maturity of October 1, 2045, subject to prior redemption or purchase by the Company;

(d) have such additional terms as are established in an Officer's Certificate as contemplated in Section 301 of the Original Indenture; and

(e) be in substantially the form or forms established therefor in an Officer's Certificate, as contemplated by Section 201 of the Original Indenture.

ARTICLE TWO

COVENANT

SECTION 201. Satisfaction and Discharge.

The Company hereby agrees that, if the Company shall make any deposit of money and/or Eligible Obligations with respect to any Securities of Series No. 6 or any Securities of Series No. 7, or any portion of the principal amount thereof, as contemplated by Section 901 of the Indenture, the Company shall not deliver an Officer's Certificate described in clause (z) in the first paragraph of said Section 901 unless the Company shall also deliver to the Trustee, together with such Officer's Certificate, either:

(a) an instrument wherein the Company, notwithstanding the satisfaction and discharge of its indebtedness in respect of such Securities, or portions of the principal amount thereof, shall retain the obligation (which shall be absolute and unconditional) to irrevocably deposit with the Trustee or Paying Agent such additional sums of money, if any, or additional Eligible Obligations (meeting the requirements of Section 901), if any, or any combination thereof, at such time or times, as shall be necessary, together with the money and/or Eligible Obligations theretofore so deposited, to pay when due the principal of and premium, if any, and interest due and to become due on such Securities or portions thereof, all in accordance with and subject to the provisions of said Section 901; provided, however, that such instrument may state that the obligation of the Company to make additional deposits as aforesaid shall be subject to the delivery to the Company by the Trustee of a notice asserting the deficiency accompanied by an opinion of an independent public accountant of nationally recognized standing, selected by the Trustee, showing the calculation thereof (which opinion shall be obtained at the expense of the Company); or

(b) an Opinion of Counsel to the effect that the beneficial owners of such Securities, or portions of the principal amount thereof, will not recognize income, gain or loss for United States federal income tax purposes as a result of the satisfaction and discharge of the Company's indebtedness in respect thereof and will be subject to United States federal income tax on the same amounts, at the same times and in the same manner as if such satisfaction and discharge had not been effected.

ARTICLE THREE

CORRECTIONS

SECTION 301. Correction of Certain Sections of the Indenture.

In accordance with Section 1401(l) of the Original Indenture, the Original Indenture is hereby corrected as set forth in Exhibit E hereto.

ARTICLE FOUR

MISCELLANEOUS PROVISIONS

SECTION 401. Single Instrument.

This Supplemental Indenture No. 4 is an amendment and supplement to the Original Indenture as heretofore amended and supplemented. As amended and supplemented by this Supplemental Indenture No. 4, the Original Indenture, as heretofore supplemented, is in all respects ratified, approved and confirmed, and the Original Indenture, as heretofore supplemented, and this Supplemental Indenture No. 4 shall together constitute the Indenture.

SECTION 402. Effect of Headings.

The Article and Section headings in this Supplemental Indenture No. 4 are for convenience only and shall not affect the construction hereof.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture No. 4 to be duly executed as of the day and year first written above.

KENTUCKY UTILITIES COMPANY

By: /s/ Daniel K. Arbough
Name: Daniel K. Arbough
Title: Treasurer

ATTEST:

/s/ Gerald A. Reynolds
Name: Gerald A. Reynolds
Title: General Counsel, Chief Compliance Officer and Corporate Secretary

[*Signature Page to Supplemental Indenture No. 4 – Kentucky Utilities Company*]

THE BANK OF NEW YORK MELLON, as Trustee

By: /s/ Francine Kincaid
Name: Francine Kincaid
Title: Vice President

[*Signature Page to Supplemental Indenture No. 4 – Kentucky Utilities Company*]

COMMONWEALTH OF KENTUCKY)
) ss.:
COUNTY OF JEFFERSON)

On this 17th day of September, 2015, before me, a notary public, the undersigned, personally appeared Daniel K. Arbough, who acknowledged himself to be the Treasurer of KENTUCKY UTILITIES COMPANY, a corporation of the Commonwealths of Kentucky and Virginia and that he, as such Treasurer, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Treasurer.

In witness whereof, I hereunto set my hand and official seal.

/s/ Betty L. Brinly
Notary Public
[Seal]

[*Signature Page to Supplemental Indenture No. 4 – Kentucky Utilities Company*]

STATE OF NEW YORK	)	
	)	ss.:
COUNTY OF NEW YORK	)	

On this 17th day of September, 2015, before me, a notary public, the undersigned, personally appeared Francine Kincaid, who acknowledged herself to be a Vice President of THE BANK OF NEW YORK MELLON, a corporation and that she, as Vice President, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by herself as Vice President.

In witness whereof, I hereunto set my hand and official seal.

By: /s/ Christopher J. Traina
Christopher J. Traina
Notary Public – State of New York
No. 01TR6297825
Qualified in Queens County
My Commission Expires
March 03, 2018
Certified in New York County

The Bank of New York Mellon hereby certifies that its precise name and address as Trustee hereunder are:

The Bank of New York Mellon
101 Barclay Street, 7th Floor
New York, New York 10286
Attn: Corporate Trust Administration

THE BANK OF NEW YORK MELLON, as Trustee

By: /s/ Francine Kincaid
Name: Francine Kincaid
Title: Vice President

[*Signature Page to Supplemental Indenture No. 4 – Kentucky Utilities Company*]

CERTIFICATE OF PREPARER

The foregoing instrument was prepared by:

James J. Dimas, Senior Corporate Attorney
Kentucky Utilities Company
220 West Main Street
Louisville, Kentucky 40202

/s/ James J. Dimas
James J. Dimas

[*Signature Page to Supplemental Indenture No. 4 – Kentucky Utilities Company*]

EXHIBIT A

KENTUCKY UTILITIES COMPANY

Bonds Issued and Outstanding under the Indenture

Supplemental Indenture No.	Dated as of	Series No.	Series Designation	Date of Securities	Principal Amount Issued	Principal Amount Outstanding[1]
1	October 15, 2010	1	Collateral Series 2010	October 28, 2010	$350,779,405	$350,779,405
2	November 1, 2010	2	1.625% Series due 2015	November 16, 2010	$250,000,000	$250,000,000
		3	3.250% Series due 2020	November 16, 2010	$500,000,000	$500,000,000
		4	5.125% Series due 2040	November 16, 2010	$750,000,000	$750,000,000
3	November 1, 2013	5	4.65% Series due 2043	November 14, 2013	$250,000,000	$250,000,000

1 As of September 1, 2015.

EXHIBIT B

KENTUCKY UTILITIES COMPANY

Filing and Recording
of
Supplemental Indenture No. 3, dated as of November 1, 2013,
to
Indenture, dated as of October 1, 2010

COUNTY NAME	BOOK & PAGE NUMBER
Adair	MB 325, Pg 73-104
Anderson	MB 513, Pg 525-556
Ballard	MB 69, Pg 99-130
Barren	MB 518, Pg 383
Bath	MB 208, Pg 718
Bell	MB 318, Pg 607-638
Bourbon	MB 562, Pg 355
Boyle	MB 655, Pg 496-527
Bracken	MB 276, Pg 461
Bullitt	MB 1522, Pg 250
Caldwell	MB 293, Pg 374
Carroll	MB 220, Pg 142-173
Casey	MB 231, Pg 760
Christian	MB 1353, Pg 55
Clark	MB 776, Pg 447
Clay	MB 210, Pg 402-433
Crittenden	MB 204, Pg 74
Estill	MB V9, Pg 646
Fayette	MB 7955, Pg 684
Fleming	MB 312, Pg 215
Franklin	MB 1300, Pg 358-389
Fulton	MB 177, Pg 1-32
Gallatin	MB 210, Pg 59-90
Garrard	MB 328, Pg 175
Grayson	MB 20-Y, Pg 524
Green	MB 285, Pg 381
Hardin	MB 2084, Pg 620
Harlan	MB 421, Pg 725
Harrison	MB 368, Pg 555
Hart	MB 344, Pg 116
Henry	MB 319, Pg 819
Hickman	MB 107, Pg 274

Hopkins	MB 1090, Pg 714
Jessamine	MB 1164, Pg 410
Knox	MB 408, Pg 685
Larue	MB 327, Pg 90
Laurel	MB 1057, Pg 70
Lee	MB 108, Pg 288
Lincoln	MB 411, Pg 439-470
Livingston	MB 288, Pg 105
Lyon	MB 222, Pg 470
Madison	MB 1549, Pg 383
Marion	MB 378, Pg 740
Mason	MB 410, Pg 281
McCracken	MB 1416, Pg 430
McLean	MB 183, Pg 1
Mercer	MB 589, Pg 414
Montgomery	MB 493, Pg 755
Muhlenberg	MB 647, Pg 458
Nelson	MB 1022, Pg 821
Nicholas	MB 145-392
Ohio	MB 487, Pg 376
Oldham	MB 2100, Pg 575-606
Owen	MB 249, Pg 79-110
Pendleton	MB 322, Pg 624-655
Pulaski	MB 1388, Pg 22
Robertson	MB 60, Pg 531
Rockcastle	MB 47, Pg 413-444
Rowan	MB A343-151
Russell	MB 361, Pg 375
Scott	MB 1166, Pg 772
Shelby	MB 933, Pg 45-76
Taylor	MB 521, Pg 724
Trimble	MB 197, Pg 23-54
Union	MB 405, Pg 405
Washington	MB 0339, Pg 0056
Webster	MB 314, Pg 391
Whitley	MB 574, Pg 374-405
Woodford	MB 717, Pg 543

EXHIBIT C

KENTUCKY UTILITIES COMPANY

Real Property

Schedule of real property owned in fee located in the Commonwealth of Kentucky

Hardin County, Kentucky:

Being Lot 2A Junior Welding Subdivision, Lots 1 and 2 as Amended, to Hardin County, Kentucky, per plat of said subdivision of record in Plat Cabinet 1, Sheet 5753, in the Hardin County Clerk's Office.

Being the same property conveyed to Kentucky Utilities Company by Deed dated September 11, 2015, of record in Deed Book 1414, Page 383 in the Office of the Clerk of Hardin County, Kentucky.

Livingston County, Kentucky:

This being all of Tract 3 of that property acquired by Kentucky Alltel, Inc., by deed from Verizon South, Inc., dated the 26th day of July, 2002, and of record in Deed Book 207, page 389, in the Livingston County Court Clerk's Office and being more particularly described as follows:

BEGINNING at an iron pin set (5/8" x 18" rebar with aluminum cap bearing PLS-3916, as will typical for all set corner monuments), located on the west edge of right-of-way of US Hwy 60 (D.B. 62, Pg. 512), said pin being 55' west from the centerline of US Hwy 60 and also being approximately 1.52 miles south of the intersection of centerlines of KY Hwy 452 and US Hwy 60 in the town of Smithland, said pin being on the northern boundary line of Jim Smith Contracting Co., Inc. (Tract 1, D.B. 176, Pg. 18), said pin lying near the community of Smithland, Livingston County, Kentucky and having Kentucky State Plane South Zone Coordinates (NAD83) of N=1937130.807 E=867123.897 and being the POINT OF BEGINNING for this description;

Thence leaving the line of Jim Smith Contracting Co., Inc. and with the western edge of right-of-way of US Hwy 60, with a CURVE to the LEFT having a RADIUS of 2,809.90 feet and a chord bearing & distance of N08°49'13"E – 199.11 feet to a point, said point being on the southern boundary line of Jim Smith Contracting Co., Inc. (Parcel 1 – Tract 1, D.B. 136, Pg. 293) and being on the western right-of-way of US Hwy 60;

Thence leaving the right-of-way of US Hwy 60 and with the line of Jim Smith Contracting Co., Inc. (Parcel 1 – Tract 1, D.B. 136, Pg. 293), S87°05'53"W – 174.46 feet to a 1" Iron Pipe Found and S70°49'42"W – 98.29 feet to an 1" Iron Pipe Found, said pipe being on the southern boundary line of Jim Smith Contracting Co., Inc. (Parcel 1 – Tract 1, D.B. 136, Pg. 293) and being the on the western boundary line of Jim Smith Contracting Co., Inc. (Tract 1, D.B. 176, Pg. 18);

Thence leaving the line of Jim Smith Contracting Co., Inc. (Parcel 1 – Tract 1, D.B. 136, Pg. 293) and with the line of Jim Smith Contracting Co., Inc. (Tract 1, D.B. 176, Pg. 18) the following three (3) courses: S20°17'54"E – 120.77 feet to an iron pin set, S70°26'19"E – 113.37 feet to an iron pin set, and S87°07'05"E – 87.93 feet to the Point of Beginning and containing 0.915 acres by survey.

All bearings are referenced to grid north of the Kentucky State Plane Coordinate System – South Zone (NAD83).

The above legal description was created per the physical survey by David L. King II, AGE Engineering Services, Inc., Ky. R.L.S. #3916, dated July 31, 2014.

BEING the same property conveyed to Kentucky Utilities Company by Deed dated October 20, 2014, of record in Deed Book 248, Page 165 in the Office of the Clerk of Livingston County, Kentucky.

Mercer County, Kentucky:

BEGINNING at an iron pin found (PLS# 3118) on the eastern edge of right-of-way of the Norfolk Southern Railway Company (D.B. 104, Pg. 280), said pin was set during the survey the Kentucky Utilities Company (D.B. 328, Pg. 007) property in 2011, said pin also being 100' east of the Railroad centerline and being the Southwest Corner of Kentucky Utilities Company (D.B. 328, Pg. 007), said pin having Kentucky State Plane Coordinate System – South Zone Coordinates of N=2166662.24, E=1936109.81 lying in Mercer County, Kentucky, said point also being S05°28'37"W – 3162.76 feet from the Southeast corner of the Curdsville Bridge Abutment over the Norfolk Southern Railway Company and being the Point of Beginning for this description;

Thence leaving the corner of Norfolk Southern Railway Company and with the line of Kentucky Utilities Company (D.B. 328, Pg. 007), for the following six courses: N87°38'08"E – passing an iron found (PLS#3816) at 2.82 feet and continuing an additional 1449.80 feet for a total distance of 1452.62 feet to an iron pin found PLS #3816, S38°06'58"E – 98.94 feet to an iron pin found PLS #3816, S48°20'38"E – 124.02 feet to an iron pin found PLS #3816, S16°11'02"E – 120.12 feet to an iron pin found (cap unreadable), S30°57'02"E – 250.95 feet to an iron pin found PLS #3816 and S67°55'13"E – 61.50 feet to an iron pin found PLS #3816 at the 760' elevation of Herrington Lake, said pin being a corner of Kentucky Utilities Company (D.B. 328, Pg. 007), and being a corner of Kentucky Utilities Company (D.B. 101, Pg. 491 and D.B. 106, Pg. 270);

Thence leaving the corner of Kentucky Utilities Company (D.B. 328, Pg. 007) and with the line of Kentucky Utilities Company (D.B. 101, Pg. 491 and D.B. 106, Pg. 270) and with the 760 Elevation along Herrington Lake for the following sixteen courses: S56°43'25"E – 118.72 to an iron pin set (5/8" x 18" rebar with a 2" aluminum cap bearing PLS-3118- as will be typical for all set corner monuments), S78°31'57"E -157.28 feet to an iron pin set, S72°58'39"E - 141.20 feet to an iron pin set, S78°36'02"E - 241.55 feet to an iron pin set, S84°51'06"E - 248.49 feet to an iron pin set, S73°20'54"E - 136.13 feet to an iron pin set, N87°20'26"E - 201.56 to an iron pin set, S05°21'17"E - 22.50 feet to an iron pin set, S29°05'28"W - 280.31 feet to a point, S20°50'34"W - 178.62 feet to an iron pin set, S09°10'37"W - 79.31 feet to an iron pin set, S05°25'11"E - 171.59 feet to a point, S03°43'30"E - 348.86 feet to a point, S02°55'52"E - 110.50 feet to a point, S59°19'08"W - 186.13 feet to a point, and S57°19'33"W 209.69 feet to a point, said point being on the 760 elevation of Herrington Lake, a corner of Kentucky Utilities Company (D.B. 101, Pg. 491 and D.B. 106 Pg. 270) and being the eastern most corner of Andrea Perkins (D.B. 301, Pg. 593 Tract 8-1 Plat Book 5, Page 38);

Thence leaving the 760 elevation and Kentucky Utilities Company (D.B. 101, Pg. 491 and D.B. 106, Pg. 270) and with the line of Andrea Perkins (D.B. 301 Pg. 593 Tract 8-1 Plat Book 5, Page 38), N55°42'48"W - passing an iron witness pin set on line at 9.34 feet and then continuing an additional 79.52 feet for a total distance of 88.86 feet to an iron pin found PLS #1880, and N54°53'03"W 65.41 feet to an iron pin set;

Thence continuing first with the property line of Andrea Perkins (D.B. 301, Pg. 593 Tract 8-1 Plat Book 5, Page 38), and second with the property line of Billy Neeley (D.B. 293, Pg. 537 Tract 7 Plat Cab. A, Slide 429), and with or near a woven wire fence N51°43'10"W - 1338.59 feet to an iron pin set at a corner post, said corner post being a corner of Billy Neeley (D.B. 293, Pg. 537 Tract 7 Plat Cab. A, Slide 429);

Thence first with the property line of Billy Neeley (D.B. 293, Pg. 537 Tract 7 Plat Cab. A, Slide 429), and second with the property line of Walter Gross (D.B. 330, Pg. 671 Tract 3, 4, 5 and 6 Plat Cab. A, Slide 429), S79°33'37"W - 533.19 feet to an iron pin set at a found 24" Hackberry tree, being a corner of Walter Gross;

Thence continuing with the line of Walter Gross, S30°30'15"W - 166.64 feet to a 1/2" iron rebar found at a corner post, said pin being a western corner of Walter Gross;

Thence continuing on first with the property line of Walter Gross (D.B. 330, Pg. 671 Tract 3, 4, 5, and 6 Plat Cab. A, Slide 429) and secondly with the property line of Warren Davis (D.B. 225, Pg. 243, Tract 1 and 2 Plat Cab. A, Slide 429) and thirdly with the line of Peter Motto (D.B. 278, Pg. 320 Tract 2-A Plat Cab. A, Slide 366) S25°20'09"W - 1607.57 feet to a 1/4" iron pin found on the Northeast edge of right-of-way of Mallard Cove (Plat Book 5, Pg. 38 & 40), being 24.25 feet north of the centerline of said road;

Thence leaving the line of Peter Motto and with the north edge of right-of-way of Mallard Cove, N21°13'11"W – 564.80 feet to an iron pin set, being 27.26 feet Northeast of Centerline, N36°28'11"W – 609.40 feet to an iron pin set, being 28.33 feet Northeast of Centerline, N34°29'16"W – 87.37 feet to a point, N29°17'47"W – 362.91 feet to an iron pin set being 41.69 feet Northeast of Centerline and N71°20'24"W – 75.07 feet a point, said point on the north edge of right-of-way of Mallard Cove and being the Southeast corner of Sam Sadler (D.B. 230, Pg. 246);

Thence leaving the right-of-way of Mallard Cove and with the line of Sam Sadler, N02°25'15"W – passing an iron pin found (PLS # 1880) at 2.67 feet and continuing an additional 115.46 feet for a total distance of 118.13 feet to an iron pin found (PLS# 1880), N00°19'07"W – 123.50 feet to an iron pin found (PLS# 1880), N00°18'13"W – 29.44 feet to an iron pin set and N32°45'30"E – 282.42 feet to an iron pin found (PLS# 1880) and N58°25'08"W – 239.67 feet to an iron pin found (PLS# 1880) at a corner post being on the southeast edge of right-of-way of the Norfolk Southern Railway Company (D.B. 104, Pg. 280);

Thence leaving the corner of Sadler and with the line of the Norfolk Southern Railway, N19°42'48"W – 22.39 feet to an iron pin set, said pin being 100' southeast of the centerline of Rail Road and with a curve to the Left having a Radius of 2010.1 feet, a Chord Bearing and Distance of N50°06'23"E – 1143.75 feet to the Point of Beginning and containing 124.140 acres by survey.

The above legal description was created per the physical survey and Minor Plat prepared by Douglas G. Gooch, AGE Engineering Services, Inc., Ky. R.L.S. #3118, dated the 20th day of November, 2014, which is of record in Plat Cabinet D, Page 94, in the Office of the Clerk of Mercer County, Kentucky.

BEING the same property conveyed to Kentucky Utilities Company by Deed dated December 8, 2014, of record in Deed Book 342, Page 189 in the Office of the Clerk of Mercer County, Kentucky.

Muhlenberg County, Kentucky:

This being all of that remaining property acquired by Ray C. Dunlap by deed from Doyle Blankenship, dated the 9th day of November, 2000, and of record in Deed Book 481, page 380, in the Muhlenberg County Court Clerk's Office.

BEGINNING at an iron pin set (5/8" x 18" rebar with aluminum cap bearing PLS-3916, as will be typical for all set corner monuments), on the east edge of right-of-way being 35' from the centerline of US Hwy 431 (D.B. 134, PG. 407) of US Hwy 431, said pin having KY South Zone (NAD 83) Coordinates of N=2016398.88 E=1238112.26, being approximately 0.47 miles south from the intersection of centerlines of the Green River Power Plant Road and US Hwy 431, said point also being witnessed by a existing wood fence corner post being S52°32'03"E – 13.22 feet from said pin and said pin also being referenced by a 38" Oak Tree located on the east side of US Hwy 431 and being S07°42'07"E – 29.17 feet from said pin set and said pin also being referenced by a 29" Oak Tree (with wire through the middle) located on the west side of US Hwy 431, said tree being N59°26'42"W – 71.93 feet from said pin, said pin also being the Northwest Corner of Clarence J. Turner, Jr (D.B. 377, Pg. 601- Tract 2) and being the POINT OF BEGINNING for this description; Thence leaving the corner of Turner and with the eastern right-of-way of US Hwy 431 (D.B. 134, Pg. 407), N22°16'18"E - 268.24 to an iron pin set 34.05 feet from centerline, a said pin being a corner of right-of-way of the Commonwealth of KY (D.B. 134, Pg. 407 and D.B. 506, Pg. 201- Tract A);

Thence leaving the right-of-way dedicated in D.B. 134, Pg. 407 and with the right-of-way dedicated in D.B. 506, Pg. 201 –Tract A the following four (4) courses: N42°48'35"E - 159.92 feet to an iron pin set 89.53 feet from centerline, N22°31'16"E - 50.00 feet to an iron pin set 89.59 feet from centerline, N19°27'07"E - 186.77 feet to an iron pin set 80.14 feet from centerline, with a curve to the LEFT having a RADIUS of 1989.86 feet and a CHORD BEARING and DISTANCE of N16°18'50"E - 430.31 feet to an iron pin set 80.20 feet from centerline, said pin being a corner of right-of-way of the Commonwealth of KY (D.B. 134, Pg. 407 and D.B. 506, Pg. 201- Tract A);

Thence leaving the right-of-way dedicated in D.B. 506, Pg. 201 –Tract A and with the right-of-way dedicated in D.B. 134, Pg. 407 the following seven (7) courses: N22°21'53"E - 57.99 feet to a point and with a curve to the LEFT having a RADIUS of 990.40 feet and a CHORD BEARING and DISTANCE of N13°07'57" E - 317.80 feet to an iron pin set, said pin being 143.57 feet from centerline, S86°06'00"E - 5.00 feet to a pin, said pin being 148.57 feet from centerline, with a curve to the LEFT having a RADIUS of 995.40 feet and a CHORD BEARING and DISTANCE of N00°44'52" W - 161.31 feet to an iron pin set 153.47 feet from centerline, S84°36'16"W - 5.00 feet to an iron pin set 148.47 feet from centerline, with a curve to the LEFT having a RADIUS of 990.40 feet and a CHORD BEARING and DISTANCE N18°14'25"W - 440.35 feet to a point and N31°05'07"W - 13.34 feet to an iron pin set 90.48 feet from centerline, said pin being a corner of right-of-way of the Commonwealth of KY (D.B. 134, Pg. 407 and D.B. 506, Pg. 201- Tract B);

Thence leaving the right-of-way dedicated in D.B. 134, Pg. 407 and with the right-of-way dedicated in D.B. 506, Pg. 201 –Tract B with a curve to the LEFT having a RADIUS of 1999.86 feet and a CHORD BEARING and DISTANCE of N20°58'47"W - 237.10 feet to an iron pin set 90.00 feet from centerline, said pin being the South West corner of Kentucky Utilities Company (D.B. 162, Pg. 552);

Thence leaving the right-of-way of US Hwy 431 and with the line of Kentucky Utilities Company, S75°28'49"E – passing an iron witness pin set at 3078.83 feet, said pin set at the base of a 28" Sycamore Tree Found and continuing at the same bearing an additional 2.72 feet for a total distance of 3081.55 feet to the center of a 28" Sycamore Tree Found on western bank of the Green River, said tree being the southeast corner of Kentucky Utilities Company (D.B. 162, Pg. 552);

Thence leaving the line of Kentucky Utilities Company and with western bank of the Green River the following five (5) courses: S43°40’46”W – 320.70 feet to a point, S40°44’15”W – 302.68 feet to a point, S40°06’26”W – 211.40 feet to a point, S32°41’04”W – 37.35 feet to a point and S18°05’27”W – 17.02 feet to an iron pin set on the western bank of the Green River, said pin being approximately 19’ Northeast from the northern bank of a Manmade Diversion Ditch and being on the line of Clarence J. Turner, Jr. (D.B. 377, Pg. 601 – Tract 2);

Thence leaving the western bank of the Green River and with the line of Clarence J. Turner, Jr, N58°52’23”W – 330.00 feet to an iron pin set on the side a hill, said corner being referenced by a 40” Oak Tree being S51°30’30”E – 122.64 feet from said corner; Thence continuing with the line of Clarence J. Turner, Jr., S41°07’37”W – 2178.00 feet to an iron pin set at the Top of Bank of a Manmade Diversion Ditch; Thence continuing with the line of Turner, N52°32’03”W – passing the center of a 30” Oak Tree with old wire grown through the middle at 11.95 feet and continuing at the same bearing an additional 1200.80 feet for total distance of 1212.75 feet to the POINT OF BEGINNING and containing 104.629 acres by survey.

All bearings are referenced to grid north of the Kentucky State Plane Coordinate System – South Zone (NAD83).

The above legal description was created per the physical survey by David L. King II, AGE Engineering Services, Inc., Ky. R.L.S. #3916, dated June 18, 2014.

BEING the same property conveyed to Kentucky Utilities Company by Deed dated July 15, 2014, of record in Deed Book 569, Page 849 in the Office of the Clerk of Muhlenberg County, Kentucky.

EXHIBIT D

KENTUCKY UTILITIES COMPANY

Generating Facilities

Schedule of additional generating stations located in the Commonwealth of Kentucky

1. An undivided 78% interest in Unit 7 of the Cane Run Generating Station, located in Jefferson County, Kentucky, the remaining undivided 22% interest in Unit 7 being owned by Louisville Gas and Electric Company.

2. An undivided 62% interest in each of Unit 6 and Unit 7 of E.W. Brown Generating Station, locating in Mercer County, Kentucky, the remaining 38% undivided interest in such Units being owned by Louisville Gas and Electric Company.

EXHIBIT E

KENTUCKY UTILITIES COMPANY

Corrections to Original Indenture

---

1. Clause (d) of the exceptions to the granting clauses under “EXCEPTED PROPERTY” in the Original Indenture is hereby corrected by inserting “(b),” immediately following the words “referred to in clause”.
2. Clause (p) in the third paragraph of Section 301 of the Original Indenture is hereby corrected by deleting the word “Eight” in each instance and replacing such word with the word “Nine” in each instance.
3. Clause (e) in the first paragraph of Section 806 of the Original Indenture is hereby corrected by deleting the word “Eight” and replacing such word with the word “Nine”.
4. The fourth paragraph of Section 1107 of the Original Indenture is hereby corrected by deleting the word “Eight” and replacing such word with the word “Nine”.

Exhibit 4(c)

LOUISVILLE GAS AND ELECTRIC COMPANY

OFFICER'S CERTIFICATE

(under Sections 201 and 301 of the Indenture, dated as of October 1, 2010)

Establishing the Form and Certain Terms of the First Mortgage Bonds, 3.300% Series due 2025

The undersigned Daniel K. Arbough, the Treasurer of LOUISVILLE GAS AND ELECTRIC COMPANY (the "Company"), in accordance with Sections 201 and 301 of the Indenture, dated as of October 1, 2010 (the "Original Indenture"), as amended and supplemented by various instruments including Supplemental Indenture No. 4, dated as of September 1, 2015 (as so amended and supplemented, the "Indenture"), of the Company to The Bank of New York Mellon, trustee (the "Trustee"), does hereby establish, for the Securities of Series No. 5, established in Supplemental Indenture No. 4, the terms and characteristics set forth in this Officer's Certificate (capitalized terms used herein and not defined herein having the meanings specified in the Original Indenture).

PART I

Set forth below in this Part I are the terms and characteristics of the aforesaid series of Securities referred to in clauses (a) through (u) in the third paragraph of Section 301 of the Indenture (the lettered clauses set forth herein corresponding to such clauses in said Section 301):

(a) the title of the Securities of such series shall be "First Mortgage Bonds, 3.300% Series due 2025" (the "Bonds"), and the date of the Bonds shall be September 28, 2015;

(b) the aggregate principal amount of Bonds which may be authenticated and delivered under the Indenture shall be limited as and to the extent set forth in Supplemental Indenture No. 4 and any subsequent supplemental indenture relating thereto;

(c) interest on the Bonds shall be payable to the Person or Persons in whose names the Bonds are registered at the close of business on the Regular Record Date for such interest, except as otherwise expressly provided in the form of Bond attached hereto and hereby authorized and approved;

(d) the principal of the Bonds shall be due and payable on October 1, 2025; and the Company shall not have the right to extend the Maturity of the Bonds as contemplated in Section 301(d) of the Indenture;

(e) the Bonds shall bear interest at a fixed rate of 3.300% per annum; interest on the Bonds shall accrue from the date or dates specified in the form of Bond attached hereto as Exhibit A; the Interest Payment Dates for the Bonds shall be April 1 and October 1 of each year, commencing April 1, 2016; the Regular Record Date for the interest payable on any Interest Payment Date with respect to the Bonds shall be the March 15 or September 15 (whether or not a Business Day) immediately preceding such Interest Payment Date; and the Company shall not have any right to extend any interest payment periods for the Bonds as contemplated in Sections 301(e) and 312 of the Indenture;

(f) the Corporate Trust Office of the Trustee in New York, New York shall be the office or agency of the Company at which the principal of and any premium and interest on the

Bonds at Maturity shall be payable, at which registration of transfers and exchanges of the Bonds may be effected and at which notices and demands to or upon the Company in respect of the Bonds and the Indenture may be served; and the Trustee will initially be the Security Registrar and the Paying Agent for the Bonds; provided, however, that the Company reserves the right to change, by one or more Officer's Certificates, any such office or agency and such agent;

(g) the Bonds shall be redeemable, in whole or in part, at the option of the Company as and to the extent provided, and at the price or prices set forth, in Exhibit A hereto;

(h) inapplicable;

(i) the Bonds shall be issuable in denominations of $2,000 and integral multiples of $1,000 in excess thereof;

(j) inapplicable;

(k) inapplicable;

(l) inapplicable;

(m) inapplicable;

(n) inapplicable;

(o) inapplicable;

(p) the only obligations or instruments which shall be considered Eligible Obligations in respect of the Bonds shall be Government Obligations; and the provisions of Section 901 of the Original Indenture and Section 201 of Supplemental Indenture No. 4 shall apply to the Bonds;

(q) reference is made to Part II of this Officer's Certificate;

(r) reference is made to clause (q) above; no service charge shall be made for the registration of transfer or exchange of the Bonds; provided, however, that the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the exchange or transfer;

(s) inapplicable;

(t) inapplicable; and

(u) except as otherwise determined by the proper officers of the Company and established in one or more Officer's Certificates supplemental to this Officer's Certificate, the Bonds shall be substantially in the form of the form of Bond attached hereto as Exhibit A, which form is hereby authorized and approved, and shall have such further terms as are set forth in such form.

PART II

Section 1. Definitions.

For all purposes of this Officer's Certificate, the terms listed below shall have the meanings indicated, unless otherwise expressly provided or unless the context otherwise requires:

"*Certificated Bond*" means a certificated Bond registered in the name of the registered holder thereof, substantially in the form of Exhibit A hereto except that such Bond shall not bear the Global Bond Legend.

"*Custodian*" means the Trustee, in its capacity as custodian for the Depositary with respect to the Bonds in global form, or any successor entity thereto.

"*Depositary*" means the person designated or acting as a securities depositary for the Bonds.

"*DTC*" means The Depository Trust Company.

"*Global Bond*" means a Bond substantially in the form of Exhibit A hereto and bearing the Global Bond Legend.

"*Global Bond Legend*" means the legend as to the global nature of a Bond as set forth in Exhibit B hereto, which is required to be placed on all Global Bonds.

Section 2. Global Bonds.

(a) *General*. The Bonds are initially to be issued and delivered in global, fully registered form, registered in the name of Cede & Co., as nominee for DTC, which is hereby designated as the Depositary. Such Global Bonds shall not be transferable, nor shall any purported transfer be registered, except as follows:

(i) Global Bonds may be transferred in whole, and appropriate registration of transfer effected, by the Depositary to a nominee thereof, or by any nominee of the Depositary to any other nominee thereof, or by the Depositary or any nominee thereof to any Depositary or any nominee thereof; and

(ii) Global Bonds may be transferred in whole, with appropriate registration of transfer effected and Certificated Bonds issued and delivered, to the beneficial holders of the Global Bonds if:

(A) The Depositary shall have notified the Company and the Trustee that (A) it is unwilling or unable to continue to act as securities depositary with respect to such bonds or (B) it is no longer a clearing agency registered under the Securities Exchange Act of 1934, as amended, and, in either case, the Trustee shall not have been notified by the Company within one hundred twenty (120) days of the receipt of such notice from the Depositary of the identity of a successor Depositary; or

(B) the Company shall have delivered to the Trustee a written order to the effect that, on and after a date specified therein, the Bonds are no longer to be held in global form by a Depositary (subject to the procedures of the Depositary).

In the event of a transfer of Global Bonds as contemplated in clause (ii) above, the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of Certificated Bonds and upon surrender of such Global Bonds, will authenticate and deliver, Certificated Bonds in an aggregate principal amount equal to the principal amount of such Global Bonds, such Certificated Bonds to be registered in the names provided by the Depositary.

(b) *Principal Amount of Global Bonds*. Each Global Bond shall represent such of the outstanding Bonds as shall be specified therein, and the aggregate principal amount of outstanding Bonds represented thereby may from time to time be reduced to reflect redemptions thereof. Any notation on a Global Bond to reflect the amount of any decrease in the aggregate principal amount of outstanding Bonds represented thereby resulting from such redemption shall be made by the Trustee or the Custodian, at the direction of the Trustee, in accordance with instructions given by or on behalf of the registered holder thereof and with the applicable procedures of the Depositary.

(c) *Disclaimers*. Neither the Company nor the Trustee shall have any responsibility or obligation to any beneficial owner of a Global Bond, any participant in the Depositary or any other Person with respect to the accuracy of, or for maintaining, supervising or reviewing, the records of the Depositary or its nominee or of any participant therein or member thereof, with respect to any ownership interest in the Global Bonds or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depositary) of any notice (including any notice of redemption) or the payment of any amount, on or with respect to such Global Bonds. All notices and communications required to be given to the Holders and all payments on Global Bonds required to be made to Holders shall be given or made only to or upon the order of the registered Holders (which shall be the Depositary or its nominee in the case of a Global Bond). The rights of beneficial owners in any Global Bond shall be exercised only through the Depositary subject to the applicable rules and procedures of the Depositary. The Company and the Trustee may rely conclusively and shall be fully protected in relying upon information furnished by the Depositary with respect to its members, participants and any beneficial owners. The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under the Indenture or under applicable law with respect to any transfer of any interest in any Global Bond (including any transfers between or among Depositary participants, members or beneficial owners in any Global Bond) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of the Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

IN WITNESS WHEREOF, I have executed this Officer's Certificate this 28th day of September, 2015.

/s/ Daniel K. Arbough
Name: Daniel K. Arbough
Title: Treasurer

/s/ Dorothy E. O'Brien
Name: Dorothy E. O'Brien
Title: VP & Dep. General Counsel
Legal & Environmental Affairs

[*Signature Page to Officer's Certificate Under Sections 201 and 301 of the Indenture – 2025 Bonds*]

EXHIBIT A

[FORM OF BOND]

No. _________ **CUSIP No. _________**
Principal Amount of $______

LOUISVILLE GAS AND ELECTRIC COMPANY

FIRST MORTGAGE BOND, 3.300% SERIES DUE 2025

LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (herein referred to as the "Company", which term includes any Successor Corporation under the Indenture referred to below), for value received, hereby promises to pay to or to its registered assigns, the principal sum of MILLION ($____) Dollars on October 1, 2025 (the "Stated Maturity Date"), and to pay interest on said principal sum semi-annually in arrears on April 1 and October 1 of each year (each, an "Interest Payment Date"), at the rate of 3.300% per annum until the principal hereof is paid or made available for payment. The first Interest Payment Date for the Securities of this series shall be April 1, 2016, and interest on the Securities of this series will accrue from and including September 28, 2015, to and excluding the first Interest Payment Date, and thereafter will accrue from and including the last Interest Payment Date to which interest on the Securities of this series has been paid or duly provided for. No interest will accrue on the Securities of this series with respect to the day on which the Securities are paid.

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Date of Authentication:

, as Trustee

By: ____
Authorized Signatory

In the event that any Interest Payment Date is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of such delay) with the same force and effect as if made on the Interest Payment Date. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the March 15 or September 15, whether or not a Business Day (each such date, a "Regular Record Date"), immediately preceding such Interest Payment Date, except that interest payable at Maturity will be payable to the Person to whom principal shall be paid. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture referred to herein. Interest on this Security will be computed on the basis of a 360-day year of twelve 30-day months.

Payment of the principal of and premium, if any, and interest at Maturity on this Security shall be made upon presentation of this Security at the corporate trust office of The Bank of New York Mellon in New York, New York, or at such other office or agency as may be designated for such purpose by the Company from time to time, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, and payment of interest, if any, on this Security (other than interest payable at Maturity) shall be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register, provided that if such Person is a securities depositary, such payment may be made by such other means in lieu of check as shall be agreed upon by the Company, the Trustee and such Person.

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and issuable in one or more series under an Indenture, dated as of October 1, 2010 (herein called the "Original Indenture" and, together with any amendments or supplements thereto and the Officer's Certificate establishing the terms of the Securities of this series, the "Indenture," which term shall have the meaning assigned to it in the Original Indenture), between the Company and The Bank of New York Mellon, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture, including Supplemental Indenture No. 4 thereto, for a statement of the property mortgaged, pledged and held in trust, the nature and extent of the security, the conditions upon which the lien of the Indenture may be released and the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. The acceptance of this Security by the Holder hereof shall be deemed to constitute the consent and agreement by such Holder to all of the terms and provisions of the Indenture. This Security is one of the series designated on the face hereof.

Prior to the Par Call Date (defined below), this Security is subject to redemption at the option of the Company, in whole at any time or in part from time to time, at a redemption price equal to the greater of:

(a) 100% of the principal amount of this Security to be so redeemed; and

(b) as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest on the principal amount of this Security to be so redeemed that would be due if the Stated Maturity Date of this Security were the Par Call Date (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 20 basis points, plus, in either of the above cases, accrued and unpaid interest to the date of redemption.

Promptly after the calculation thereof, the Company shall give the Trustee written notice of the redemption price for the foregoing redemption. The Trustee shall have no responsibility for any such calculation.

On or after the Par Call Date, this Security is subject to redemption at the option of the Company, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of this Security to be so redeemed, plus accrued and unpaid interest to the date of redemption.

As used herein:

"*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 this Security (assuming for this purpose that the Stated Maturity Date for this Security were the Par Call 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 this Security.

"*Comparable Treasury Price*" means, with respect to any redemption date:

a) the average of five Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or

b) if the Quotation Agent obtains fewer than five Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations so received.

"*Par Call Date*" means July 1, 2025.

"*Quotation Agent*" means one of the Reference Treasury Dealers appointed by the Company.

"*Reference Treasury Dealer*" means:

a) each of BNP Paribas Securities Corp., Goldman, Sachs & Co., J.P. Morgan Securities LLC and Mizuho Securities USA Inc. (or their

respective affiliates that are Primary Treasury Dealers, as defined below), or their respective successors, unless any of them is not or ceases to be a primary U.S. Government securities dealer in the United States (a "Primary Treasury Dealer"), in which case the Company shall substitute another Primary Treasury Dealer; and

b) any other Primary Treasury Dealer selected by the Company (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 such redemption date.

Notice of redemption shall be given by mail to Holders of Securities, not less than 30 days nor more than 60 days prior to the date fixed for redemption, all as provided in the Indenture. As provided in the Indenture, notice of redemption at the election of the Company as aforesaid may state that such redemption shall be conditional upon the receipt by the applicable Paying Agent or Agents of money sufficient to pay the principal of and premium, if any, and interest, on this Security on or prior to the date fixed for such redemption; a notice of redemption so conditioned shall be of no force or effect if such money is not so received and, in such event, the Company shall not be required to redeem this Security.

In the event of redemption of this Security in part only, a new Security or Securities of this series of like tenor representing the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default with respect to the Securities of this series shall occur and be continuing, the principal of this Security may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security upon compliance with certain conditions set forth in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of all series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of all series affected at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless (a) such Holder shall have previously given the Trustee written notice of a continuing Event of Default; (b) the Holders of 25% in aggregate principal

amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity; (c) the Trustee shall not have received from the Holders of a majority in aggregate principal amount of the Outstanding Securities a direction inconsistent with such request; and (d) shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

The Securities of this series are issuable only in registered form without coupons, and in denominations of $2,000 and integral multiples of $1,000 in excess thereof.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company for such purpose, duly endorsed by, or accompanied by a written instrument or transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and Tranche, of authorized denominations and of like tenor and aggregate principal amount, shall be issued to the designated transferee or transferees.

As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series and Tranche are exchangeable for a like aggregate principal amount of Securities of the same series and Tranche of any authorized denominations, as requested by the Holder surrendering the same, and of like tenor upon surrender of the Security or Securities to be exchanged at the office or agency of the Company for such purpose.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute and the Security Registrar shall not be required to register the transfer of or exchange of (a) Securities of this series during a period of 15 days immediately preceding the date notice is given identifying the serial numbers of the Securities of this series called for redemption or (b) any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the absolute owner hereof for all purposes (subject to Sections 305 and 307 of the Indenture), whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and this Security shall be governed by and construed in accordance with the laws of the State of New York (including, without limitation, Section 5-1401 of the New York General Obligations Law or any successor to such statute), except to the extent that the Trust Indenture Act shall be applicable and except to the extent that the law of the any other jurisdiction shall mandatorily govern.

As used herein, "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 this Security is located, are generally authorized or required by law, regulation or executive order to remain closed. All other terms used in this Security that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

As provided in the Indenture, no recourse shall be had for the payment of the principal of or premium, if any, or interest on any Securities, or any part thereof, or for any claim based thereon or otherwise in respect thereof, or of the indebtedness represented thereby, or upon any obligation, covenant or agreement under the Indenture, against, and no personal liability whatsoever shall attach to, or be incurred by, any incorporator, stockholder, member, officer or director, as such, past, present or future of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Securities are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of the Securities.

Unless the certificate of authentication hereon has been executed by the Trustee referred to herein by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Date of Security:

LOUISVILLE GAS AND ELECTRIC COMPANY

By: ____________________
Name:
Title:

____
Name:
Title:

ASSIGNMENT FORM

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

---

[please insert social security or other identifying number of assignee]

[please print or typewrite name and address of assignee]

---

the within Security of LOUISVILLE GAS AND ELECTRIC COMPANY and does hereby irrevocably constitute and appoint _______________, Attorney, to transfer said Security on the books of the within-mentioned Company, with full power of substitution in the premises.

Dated: __________

[signature of assignee]

Notice: The signature to this assignment must correspond with the name as written upon the face of the Security in every particular without alteration or enlargement or any change whatsoever.

SIGNATURE GUARANTEE

(Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

EXHIBIT B

GLOBAL BOND LEGEND

“THIS IS A GLOBAL BOND HELD BY OR ON BEHALF OF THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS BOND) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO THE INDENTURE, (II) THIS GLOBAL BOND MAY BE TRANSFERRED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2(a) OF PART II OF THE OFFICER’S CERTIFICATE ESTABLISHING THIS SERIES OF BONDS UNDER THE INDENTURE AND (III) THIS GLOBAL BOND MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 309 OF THE INDENTURE.”

In addition, if the Depositary shall be DTC, each Global Bond shall bear the following legend:

“UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO A PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.”

Exhibit 4(d)

LOUISVILLE GAS AND ELECTRIC COMPANY

OFFICER'S CERTIFICATE

(under Sections 201 and 301 of the Indenture, dated as of October 1, 2010)

Establishing the Form and Certain Terms of the First Mortgage Bonds, 4.375% Series due 2045

The undersigned Daniel K. Arbough, the Treasurer of LOUISVILLE GAS AND ELECTRIC COMPANY (the "Company"), in accordance with Sections 201 and 301 of the Indenture, dated as of October 1, 2010 (the "Original Indenture"), as amended and supplemented by various instruments including Supplemental Indenture No. 4, dated as of September 1, 2015 (as so amended and supplemented, the "Indenture"), of the Company to The Bank of New York Mellon, trustee (the "Trustee"), does hereby establish, for the Securities of Series No. 6, established in Supplemental Indenture No. 4, the terms and characteristics set forth in this Officer's Certificate (capitalized terms used herein and not defined herein having the meanings specified in the Original Indenture).

PART I

Set forth below in this Part I are the terms and characteristics of the aforesaid series of Securities referred to in clauses (a) through (u) in the third paragraph of Section 301 of the Indenture (the lettered clauses set forth herein corresponding to such clauses in said Section 301):

(a) the title of the Securities of such series shall be "First Mortgage Bonds, 4.375% Series due 2045" (the "Bonds"), and the date of the Bonds shall be September 28, 2015;

(b) the aggregate principal amount of Bonds which may be authenticated and delivered under the Indenture shall be limited as and to the extent set forth in Supplemental Indenture No. 4 and any subsequent supplemental indenture relating thereto;

(c) interest on the Bonds shall be payable to the Person or Persons in whose names the Bonds are registered at the close of business on the Regular Record Date for such interest, except as otherwise expressly provided in the form of Bond attached hereto and hereby authorized and approved;

(d) the principal of the Bonds shall be due and payable on October 1, 2045; and the Company shall not have the right to extend the Maturity of the Bonds as contemplated in Section 301(d) of the Indenture;

(e) the Bonds shall bear interest at a fixed rate of 4.375% per annum; interest on the Bonds shall accrue from the date or dates specified in the form of Bond attached hereto as Exhibit A; the Interest Payment Dates for the Bonds shall be April 1 and October 1 of each year, commencing April 1, 2016; the Regular Record Date for the interest payable on any Interest Payment Date with respect to the Bonds shall be the March 15 or September 15 (whether or not a Business Day) immediately preceding such Interest Payment Date; and the Company shall not have any right to extend any interest payment periods for the Bonds as contemplated in Sections 301(e) and 312 of the Indenture;

(f) the Corporate Trust Office of the Trustee in New York, New York shall be the office or agency of the Company at which the principal of and any premium and interest on the

Bonds at Maturity shall be payable, at which registration of transfers and exchanges of the Bonds may be effected and at which notices and demands to or upon the Company in respect of the Bonds and the Indenture may be served; and the Trustee will initially be the Security Registrar and the Paying Agent for the Bonds; provided, however, that the Company reserves the right to change, by one or more Officer's Certificates, any such office or agency and such agent;

(g) the Bonds shall be redeemable, in whole or in part, at the option of the Company as and to the extent provided, and at the price or prices set forth, in Exhibit A hereto;

(h) inapplicable;

(i) the Bonds shall be issuable in denominations of $2,000 and integral multiples of $1,000 in excess thereof;

(j) inapplicable;

(k) inapplicable;

(l) inapplicable;

(m) inapplicable;

(n) inapplicable;

(o) inapplicable;

(p) the only obligations or instruments which shall be considered Eligible Obligations in respect of the Bonds shall be Government Obligations; and the provisions of Section 901 of the Original Indenture and Section 201 of Supplemental Indenture No. 4 shall apply to the Bonds;

(q) reference is made to Part II of this Officer's Certificate;

(r) reference is made to clause (q) above; no service charge shall be made for the registration of transfer or exchange of the Bonds; provided, however, that the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the exchange or transfer;

(s) inapplicable;

(t) inapplicable; and

(u) except as otherwise determined by the proper officers of the Company and established in one or more Officer's Certificates supplemental to this Officer's Certificate, the Bonds shall be substantially in the form of the form of Bond attached hereto as Exhibit A, which form is hereby authorized and approved, and shall have such further terms as are set forth in such form.

PART II

Section 1. Definitions.

For all purposes of this Officer's Certificate, the terms listed below shall have the meanings indicated, unless otherwise expressly provided or unless the context otherwise requires:

"*Certificated Bond*" means a certificated Bond registered in the name of the registered holder thereof, substantially in the form of Exhibit A hereto except that such Bond shall not bear the Global Bond Legend.

"*Custodian*" means the Trustee, in its capacity as custodian for the Depositary with respect to the Bonds in global form, or any successor entity thereto.

"*Depositary*" means the person designated or acting as a securities depositary for the Bonds.

"*DTC*" means The Depository Trust Company.

"*Global Bond*" means a Bond substantially in the form of Exhibit A hereto and bearing the Global Bond Legend.

"*Global Bond Legend*" means the legend as to the global nature of a Bond as set forth in Exhibit B hereto, which is required to be placed on all Global Bonds.

Section 2. Global Bonds.

(a) *General*. The Bonds are initially to be issued and delivered in global, fully registered form, registered in the name of Cede & Co., as nominee for DTC, which is hereby designated as the Depositary. Such Global Bonds shall not be transferable, nor shall any purported transfer be registered, except as follows:

(i) Global Bonds may be transferred in whole, and appropriate registration of transfer effected, by the Depositary to a nominee thereof, or by any nominee of the Depositary to any other nominee thereof, or by the Depositary or any nominee thereof to any Depositary or any nominee thereof; and

(ii) Global Bonds may be transferred in whole, with appropriate registration of transfer effected and Certificated Bonds issued and delivered, to the beneficial holders of the Global Bonds if:

(A) The Depositary shall have notified the Company and the Trustee that (A) it is unwilling or unable to continue to act as securities depositary with respect to such bonds or (B) it is no longer a clearing agency registered under the Securities Exchange Act of 1934, as amended, and, in either case, the Trustee shall not have been notified by the Company within one hundred twenty (120) days of the receipt of such notice from the Depositary of the identity of a successor Depositary; or

(B) the Company shall have delivered to the Trustee a written order to the effect that, on and after a date specified therein, the Bonds are no longer to be held in global form by a Depositary (subject to the procedures of the Depositary).

In the event of a transfer of Global Bonds as contemplated in clause (ii) above, the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of Certificated Bonds and upon surrender of such Global Bonds, will authenticate and deliver, Certificated Bonds in an aggregate principal amount equal to the principal amount of such Global Bonds, such Certificated Bonds to be registered in the names provided by the Depositary.

(b) *Principal Amount of Global Bonds*. Each Global Bond shall represent such of the outstanding Bonds as shall be specified therein, and the aggregate principal amount of outstanding Bonds represented thereby may from time to time be reduced to reflect redemptions thereof. Any notation on a Global Bond to reflect the amount of any decrease in the aggregate principal amount of outstanding Bonds represented thereby resulting from such redemption shall be made by the Trustee or the Custodian, at the direction of the Trustee, in accordance with instructions given by or on behalf of the registered holder thereof and with the applicable procedures of the Depositary.

(c) *Disclaimers*. Neither the Company nor the Trustee shall have any responsibility or obligation to any beneficial owner of a Global Bond, any participant in the Depositary or any other Person with respect to the accuracy of, or for maintaining, supervising or reviewing, the records of the Depositary or its nominee or of any participant therein or member thereof, with respect to any ownership interest in the Global Bonds or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depositary) of any notice (including any notice of redemption) or the payment of any amount, on or with respect to such Global Bonds. All notices and communications required to be given to the Holders and all payments on Global Bonds required to be made to Holders shall be given or made only to or upon the order of the registered Holders (which shall be the Depositary or its nominee in the case of a Global Bond). The rights of beneficial owners in any Global Bond shall be exercised only through the Depositary subject to the applicable rules and procedures of the Depositary. The Company and the Trustee may rely conclusively and shall be fully protected in relying upon information furnished by the Depositary with respect to its members, participants and any beneficial owners. The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under the Indenture or under applicable law with respect to any transfer of any interest in any Global Bond (including any transfers between or among Depositary participants, members or beneficial owners in any Global Bond) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of the Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

IN WITNESS WHEREOF, I have executed this Officer's Certificate this 28th day of September, 2015.

/s/ Daniel K. Arbough
Name: Daniel K. Arbough
Title: Treasurer

/s/ Dorothy E. O'Brien
Name: Dorothy E. O'Brien
Title: VP & Dep. General Counsel
Legal & Environmental Affairs

[*Signature Page to Officer's Certificate under Sections 201 and 301 of the Indenture – 2045 Bonds*]

EXHIBIT A

[FORM OF BOND]

No. _________ **CUSIP No. _________**
Principal Amount of $_____

LOUISVILLE GAS AND ELECTRIC COMPANY

FIRST MORTGAGE BOND, 4.375% SERIES DUE 2045

LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (herein referred to as the "Company", which term includes any Successor Corporation under the Indenture referred to below), for value received, hereby promises to pay to or to its registered assigns, the principal sum of MILLION ($____) Dollars on October 1, 2045 (the "Stated Maturity Date"), and to pay interest on said principal sum semi-annually in arrears on April 1 and October 1 of each year (each, an "Interest Payment Date"), at the rate of 4.375% per annum until the principal hereof is paid or made available for payment. The first Interest Payment Date for the Securities of this series shall be April 1, 2016, and interest on the Securities of this series will accrue from and including September 28, 2015, to and excluding the first Interest Payment Date, and thereafter will accrue from and including the last Interest Payment Date to which interest on the Securities of this series has been paid or duly provided for. No interest will accrue on the Securities of this series with respect to the day on which the Securities are paid.

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Date of Authentication:

, as Trustee

By: ______________________________
Authorized Signatory

In the event that any Interest Payment Date is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of such delay) with the same force and effect as if made on the Interest Payment Date. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the March 15 or September 15, whether or not a Business Day (each such date, a "Regular Record Date"), immediately preceding such Interest Payment Date, except that interest payable at Maturity will be payable to the Person to whom principal shall be paid. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture referred to herein. Interest on this Security will be computed on the basis of a 360-day year of twelve 30-day months.

Payment of the principal of and premium, if any, and interest at Maturity on this Security shall be made upon presentation of this Security at the corporate trust office of The Bank of New York Mellon in New York, New York, or at such other office or agency as may be designated for such purpose by the Company from time to time, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, and payment of interest, if any, on this Security (other than interest payable at Maturity) shall be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register, provided that if such Person is a securities depositary, such payment may be made by such other means in lieu of check as shall be agreed upon by the Company, the Trustee and such Person.

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and issuable in one or more series under an Indenture, dated as of October 1, 2010 (herein called the "Original Indenture" and, together with any amendments or supplements thereto and the Officer's Certificate establishing the terms of the Securities of this series, the "Indenture," which term shall have the meaning assigned to it in the Original Indenture), between the Company and The Bank of New York Mellon, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture, including Supplemental Indenture No. 4 thereto, for a statement of the property mortgaged, pledged and held in trust, the nature and extent of the security, the conditions upon which the lien of the Indenture may be released and the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. The acceptance of this Security by the Holder hereof shall be deemed to constitute the consent and agreement by such Holder to all of the terms and provisions of the Indenture. This Security is one of the series designated on the face hereof.

Prior to the Par Call Date (defined below), this Security is subject to redemption at the option of the Company, in whole at any time or in part from time to time, at a redemption price equal to the greater of:

(a) 100% of the principal amount of this Security to be so redeemed; and

(b) as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest on the principal amount of this Security to be so redeemed that would be due if the Stated Maturity Date of this Security were the Par Call Date (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 25 basis points, plus, in either of the above cases, accrued and unpaid interest to the date of redemption.

Promptly after the calculation thereof, the Company shall give the Trustee written notice of the redemption price for the foregoing redemption. The Trustee shall have no responsibility for any such calculation.

On or after the Par Call Date, this Security is subject to redemption at the option of the Company, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of this Security to be so redeemed, plus accrued and unpaid interest to the date of redemption.

As used herein:

"*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 of this Security (assuming for this purpose that the Stated Maturity Date for this Security were the Par Call 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 this Security.

"*Comparable Treasury Price*" means, with respect to any redemption date:

a) the average of five Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or

b) if the Quotation Agent obtains fewer than five Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations so received.

"*Par Call Date*" means April 1, 2045.

"*Quotation Agent*" means one of the Reference Treasury Dealers appointed by the Company.

"*Reference Treasury Dealer*" means:

a) each of BNP Paribas Securities Corp., Goldman, Sachs & Co., J.P. Morgan Securities LLC and Mizuho Securities USA Inc. (or their

respective affiliates that are Primary Treasury Dealers, as defined below), or their respective successors, unless any of them is not or ceases to be a primary U.S. Government securities dealer in the United States (a "Primary Treasury Dealer"), in which case the Company shall substitute another Primary Treasury Dealer; and

b) any other Primary Treasury Dealer selected by the Company (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 such redemption date.

Notice of redemption shall be given by mail to Holders of Securities, not less than 30 days nor more than 60 days prior to the date fixed for redemption, all as provided in the Indenture. As provided in the Indenture, notice of redemption at the election of the Company as aforesaid may state that such redemption shall be conditional upon the receipt by the applicable Paying Agent or Agents of money sufficient to pay the principal of and premium, if any, and interest, on this Security on or prior to the date fixed for such redemption; a notice of redemption so conditioned shall be of no force or effect if such money is not so received and, in such event, the Company shall not be required to redeem this Security.

In the event of redemption of this Security in part only, a new Security or Securities of this series of like tenor representing the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default with respect to the Securities of this series shall occur and be continuing, the principal of this Security may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security upon compliance with certain conditions set forth in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of all series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of all series affected at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless (a) such Holder shall have previously given the Trustee written notice of a continuing Event of Default; (b) the Holders of 25% in aggregate principal

amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity; (c) the Trustee shall not have received from the Holders of a majority in aggregate principal amount of the Outstanding Securities a direction inconsistent with such request; and (d) shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

The Securities of this series are issuable only in registered form without coupons, and in denominations of $2,000 and integral multiples of $1,000 in excess thereof.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company for such purpose, duly endorsed by, or accompanied by a written instrument or transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and Tranche, of authorized denominations and of like tenor and aggregate principal amount, shall be issued to the designated transferee or transferees.

As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series and Tranche are exchangeable for a like aggregate principal amount of Securities of the same series and Tranche of any authorized denominations, as requested by the Holder surrendering the same, and of like tenor upon surrender of the Security or Securities to be exchanged at the office or agency of the Company for such purpose.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute and the Security Registrar shall not be required to register the transfer of or exchange of (a) Securities of this series during a period of 15 days immediately preceding the date notice is given identifying the serial numbers of the Securities of this series called for redemption or (b) any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the absolute owner hereof for all purposes (subject to Sections 305 and 307 of the Indenture), whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and this Security shall be governed by and construed in accordance with the laws of the State of New York (including, without limitation, Section 5-1401 of the New York General Obligations Law or any successor to such statute), except to the extent that the Trust Indenture Act shall be applicable and except to the extent that the law of the any other jurisdiction shall mandatorily govern.

As used herein, "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 this Security is located, are generally authorized or required by law, regulation or executive order to remain closed. All other terms used in this Security that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

As provided in the Indenture, no recourse shall be had for the payment of the principal of or premium, if any, or interest on any Securities, or any part thereof, or for any claim based thereon or otherwise in respect thereof, or of the indebtedness represented thereby, or upon any obligation, covenant or agreement under the Indenture, against, and no personal liability whatsoever shall attach to, or be incurred by, any incorporator, stockholder, member, officer or director, as such, past, present or future of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Securities are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of the Securities.

Unless the certificate of authentication hereon has been executed by the Trustee referred to herein by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Date of Security:

LOUISVILLE GAS AND ELECTRIC COMPANY

By: ____________________
Name:
Title:

____
Name:
Title:

ASSIGNMENT FORM

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

---

[please insert social security or other identifying number of assignee]

[please print or typewrite name and address of assignee]

---

the within Security of LOUISVILLE GAS AND ELECTRIC COMPANY and does hereby irrevocably constitute and appoint ______________, Attorney, to transfer said Security on the books of the within-mentioned Company, with full power of substitution in the premises.

Dated: _________

[signature of assignee]

Notice: The signature to this assignment must correspond with the name as written upon the face of the Security in every particular without alteration or enlargement or any change whatsoever.

SIGNATURE GUARANTEE

(Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

EXHIBIT B

GLOBAL BOND LEGEND

"THIS IS A GLOBAL BOND HELD BY OR ON BEHALF OF THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS BOND) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO THE INDENTURE, (II) THIS GLOBAL BOND MAY BE TRANSFERRED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2(a) OF PART II OF THE OFFICER'S CERTIFICATE ESTABLISHING THIS SERIES OF BONDS UNDER THE INDENTURE AND (III) THIS GLOBAL BOND MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 309 OF THE INDENTURE."

In addition, if the Depositary shall be DTC, each Global Bond shall bear the following legend:

"UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO A PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

Exhibit 4(e)

KENTUCKY UTILITIES COMPANY

OFFICER'S CERTIFICATE

(under Sections 201 and 301 of the Indenture, dated as of October 1, 2010)

Establishing the Form and Certain Terms of the
First Mortgage Bonds, 3.300% Series due 2025

The undersigned Daniel K. Arbough, the Treasurer of KENTUCKY UTILITIES COMPANY (the "Company"), in accordance with Sections 201 and 301 of the Indenture, dated as of October 1, 2010 (the "Original Indenture"), as amended and supplemented by various instruments including Supplemental Indenture No. 4, dated as of September 1, 2015 (as so amended and supplemented, the "Indenture"), of the Company to The Bank of New York Mellon, trustee (the "Trustee"), does hereby establish, for the Securities of Series No. 6, established in Supplemental Indenture No. 4, the terms and characteristics set forth in this Officer's Certificate (capitalized terms used herein and not defined herein having the meanings specified in the Original Indenture).

PART I

Set forth below in this Part I are the terms and characteristics of the aforesaid series of Securities referred to in clauses (a) through (u) in the third paragraph of Section 301 of the Indenture (the lettered clauses set forth herein corresponding to such clauses in said Section 301):

(a) the title of the Securities of such series shall be "First Mortgage Bonds, 3.300% Series due 2025" (the "Bonds"), and the date of the Bonds shall be September 28, 2015;

(b) the aggregate principal amount of Bonds which may be authenticated and delivered under the Indenture shall be limited as and to the extent set forth in Supplemental Indenture No. 4 and any subsequent supplemental indenture relating thereto;

(c) interest on the Bonds shall be payable to the Person or Persons in whose names the Bonds are registered at the close of business on the Regular Record Date for such interest, except as otherwise expressly provided in the form of Bond attached hereto and hereby authorized and approved;

(d) the principal of the Bonds shall be due and payable on October 1, 2025; and the Company shall not have the right to extend the Maturity of the Bonds as contemplated in Section 301(d) of the Indenture;

(e) the Bonds shall bear interest at a fixed rate of 3.300% per annum; interest on the Bonds shall accrue from the date or dates specified in the form of Bond attached hereto as Exhibit A; the Interest Payment Dates for the Bonds shall be April 1 and October 1 of each year, commencing April 1, 2016; the Regular Record Date for the interest payable on any Interest Payment Date with respect to the Bonds shall be the March 15 or September 15 (whether or not a Business Day) immediately preceding such Interest Payment Date; and the Company shall not have any right to extend any interest payment periods for the Bonds as contemplated in Sections 301(e) and 312 of the Indenture;

(f) the Corporate Trust Office of the Trustee in New York, New York shall be the office or agency of the Company at which the principal of and any premium and interest on the

Bonds at Maturity shall be payable, at which registration of transfers and exchanges of the Bonds may be effected and at which notices and demands to or upon the Company in respect of the Bonds and the Indenture may be served; and the Trustee will initially be the Security Registrar and the Paying Agent for the Bonds; provided, however, that the Company reserves the right to change, by one or more Officer's Certificates, any such office or agency and such agent;

(g) the Bonds shall be redeemable, in whole or in part, at the option of the Company as and to the extent provided, and at the price or prices set forth, in Exhibit A hereto;

(h) inapplicable;

(i) the Bonds shall be issuable in denominations of $2,000 and integral multiples of $1,000 in excess thereof;

(j) inapplicable;

(k) inapplicable;

(l) inapplicable;

(m) inapplicable;

(n) inapplicable;

(o) inapplicable;

(p) the only obligations or instruments which shall be considered Eligible Obligations in respect of the Bonds shall be Government Obligations; and the provisions of Section 901 of the Original Indenture and Section 201 of Supplemental Indenture No. 4 shall apply to the Bonds;

(q) reference is made to Part II of this Officer's Certificate;

(r) reference is made to clause (q) above; no service charge shall be made for the registration of transfer or exchange of the Bonds; provided, however, that the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the exchange or transfer;

(s) inapplicable;

(t) inapplicable; and

(u) except as otherwise determined by the proper officers of the Company and established in one or more Officer's Certificates supplemental to this Officer's Certificate, the Bonds shall be substantially in the form of the form of Bond attached hereto as Exhibit A, which form is hereby authorized and approved, and shall have such further terms as are set forth in such form.

PART II

Section 1. Definitions.

For all purposes of this Officer's Certificate, the terms listed below shall have the meanings indicated, unless otherwise expressly provided or unless the context otherwise requires:

"*Certificated Bond*" means a certificated Bond registered in the name of the registered holder thereof, substantially in the form of Exhibit A hereto except that such Bond shall not bear the Global Bond Legend.

"*Custodian*" means the Trustee, in its capacity as custodian for the Depositary with respect to the Bonds in global form, or any successor entity thereto.

"*Depositary*" means the person designated or acting as a securities depositary for the Bonds.

"*DTC*" means The Depository Trust Company.

"*Global Bond*" means a Bond substantially in the form of Exhibit A hereto and bearing the Global Bond Legend.

"*Global Bond Legend*" means the legend as to the global nature of a Bond as set forth in Exhibit B hereto, which is required to be placed on all Global Bonds.

Section 2. Global Bonds.

(a) *General*. The Bonds are initially to be issued and delivered in global, fully registered form, registered in the name of Cede & Co., as nominee for DTC, which is hereby designated as the Depositary. Such Global Bonds shall not be transferable, nor shall any purported transfer be registered, except as follows:

(i) Global Bonds may be transferred in whole, and appropriate registration of transfer effected, by the Depositary to a nominee thereof, or by any nominee of the Depositary to any other nominee thereof, or by the Depositary or any nominee thereof to any Depositary or any nominee thereof; and

(ii) Global Bonds may be transferred in whole, with appropriate registration of transfer effected and Certificated Bonds issued and delivered, to the beneficial holders of the Global Bonds if:

(A) The Depositary shall have notified the Company and the Trustee that (A) it is unwilling or unable to continue to act as securities depositary with respect to such bonds or (B) it is no longer a clearing agency registered under the Securities Exchange Act of 1934, as amended, and, in either case, the Trustee shall not have been notified by the Company within one hundred twenty (120) days of the receipt of such notice from the Depositary of the identity of a successor Depositary; or

(B) the Company shall have delivered to the Trustee a written order to the effect that, on and after a date specified therein, the Bonds are no longer to be held in global form by a Depositary (subject to the procedures of the Depositary).

In the event of a transfer of Global Bonds as contemplated in clause (ii) above, the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of Certificated Bonds and upon surrender of such Global Bonds, will authenticate and deliver, Certificated Bonds in an aggregate principal amount equal to the principal amount of such Global Bonds, such Certificated Bonds to be registered in the names provided by the Depositary.

(b) *Principal Amount of Global Bonds*. Each Global Bond shall represent such of the outstanding Bonds as shall be specified therein, and the aggregate principal amount of outstanding Bonds represented thereby may from time to time be reduced to reflect redemptions thereof. Any notation on a Global Bond to reflect the amount of any decrease in the aggregate principal amount of outstanding Bonds represented thereby resulting from such redemption shall be made by the Trustee or the Custodian, at the direction of the Trustee, in accordance with instructions given by or on behalf of the registered holder thereof and with the applicable procedures of the Depositary.

(c) *Disclaimers*. Neither the Company nor the Trustee shall have any responsibility or obligation to any beneficial owner of a Global Bond, any participant in the Depositary or any other Person with respect to the accuracy of, or for maintaining, supervising or reviewing, the records of the Depositary or its nominee or of any participant therein or member thereof, with respect to any ownership interest in the Global Bonds or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depositary) of any notice (including any notice of redemption) or the payment of any amount, on or with respect to such Global Bonds. All notices and communications required to be given to the Holders and all payments on Global Bonds required to be made to Holders shall be given or made only to or upon the order of the registered Holders (which shall be the Depositary or its nominee in the case of a Global Bond). The rights of beneficial owners in any Global Bond shall be exercised only through the Depositary subject to the applicable rules and procedures of the Depositary. The Company and the Trustee may rely conclusively and shall be fully protected in relying upon information furnished by the Depositary with respect to its members, participants and any beneficial owners. The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under the Indenture or under applicable law with respect to any transfer of any interest in any Global Bond (including any transfers between or among Depositary participants, members or beneficial owners in any Global Bond) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of the Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

IN WITNESS WHEREOF, I have executed this Officer's Certificate this 28th day of September, 2015.

/s/ Daniel K. Arbough
Name: Daniel K. Arbough
Title: Treasurer

/s/ Dorothy E. O'Brien
Name: Dorothy E. O'Brien
Title: VP & Dep. General Counsel
Legal & Environmental Affairs

[*Signature Page to Officer's Certificate under Sections 201 and 301 of the Indenture – 2025 Bonds*]

EXHIBIT A

[FORM OF BOND]

No. _________ **CUSIP No. _________**
Principal Amount of $______

KENTUCKY UTILITIES COMPANY

FIRST MORTGAGE BOND, 3.300% SERIES DUE 2025

KENTUCKY UTILITIES COMPANY, a corporation duly organized and existing under the laws of the Commonwealths of Kentucky and Virginia (herein referred to as the "Company", which term includes any Successor Corporation under the Indenture referred to below), for value received, hereby promises to pay to or to its registered assigns, the principal sum of MILLION ($____) Dollars on October 1, 2025 (the "Stated Maturity Date"), and to pay interest on said principal sum semi-annually in arrears on April 1 and October 1 of each year (each, an "Interest Payment Date"), at the rate of 3.300% per annum until the principal hereof is paid or made available for payment. The first Interest Payment Date for the Securities of this series shall be April 1, 2016, and interest on the Securities of this series will accrue from and including September 28, 2015, to and excluding the first Interest Payment Date, and thereafter will accrue from and including the last Interest Payment Date to which interest on the Securities of this series has been paid or duly provided for. No interest will accrue on the Securities of this series with respect to the day on which the Securities are paid.

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Date of Authentication:

, as Trustee

By: ________________________________
Authorized Signatory

In the event that any Interest Payment Date is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of such delay) with the same force and effect as if made on the Interest Payment Date. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the March 15 or September 15, whether or not a Business Day (each such date, a "Regular Record Date"), immediately preceding such Interest Payment Date, except that interest payable at Maturity will be payable to the Person to whom principal shall be paid. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture referred to herein. Interest on this Security will be computed on the basis of a 360-day year of twelve 30-day months.

Payment of the principal of and premium, if any, and interest at Maturity on this Security shall be made upon presentation of this Security at the corporate trust office of The Bank of New York Mellon in New York, New York, or at such other office or agency as may be designated for such purpose by the Company from time to time, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, and payment of interest, if any, on this Security (other than interest payable at Maturity) shall be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register, provided that if such Person is a securities depositary, such payment may be made by such other means in lieu of check as shall be agreed upon by the Company, the Trustee and such Person.

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and issuable in one or more series under an Indenture, dated as of October 1, 2010 (herein called the "Original Indenture" and, together with any amendments or supplements thereto and the Officer's Certificate establishing the terms of the Securities of this series, the "Indenture," which term shall have the meaning assigned to it in the Original Indenture), between the Company and The Bank of New York Mellon, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture, including Supplemental Indenture No. 4 thereto, for a statement of the property mortgaged, pledged and held in trust, the nature and extent of the security, the conditions upon which the lien of the Indenture may be released and the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. The acceptance of this Security by the Holder hereof shall be deemed to constitute the consent and agreement by such Holder to all of the terms and provisions of the Indenture. This Security is one of the series designated on the face hereof.

Prior to the Par Call Date (defined below), this Security is subject to redemption at the option of the Company, in whole at any time or in part from time to time, at a redemption price equal to the greater of:

(a) 100% of the principal amount of this Security to be so redeemed; and

(b) as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest on the principal amount of this Security to be so redeemed that would be due if the Stated Maturity Date for this Security were the Par Call Date (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 20 basis points, plus, in either of the above cases, accrued and unpaid interest to the date of redemption.

Promptly after the calculation thereof, the Company shall give the Trustee written notice of the redemption price for the foregoing redemption. The Trustee shall have no responsibility for any such calculation.

On or after the Par Call Date, this Security is subject to redemption at the option of the Company, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of this Security to be so redeemed, plus accrued and unpaid interest to the date of redemption.

As used herein:

"*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 this Security (assuming for this purpose that the Stated Maturity Date of this Security were the Par Call 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 this Security.

"*Comparable Treasury Price*" means, with respect to any redemption date:

a) the average of five Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or

b) if the Quotation Agent obtains fewer than five Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations so received.

"*Par Call Date*" means July 1, 2025.

"*Quotation Agent*" means one of the Reference Treasury Dealers appointed by the Company.

"*Reference Treasury Dealer*" means:

a) each of J.P. Morgan Securities LLC, Mitsubishi UFJ Securities (USA), Inc., Morgan Stanley & Co. LLC and UBS Securities LLC (or their

respective affiliates that are Primary Treasury Dealers, as defined below), or their respective successors, unless any of them is not or ceases to be a primary U.S. Government securities dealer in the United States (a "Primary Treasury Dealer"), in which case the Company shall substitute another Primary Treasury Dealer; and

b) any other Primary Treasury Dealer selected by the Company (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 such redemption date.

Notice of redemption shall be given by mail to Holders of Securities, not less than 30 days nor more than 60 days prior to the date fixed for redemption, all as provided in the Indenture. As provided in the Indenture, notice of redemption at the election of the Company as aforesaid may state that such redemption shall be conditional upon the receipt by the applicable Paying Agent or Agents of money sufficient to pay the principal of and premium, if any, and interest, on this Security on or prior to the date fixed for such redemption; a notice of redemption so conditioned shall be of no force or effect if such money is not so received and, in such event, the Company shall not be required to redeem this Security.

In the event of redemption of this Security in part only, a new Security or Securities of this series of like tenor representing the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default with respect to the Securities of this series shall occur and be continuing, the principal of this Security may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security upon compliance with certain conditions set forth in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of all series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of all series affected at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless (a) such Holder shall have previously given the Trustee written notice of a continuing Event of Default; (b) the Holders of 25% in aggregate principal

amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity; (c) the Trustee shall not have received from the Holders of a majority in aggregate principal amount of the Outstanding Securities a direction inconsistent with such request; and (d) shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

The Securities of this series are issuable only in registered form without coupons, and in denominations of $2,000 and integral multiples of $1,000 in excess thereof.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company for such purpose, duly endorsed by, or accompanied by a written instrument or transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and Tranche, of authorized denominations and of like tenor and aggregate principal amount, shall be issued to the designated transferee or transferees.

As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series and Tranche are exchangeable for a like aggregate principal amount of Securities of the same series and Tranche of any authorized denominations, as requested by the Holder surrendering the same, and of like tenor upon surrender of the Security or Securities to be exchanged at the office or agency of the Company for such purpose.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute and the Security Registrar shall not be required to register the transfer of or exchange of (a) Securities of this series during a period of 15 days immediately preceding the date notice is given identifying the serial numbers of the Securities of this series called for redemption or (b) any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the absolute owner hereof for all purposes (subject to Sections 305 and 307 of the Indenture), whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and this Security shall be governed by and construed in accordance with the laws of the State of New York (including, without limitation, Section 5-1401 of the New York General Obligations Law or any successor to such statute), except to the extent that the Trust Indenture Act shall be applicable and except to the extent that the law of the any other jurisdiction shall mandatorily govern.

As used herein, “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 this Security is located, are generally authorized or required by law, regulation or executive order to remain closed. All other terms used in this Security that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

As provided in the Indenture, no recourse shall be had for the payment of the principal of or premium, if any, or interest on any Securities, or any part thereof, or for any claim based thereon or otherwise in respect thereof, or of the indebtedness represented thereby, or upon any obligation, covenant or agreement under the Indenture, against, and no personal liability whatsoever shall attach to, or be incurred by, any incorporator, stockholder, member, officer or director, as such, past, present or future of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Securities are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of the Securities.

Unless the certificate of authentication hereon has been executed by the Trustee referred to herein by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Date of Security:

KENTUCKY UTILITIES COMPANY

By: ________________________
Name:
Title:

____
Name:
Title:

ASSIGNMENT FORM

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

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[please insert social security or other identifying number of assignee]

[please print or typewrite name and address of assignee]

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the within Security of KENTUCKY UTILITIES COMPANY and does hereby irrevocably constitute and appoint ______________, Attorney, to transfer said Security on the books of the within-mentioned Company, with full power of substitution in the premises.

Dated: _________

[signature of assignee]

Notice: The signature to this assignment must correspond with the name as written upon the face of the Security in every particular without alteration or enlargement or any change whatsoever.

SIGNATURE GUARANTEE

(Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

EXHIBIT B

GLOBAL BOND LEGEND

"THIS IS A GLOBAL BOND HELD BY OR ON BEHALF OF THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS BOND) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO THE INDENTURE, (II) THIS GLOBAL BOND MAY BE TRANSFERRED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2(a) OF PART II OF THE OFFICER'S CERTIFICATE ESTABLISHING THIS SERIES OF BONDS UNDER THE INDENTURE AND (III) THIS GLOBAL BOND MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 309 OF THE INDENTURE."

In addition, if the Depositary shall be DTC, each Global Bond shall bear the following legend:

"UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO A PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

Exhibit 4(f)

KENTUCKY UTILITIES COMPANY

OFFICER'S CERTIFICATE

(under Sections 201 and 301 of the Indenture, dated as of October 1, 2010)

Establishing the Form and Certain Terms of the
First Mortgage Bonds, 4.375% Series due 2045

The undersigned Daniel K. Arbough, the Treasurer of KENTUCKY UTILITIES COMPANY (the "Company"), in accordance with Sections 201 and 301 of the Indenture, dated as of October 1, 2010 (the "Original Indenture"), as amended and supplemented by various instruments including Supplemental Indenture No. 4, dated as of September 1, 2015 (as so amended and supplemented, the "Indenture"), of the Company to The Bank of New York Mellon, trustee (the "Trustee"), does hereby establish, for the Securities of Series No. 7, established in Supplemental Indenture No. 4, the terms and characteristics set forth in this Officer's Certificate (capitalized terms used herein and not defined herein having the meanings specified in the Original Indenture).

PART I

Set forth below in this Part I are the terms and characteristics of the aforesaid series of Securities referred to in clauses (a) through (u) in the third paragraph of Section 301 of the Indenture (the lettered clauses set forth herein corresponding to such clauses in said Section 301):

(a) the title of the Securities of such series shall be "First Mortgage Bonds, 4.375% Series due 2045" (the "Bonds"), and the date of the Bonds shall be September 28, 2015;

(b) the aggregate principal amount of Bonds which may be authenticated and delivered under the Indenture shall be limited as and to the extent set forth in Supplemental Indenture No. 4 and any subsequent supplemental indenture relating thereto;

(c) interest on the Bonds shall be payable to the Person or Persons in whose names the Bonds are registered at the close of business on the Regular Record Date for such interest, except as otherwise expressly provided in the form of Bond attached hereto and hereby authorized and approved;

(d) the principal of the Bonds shall be due and payable on October 1, 2045; and the Company shall not have the right to extend the Maturity of the Bonds as contemplated in Section 301(d) of the Indenture;

(e) the Bonds shall bear interest at a fixed rate of 4.375% per annum; interest on the Bonds shall accrue from the date or dates specified in the form of Bond attached hereto as Exhibit A; the Interest Payment Dates for the Bonds shall be April 1 and October 1 of each year, commencing April 1, 2016; the Regular Record Date for the interest payable on any Interest Payment Date with respect to the Bonds shall be the March 15 or September 15 (whether or not a Business Day) immediately preceding such Interest Payment Date; and the Company shall not have any right to extend any interest payment periods for the Bonds as contemplated in Sections 301(e) and 312 of the Indenture;

(f) the Corporate Trust Office of the Trustee in New York, New York shall be the office or agency of the Company at which the principal of and any premium and interest on the

Bonds at Maturity shall be payable, at which registration of transfers and exchanges of the Bonds may be effected and at which notices and demands to or upon the Company in respect of the Bonds and the Indenture may be served; and the Trustee will initially be the Security Registrar and the Paying Agent for the Bonds; provided, however, that the Company reserves the right to change, by one or more Officer's Certificates, any such office or agency and such agent;

(g) the Bonds shall be redeemable, in whole or in part, at the option of the Company as and to the extent provided, and at the price or prices set forth, in Exhibit A hereto;

(h) inapplicable;

(i) the Bonds shall be issuable in denominations of $2,000 and integral multiples of $1,000 in excess thereof;

(j) inapplicable;

(k) inapplicable;

(l) inapplicable;

(m) inapplicable;

(n) inapplicable;

(o) inapplicable;

(p) the only obligations or instruments which shall be considered Eligible Obligations in respect of the Bonds shall be Government Obligations; and the provisions of Section 901 of the Original Indenture and Section 201 of Supplemental Indenture No. 4 shall apply to the Bonds;

(q) reference is made to Part II of this Officer's Certificate;

(r) reference is made to clause (q) above; no service charge shall be made for the registration of transfer or exchange of the Bonds; provided, however, that the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the exchange or transfer;

(s) inapplicable;

(t) inapplicable; and

(u) except as otherwise determined by the proper officers of the Company and established in one or more Officer's Certificates supplemental to this Officer's Certificate, the Bonds shall be substantially in the form of the form of Bond attached hereto as Exhibit A, which form is hereby authorized and approved, and shall have such further terms as are set forth in such form.

PART II

Section 1. Definitions.

For all purposes of this Officer's Certificate, the terms listed below shall have the meanings indicated, unless otherwise expressly provided or unless the context otherwise requires:

"*Certificated Bond*" means a certificated Bond registered in the name of the registered holder thereof, substantially in the form of Exhibit A hereto except that such Bond shall not bear the Global Bond Legend.

"*Custodian*" means the Trustee, in its capacity as custodian for the Depositary with respect to the Bonds in global form, or any successor entity thereto.

"*Depositary*" means the person designated or acting as a securities depositary for the Bonds.

"*DTC*" means The Depository Trust Company.

"*Global Bond*" means a Bond substantially in the form of Exhibit A hereto and bearing the Global Bond Legend.

"*Global Bond Legend*" means the legend as to the global nature of a Bond as set forth in Exhibit B hereto, which is required to be placed on all Global Bonds.

Section 2. Global Bonds.

(a) *General*. The Bonds are initially to be issued and delivered in global, fully registered form, registered in the name of Cede & Co., as nominee for DTC, which is hereby designated as the Depositary. Such Global Bonds shall not be transferable, nor shall any purported transfer be registered, except as follows:

(i) Global Bonds may be transferred in whole, and appropriate registration of transfer effected, by the Depositary to a nominee thereof, or by any nominee of the Depositary to any other nominee thereof, or by the Depositary or any nominee thereof to any Depositary or any nominee thereof; and

(ii) Global Bonds may be transferred in whole, with appropriate registration of transfer effected and Certificated Bonds issued and delivered, to the beneficial holders of the Global Bonds if:

(A) The Depositary shall have notified the Company and the Trustee that (A) it is unwilling or unable to continue to act as securities depositary with respect to such bonds or (B) it is no longer a clearing agency registered under the Securities Exchange Act of 1934, as amended, and, in either case, the Trustee shall not have been notified by the Company within one hundred twenty (120) days of the receipt of such notice from the Depositary of the identity of a successor Depositary; or

(B) the Company shall have delivered to the Trustee a written order to the effect that, on and after a date specified therein, the Bonds are no longer to be held in global form by a Depositary (subject to the procedures of the Depositary).

In the event of a transfer of Global Bonds as contemplated in clause (ii) above, the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of Certificated Bonds and upon surrender of such Global Bonds, will authenticate and deliver, Certificated Bonds in an aggregate principal amount equal to the principal amount of such Global Bonds, such Certificated Bonds to be registered in the names provided by the Depositary.

(b) *Principal Amount of Global Bonds*. Each Global Bond shall represent such of the outstanding Bonds as shall be specified therein, and the aggregate principal amount of outstanding Bonds represented thereby may from time to time be reduced to reflect redemptions thereof. Any notation on a Global Bond to reflect the amount of any decrease in the aggregate principal amount of outstanding Bonds represented thereby resulting from such redemption shall be made by the Trustee or the Custodian, at the direction of the Trustee, in accordance with instructions given by or on behalf of the registered holder thereof and with the applicable procedures of the Depositary.

(c) *Disclaimers*. Neither the Company nor the Trustee shall have any responsibility or obligation to any beneficial owner of a Global Bond, any participant in the Depositary or any other Person with respect to the accuracy of, or for maintaining, supervising or reviewing, the records of the Depositary or its nominee or of any participant therein or member thereof, with respect to any ownership interest in the Global Bonds or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depositary) of any notice (including any notice of redemption) or the payment of any amount, on or with respect to such Global Bonds. All notices and communications required to be given to the Holders and all payments on Global Bonds required to be made to Holders shall be given or made only to or upon the order of the registered Holders (which shall be the Depositary or its nominee in the case of a Global Bond). The rights of beneficial owners in any Global Bond shall be exercised only through the Depositary subject to the applicable rules and procedures of the Depositary. The Company and the Trustee may rely conclusively and shall be fully protected in relying upon information furnished by the Depositary with respect to its members, participants and any beneficial owners. The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under the Indenture or under applicable law with respect to any transfer of any interest in any Global Bond (including any transfers between or among Depositary participants, members or beneficial owners in any Global Bond) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of the Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

IN WITNESS WHEREOF, I have executed this Officer's Certificate this 28th day of September, 2015.

/s/ Daniel K. Arbough
Name: Daniel K. Arbough
Title: Treasurer

/s/ Dorothy E. O'Brien
Name: Dorothy E. O'Brien
Title: VP & Dep. General Counsel
Legal & Environmental Affairs

[*Signature Page to Officer's Certificate under Sections 201 and 301 of the Indenture – 2045 Bonds*]

EXHIBIT A

[FORM OF BOND]

No. _________ **CUSIP No. _________**
Principal Amount of $______

KENTUCKY UTILITIES COMPANY

FIRST MORTGAGE BOND, 4.375% SERIES DUE 2045

KENTUCKY UTILITIES COMPANY, a corporation duly organized and existing under the laws of the Commonwealths of Kentucky and Virginia (herein referred to as the "Company", which term includes any Successor Corporation under the Indenture referred to below), for value received, hereby promises to pay to or to its registered assigns, the principal sum of MILLION ($____) Dollars on October 1, 2045 (the "Stated Maturity Date"), and to pay interest on said principal sum semi-annually in arrears on April 1 and October 1 of each year (each, an "Interest Payment Date"), at the rate of 4.375% per annum until the principal hereof is paid or made available for payment. The first Interest Payment Date for the Securities of this series shall be April 1, 2016, and interest on the Securities of this series will accrue from and including September 28, 2015, to and excluding the first Interest Payment Date, and thereafter will accrue from and including the last Interest Payment Date to which interest on the Securities of this series has been paid or duly provided for. No interest will accrue on the Securities of this series with respect to the day on which the Securities are paid.

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Date of Authentication:

, as Trustee

By: ____________________________________
Authorized Signatory

In the event that any Interest Payment Date is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of such delay) with the same force and effect as if made on the Interest Payment Date. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the March 15 or September 15, whether or not a Business Day (each such date, a "Regular Record Date"), immediately preceding such Interest Payment Date, except that interest payable at Maturity will be payable to the Person to whom principal shall be paid. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture referred to herein. Interest on this Security will be computed on the basis of a 360-day year of twelve 30-day months.

Payment of the principal of and premium, if any, and interest at Maturity on this Security shall be made upon presentation of this Security at the corporate trust office of The Bank of New York Mellon in New York, New York, or at such other office or agency as may be designated for such purpose by the Company from time to time, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, and payment of interest, if any, on this Security (other than interest payable at Maturity) shall be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register, provided that if such Person is a securities depositary, such payment may be made by such other means in lieu of check as shall be agreed upon by the Company, the Trustee and such Person.

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and issuable in one or more series under an Indenture, dated as of October 1, 2010 (herein called the "Original Indenture" and, together with any amendments or supplements thereto and the Officer's Certificate establishing the terms of the Securities of this series, the "Indenture," which term shall have the meaning assigned to it in the Original Indenture), between the Company and The Bank of New York Mellon, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture, including Supplemental Indenture No. 4 thereto, for a statement of the property mortgaged, pledged and held in trust, the nature and extent of the security, the conditions upon which the lien of the Indenture may be released and the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. The acceptance of this Security by the Holder hereof shall be deemed to constitute the consent and agreement by such Holder to all of the terms and provisions of the Indenture. This Security is one of the series designated on the face hereof.

Prior to the Par Call Date (defined below), this Security is subject to redemption at the option of the Company, in whole at any time or in part from time to time, at a redemption price equal to the greater of:

(a) 100% of the principal amount of this Security to be so redeemed; and

(b) as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest on the principal amount of this Security to be so redeemed that would be due if the Stated Maturity Date for this Security were the Par Call Date (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 25 basis points, plus, in either of the above cases, accrued and unpaid interest to the date of redemption.

Promptly after the calculation thereof, the Company shall give the Trustee written notice of the redemption price for the foregoing redemption. The Trustee shall have no responsibility for any such calculation.

On or after the Par Call Date, this Security is subject to redemption at the option of the Company, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of this Security to be so redeemed, plus accrued and unpaid interest to the date of redemption.

As used herein:

"*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 this Security (assuming for this purpose that the Stated Maturity Date of this Security were the Par Call 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 this Security.

"*Comparable Treasury Price*" means, with respect to any redemption date:

a) the average of five Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or

b) if the Quotation Agent obtains fewer than five Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations so received.

"*Par Call Date*" means April 1, 2045.

"*Quotation Agent*" means one of the Reference Treasury Dealers appointed by the Company.

"*Reference Treasury Dealer*" means:

a) each of J.P. Morgan Securities LLC, Mitsubishi UFJ Securities (USA), Inc., Morgan Stanley & Co. LLC and UBS Securities LLC (or their

respective affiliates that are Primary Treasury Dealers, as defined below), or their respective successors, unless any of them is not or ceases to be a primary U.S. Government securities dealer in the United States (a "Primary Treasury Dealer"), in which case the Company shall substitute another Primary Treasury Dealer; and

b) any other Primary Treasury Dealer selected by the Company (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 such redemption date.

Notice of redemption shall be given by mail to Holders of Securities, not less than 30 days nor more than 60 days prior to the date fixed for redemption, all as provided in the Indenture. As provided in the Indenture, notice of redemption at the election of the Company as aforesaid may state that such redemption shall be conditional upon the receipt by the applicable Paying Agent or Agents of money sufficient to pay the principal of and premium, if any, and interest, on this Security on or prior to the date fixed for such redemption; a notice of redemption so conditioned shall be of no force or effect if such money is not so received and, in such event, the Company shall not be required to redeem this Security.

In the event of redemption of this Security in part only, a new Security or Securities of this series of like tenor representing the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default with respect to the Securities of this series shall occur and be continuing, the principal of this Security may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security upon compliance with certain conditions set forth in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of all series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of all series affected at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless (a) such Holder shall have previously given the Trustee written notice of a continuing Event of Default; (b) the Holders of 25% in aggregate principal

amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity; (c) the Trustee shall not have received from the Holders of a majority in aggregate principal amount of the Outstanding Securities a direction inconsistent with such request; and (d) shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

The Securities of this series are issuable only in registered form without coupons, and in denominations of $2,000 and integral multiples of $1,000 in excess thereof.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company for such purpose, duly endorsed by, or accompanied by a written instrument or transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and Tranche, of authorized denominations and of like tenor and aggregate principal amount, shall be issued to the designated transferee or transferees.

As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series and Tranche are exchangeable for a like aggregate principal amount of Securities of the same series and Tranche of any authorized denominations, as requested by the Holder surrendering the same, and of like tenor upon surrender of the Security or Securities to be exchanged at the office or agency of the Company for such purpose.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute and the Security Registrar shall not be required to register the transfer of or exchange of (a) Securities of this series during a period of 15 days immediately preceding the date notice is given identifying the serial numbers of the Securities of this series called for redemption or (b) any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the absolute owner hereof for all purposes (subject to Sections 305 and 307 of the Indenture), whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and this Security shall be governed by and construed in accordance with the laws of the State of New York (including, without limitation, Section 5-1401 of the New York General Obligations Law or any successor to such statute), except to the extent that the Trust Indenture Act shall be applicable and except to the extent that the law of the any other jurisdiction shall mandatorily govern.

As used herein, “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 this Security is located, are generally authorized or required by law, regulation or executive order to remain closed. All other terms used in this Security that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

As provided in the Indenture, no recourse shall be had for the payment of the principal of or premium, if any, or interest on any Securities, or any part thereof, or for any claim based thereon or otherwise in respect thereof, or of the indebtedness represented thereby, or upon any obligation, covenant or agreement under the Indenture, against, and no personal liability whatsoever shall attach to, or be incurred by, any incorporator, stockholder, member, officer or director, as such, past, present or future of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Securities are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of the Securities.

Unless the certificate of authentication hereon has been executed by the Trustee referred to herein by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Date of Security:

KENTUCKY UTILITIES COMPANY

By: ____________________________
Name:
Title:

____
Name:
Title:

ASSIGNMENT FORM

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

____

[please insert social security or other identifying number of assignee]

____

[please print or typewrite name and address of assignee]

____

the within Security of KENTUCKY UTILITIES COMPANY and does hereby irrevocably constitute and appoint _______________, Attorney, to transfer said Security on the books of the within-mentioned Company, with full power of substitution in the premises.

Dated: __________

____

[signature of assignee]

Notice: The signature to this assignment must correspond with the name as written upon the face of the Security in every particular without alteration or enlargement or any change whatsoever.

SIGNATURE GUARANTEE

____

(Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

EXHIBIT B

GLOBAL BOND LEGEND

"THIS IS A GLOBAL BOND HELD BY OR ON BEHALF OF THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS BOND) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO THE INDENTURE, (II) THIS GLOBAL BOND MAY BE TRANSFERRED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2(a) OF PART II OF THE OFFICER'S CERTIFICATE ESTABLISHING THIS SERIES OF BONDS UNDER THE INDENTURE AND (III) THIS GLOBAL BOND MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 309 OF THE INDENTURE."

In addition, if the Depositary shall be DTC, each Global Bond shall bear the following legend:

"UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO A PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

Exhibit 5(a)

[Louisville Gas and Electric Company Letterhead]

September 28, 2015

Louisville Gas and Electric Company
220 West Main Street
Louisville, Kentucky 40202

Ladies and Gentlemen:

I am General Counsel, Chief Compliance Officer and Corporate Secretary of Louisville Gas and Electric Company, a Kentucky corporation (the "Company"). In this capacity, I have acted as counsel to the Company in connection with the issuance and sale of $300,000,000 in aggregate principal amount of the Company's First Mortgage Bonds, 3.300% Series due 2025 and $250,000,000 in aggregate principal amount of the Company's First Mortgage Bonds, 4.375% Series due 2045 (collectively, the "Bonds"). The Bonds are covered by the Registration Statement on Form S-3 (Registration No. 333-202290-03, the "Registration Statement"), filed by the Company with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933 (the "Act"), and related prospectus, dated February 25, 2015, as supplemented by the prospectus supplement dated September 21, 2015, relating to the offer and sale of the Bonds (as so supplemented, the "Prospectus").

The Bonds are being issued under an Indenture, dated as of October 1, 2010, of the Company to The Bank of New York Mellon, as trustee (the "Trustee"), as heretofore amended and supplemented and as further supplemented by Supplemental Indenture No. 4 (the "Supplemental Indenture"), dated as of September 1, 2015, providing for the Bonds (such Indenture, as so supplemented, being referred to herein as the "Indenture"). The Bonds are being sold pursuant to the Underwriting Agreement, dated September 21, 2015 (the "Underwriting Agreement"), among the Company and BNP Paribas Securities Corp., Goldman, Sachs & Co., J.P. Morgan Securities LLC, and Mizuho Securities USA Inc., as representatives of the several underwriters named therein.

In connection with such issuance and sale, I, or Company attorneys under my supervision, have examined:

(a) The Indenture, including the Supplemental Indenture and the Officer's Certificates pursuant to Section 301 of the Indenture, establishing certain terms of the Bonds;

(b) The Bonds;

(c) The Amended and Restated Articles of Incorporation and the Bylaws of the Company, in each case as in effect on the date hereof;

(d) The resolutions of the Board of Directors of the Company, adopted by unanimous written consent, dated March 13, 2014;

(e) The steps and proceedings in connection with the authorization of the Indenture, the Supplemental Indenture and the Bonds;

(f) The Underwriting Agreement;

(g) The Order of the Public Service Commission of Kentucky dated June 16, 2014, in connection with the issuance of the Bonds; and

(h) The Registration Statement and the Prospectus.

In such examination, I have assumed the accuracy and completeness of all agreements, documents, records, certificates and other materials submitted to me, the conformity with the originals of all such materials submitted to me as copies (whether or not certified and including facsimiles), the authenticity of the originals of such materials and all materials submitted to me as originals, the genuineness of all signatures and the legal capacity of all natural persons.

Based upon such examination and representations made to me by Company attorneys under my supervision, upon my familiarity with the Company, and upon an examination of such other documents and questions of law as I have deemed appropriate for purposes of this opinion, I am of the opinion that the Bonds have been duly authorized by the Company and that, when the Bonds have been executed and delivered by the Company and authenticated and delivered by the Trustee in the manner provided for in the Indenture, and have been delivered against payment therefor as contemplated in the Underwriting Agreement, the Bonds will be valid and binding obligations of the Company, except to the extent limited by bankruptcy, insolvency, fraudulent conveyance, reorganization or moratorium laws or by other laws now or hereafter in effect relating to or affecting the enforcement of mortgagees' and other creditors' rights and by general equitable principles (regardless of whether considered in a proceeding in equity or at law), an implied covenant of good faith and fair dealing and consideration of public policy, and federal or state security law limitations on indemnification and contribution.

The opinions expressed herein are limited to the laws of the Commonwealth of Kentucky. Insofar as the opinions set forth in this letter relate to or are dependent upon matters governed by the laws of the State of New York, I have relied exclusively upon the opinion of even date herewith of Pillsbury Winthrop Shaw Pittman LLP, special counsel for the Company. In rendering its opinion to you of even date herewith, Pillsbury Winthrop Shaw Pittman LLP may rely as to matters of Kentucky law addressed or encompassed herein upon this letter as if it were addressed directly to it.

I express no opinion as to matters of compliance with the "blue sky" laws or similar laws relating to the sale or distribution of the Bonds by any underwriters or agents.

I hereby consent to the filing of this opinion letter as Exhibit 5(a) to the Company's Current Report on Form 8-K to be filed by the Company with the Commission and the incorporation thereof by reference into the Registration Statement and to the use of my name under the caption "Validity of the Bonds" in the Prospectus. In giving this consent, I do not thereby admit that I am within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ Gerald A. Reynolds

Gerald A. Reynolds

Exhibit 5(b)

[Kentucky Utilities Company Letterhead]

September 28, 2015

Kentucky Utilities Company
One Quality Street
Lexington, Kentucky 40507

Ladies and Gentlemen:

I am General Counsel, Chief Compliance Officer and Corporate Secretary of Kentucky Utilities Company, a Kentucky and Virginia corporation (the "Company"). In this capacity, I have acted as counsel to the Company in connection with the issuance and sale of $250,000,000 in aggregate principal amount of the Company's First Mortgage Bonds, 3.300% Series due 2025 and $250,000,000 in aggregate principal amount of the Company's First Mortgage Bonds, 4.375% Series due 2045 (collectively, the "Bonds"). The Bonds are covered by the Registration Statement on Form S-3 (Registration No. 333-202290-04, the "Registration Statement"), filed by the Company with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933 (the "Act"), and related prospectus, dated February 25, 2015, as supplemented by the prospectus supplement dated September 21, 2015, relating to the offer and sale of the Bonds (as so supplemented, the "Prospectus").

The Bonds are being issued under an Indenture, dated as of October 1, 2010, of the Company to The Bank of New York Mellon, as trustee (the "Trustee"), as heretofore amended and supplemented and as further supplemented by Supplemental Indenture No. 4 (the "Supplemental Indenture"), dated as of September 1, 2015, providing for the Bonds (such Indenture, as so supplemented, being referred to herein as the "Indenture"). The Bonds are being sold pursuant to the Underwriting Agreement, dated September 21, 2015 (the "Underwriting Agreement"), among the Company and J.P. Morgan Securities LLC, Mitsubishi UFJ Securities (USA), Inc. Morgan Stanley & Co. LLC and UBS Securities LLC, as representatives of the several underwriters named therein.

In connection with such issuance and sale, I, or Company attorneys under my supervision, have examined:

(a) The Indenture, including the Supplemental Indenture and the Officer's Certificates pursuant to Section 301 of the Indenture, establishing certain terms of the Bonds;

(b) The Bonds;

(c) The Amended and Restated Articles of Incorporation and the Bylaws of the Company, in each case as in effect on the date hereof;

(d) The resolutions of the Board of Directors of the Company, adopted by unanimous written consent, dated March 14, 2014;

(e) The steps and proceedings in connection with the authorization of the Indenture, the Supplemental Indenture and the Bonds;

(f) The Underwriting Agreement;

(g) The Orders of the Public Service Commission of Kentucky dated June 16, 2014, the State Corporation Commission of Virginia dated May 8, 2014 and the Tennessee Regulatory Authority dated June 24, 2014, in connection with the issuance of the Bonds; and

(h) The Registration Statement and the Prospectus.

In such examination, I have assumed the accuracy and completeness of all agreements, documents, records, certificates and other materials submitted to me, the conformity with the originals of all such materials submitted to me as copies (whether or not certified and including facsimiles), the authenticity of the originals of such materials and all materials submitted to me as originals, the genuineness of all signatures and the legal capacity of all natural persons.

Based upon such examination and representations made to me by Company attorneys under my supervision, upon my familiarity with the Company, and upon an examination of such other documents and questions of law as I have deemed appropriate for purposes of this opinion, I am of the opinion that the Bonds have been duly authorized by the Company and that, when the Bonds have been executed and delivered by the Company and authenticated and delivered by the Trustee in the manner provided for in the Indenture, and have been delivered against payment therefor as contemplated in the Underwriting Agreement, the Bonds will be valid and binding obligations of the Company, except to the extent limited by bankruptcy, insolvency, fraudulent conveyance, reorganization or moratorium laws or by other laws now or hereafter in effect relating to or affecting the enforcement of mortgagees' and other creditors' rights and by general equitable principles (regardless of whether considered in a proceeding in equity or at law), an implied covenant of good faith and fair dealing and consideration of public policy, and federal or state security law limitations on indemnification and contribution.

The opinions expressed herein are limited to the laws of the Commonwealth of Kentucky. Insofar as the opinions set forth in this letter relate to or are dependent upon matters governed by the laws of the Commonwealth of Virginia and the State of Tennessee, I have relied exclusively on the opinion of even date herewith of Stoll Keenon Ogden PPLC, special Kentucky counsel of the Company. Insofar as the opinions set forth in this letter relate to or are dependent upon matters governed by the laws of the State of New York, I have relied exclusively upon the opinion of even date herewith of Pillsbury Winthrop Shaw Pittman LLP, special counsel for the Company. In rendering their opinions to you of even date herewith, Pillsbury Winthrop Shaw Pittman LLP and Stoll Keenon Ogden PLLC may rely as to matters of Kentucky law addressed or encompassed herein upon this letter as if it were addressed directly to them.

I express no opinion as to matters of compliance with the "blue sky" laws or similar laws relating to the sale or distribution of the Bonds by any underwriters or agents.

I hereby consent to the filing of this opinion letter as Exhibit 5(b) to the Company's Current Report on Form 8-K to be filed by the Company with the Commission and the incorporation thereof by reference into the Registration Statement and to the use of my name under the caption "Validity of the Bonds" in the Prospectus. In giving this consent, I do not thereby admit that I am within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ Gerald A. Reynolds

Gerald A. Reynolds

Exhibit 5(c)

[LETTERHEAD OF PILLSBURY WINTHROP SHAW PITTMAN LLP]

September 28, 2015

Louisville Gas and Electric Company
220 West Main Street
Louisville, Kentucky 40202

Ladies and Gentlemen:

We have acted as special counsel to Louisville Gas and Electric Company (the "Company") in connection with the issuance and sale by the Company of $300,000,000 in aggregate principal amount of its First Mortgage Bonds, 3.300% Series due 2025 and $250,000,000 in aggregate principal amount of its First Mortgage Bonds, 4.375% Series due 2045 (collectively, the "Bonds"). The Bonds are covered by the Registration Statement on Form S-3 (Registration No. 333-202290-03, the "Registration Statement"), filed by the Company with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933 (the "Act"), and related prospectus, dated February 25, 2015, as supplemented by the prospectus supplement dated September 21, 2015 relating to the offer and sale of the Bonds (as so supplemented, the "Prospectus").

The Bonds are being issued under an Indenture, dated as of October 1, 2010, of the Company to The Bank of New York Mellon, as trustee (the "Trustee"), as heretofore amended and supplemented and as further supplemented by Supplemental Indenture No. 4 thereto, (the "Supplemental Indenture"), dated as of September 1, 2015, providing for the Bonds (such Indenture, as so supplemented, being referred to herein as the "Indenture"). The Bonds are being sold pursuant to the Underwriting Agreement, dated September 21, 2015 (the "Underwriting Agreement"), between the Company and J.P. Morgan Securities LLC, BNP Paribas Securities Corp., Goldman, Sachs & Co. and Mizuho Securities USA Inc., as representatives of the several underwriters named therein.

We have reviewed and are familiar with the Registration Statement, the Prospectus, the Indenture (including the Supplemental Indenture and the Officer's Certificates pursuant to Section 301 of the Indenture, establishing certain terms of the Bonds, and the forms of Bond), the Underwriting Agreement and such other documents, corporate proceedings and other matters as we have considered relevant or necessary as a basis for our opinion in this letter. In such review, we have assumed the accuracy and completeness of all agreements, documents, records, certificates and other materials submitted to us, the conformity with the originals of all such materials submitted to us as copies (whether or not certified and including facsimiles), the authenticity of the originals of such materials and all materials submitted to us as originals, the genuineness of all signatures and the legal capacity of all natural persons. We understand that the Registration Statement has become effective under the Act and we assume that such effectiveness has not been terminated or rescinded.

On the basis of the assumptions and subject to the qualifications and limitations set forth herein, we are of the opinion that, when the Bonds have been executed and delivered by the Company and authenticated and delivered by the Trustee in the manner provided for in the Indenture, and have been delivered against payment therefor as contemplated in the Underwriting Agreement, the Bonds will be valid and legally binding obligations of the Company, except as may be subject to and limited by the effect of (a) applicable bankruptcy, insolvency, fraudulent conveyance and transfer, receivership, conservatorship, arrangement, reorganization, moratorium and other similar laws affecting or relating to the rights of creditors and mortgagees generally, (b) general equitable principles (whether considered in a proceeding in equity or at law), and (c) requirements of reasonableness, good faith, materiality and fair dealing and the discretion of the court before which any matter may be brought.

We express no opinion herein as to titles to property, franchises, or the validity and priority of the lien purported to be created by the Indenture or the security provided thereby, or any recordation, filing or perfection of such lien, the Indenture or any related financing statements.

Our opinion set forth in this letter is limited to the law of the State of New York, as in effect on the date hereof. Insofar as our opinion set forth in this letter relates to or is dependent upon matters governed by the law of the Commonwealth of Kentucky, we have relied exclusively upon the opinions expressed or otherwise encompassed in the letter of even date herewith addressed to you by Gerald A. Reynolds, General Counsel, Chief Compliance Officer and Corporate Secretary, of the Company, subject to the assumptions, limitations and qualifications set forth therein. In rendering his opinion to you, Mr. Reynolds may rely as to matters of New York law addressed herein upon this letter as if it were addressed directly to him.

We hereby consent to the filing of this opinion letter as Exhibit 5(c) to the Company's Current Report on Form 8-K to be filed by the Company with the Commission and the incorporation thereof by reference into the Registration Statement and to the use of our name under the caption "Validity of the Bonds" in the Prospectus. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ Pillsbury Winthrop Shaw Pittman LLP

Exhibit 5(d)

[LETTERHEAD OF PILLSBURY WINTHROP SHAW PITTMAN LLP]

September 28, 2015

Kentucky Utilities Company
One Quality Street
Lexington, Kentucky 40507

Ladies and Gentlemen:

We have acted as special counsel to Kentucky Utilities Company (the “Company”) in connection with the issuance and sale by the Company of $250,000,000 in aggregate principal amount of its First Mortgage Bonds, 3.300% Series due 2025 and $250,000,000 in aggregate principal amount of its First Mortgage Bonds, 4.375% Series due 2045 (collectively, the “Bonds”). The Bonds are covered by the Registration Statement on Form S-3 (Registration No. 333-202290-04, the “Registration Statement”), filed by the Company with the Securities and Exchange Commission (the “Commission”) under the Securities Act of 1933 (the “Act”), and related prospectus, dated February 25, 2015, as supplemented by the prospectus supplement dated September 21, 2015 relating to the offer and sale of the Bonds (as so supplemented, the “Prospectus”).

The Bonds are being issued under an Indenture, dated as of October 1, 2010, of the Company to The Bank of New York Mellon, as trustee (the “Trustee”), as heretofore amended and supplemented and as further supplemented by Supplemental Indenture No. 3 thereto, (the “Supplemental Indenture”), dated as of September 1, 2015, providing for the Bonds (such Indenture, as so supplemented, being referred to herein as the “Indenture”). The Bonds are being sold pursuant to the Underwriting Agreement, dated September 21, 2015 (the “Underwriting Agreement”), between the Company and J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, Mitsubishi UFJ Securities (USA), Inc. and UBS Securities LLC, as representatives of the several underwriters named therein.

We have reviewed and are familiar with the Registration Statement, the Prospectus, the Indenture (including the Supplemental Indenture and the Officer’s Certificates pursuant to Section 301 of the Indenture, establishing certain terms of the Bonds, and the forms of Bond), the Underwriting Agreement and such other documents, corporate proceedings and other matters as we have considered relevant or necessary as a basis for our opinion in this letter. In such review, we have assumed the accuracy and completeness of all agreements, documents, records, certificates and other materials submitted to us, the conformity with the originals of all such materials submitted to us as copies (whether or not certified and including facsimiles), the authenticity of the originals of such materials and all materials submitted to us as originals, the genuineness of all signatures and the legal capacity of all natural persons. We understand that the Registration Statement has become effective under the Act and we assume that such effectiveness has not been terminated or rescinded.

On the basis of the assumptions and subject to the qualifications and limitations set forth herein, we are of the opinion that, when the Bonds have been executed and delivered by the Company and authenticated and delivered by the Trustee in the manner provided for in the Indenture, and have been delivered against payment therefor as contemplated in the Underwriting Agreement, the Bonds will be valid and legally binding obligations of the Company, except as may be subject to and limited by the effect of (a) applicable bankruptcy, insolvency, fraudulent conveyance and transfer, receivership, conservatorship, arrangement, reorganization, moratorium and other similar laws affecting or relating to the rights of creditors and mortgagees generally, (b) general equitable principles (whether considered in a proceeding in equity or at law), and (c) requirements of reasonableness, good faith, materiality and fair dealing and the discretion of the court before which any matter may be brought.

We express no opinion herein as to titles to property, franchises, or the validity and priority of the lien purported to be created by the Indenture or the security provided thereby, or any recordation, filing or perfection of such lien, the Indenture or any related financing statements.

Our opinion set forth in this letter is limited to the law of the State of New York, as in effect on the date hereof. Insofar as our opinion set forth in this letter relates to or is dependent upon matters governed by the laws of the

Commonwealths of Kentucky and Virginia and the State of Tennessee, we have relied exclusively upon the opinions expressed or otherwise encompassed in the letters of even date herewith addressed to you by Gerald A. Reynolds, General Counsel, Chief Compliance Officer and Corporate Secretary, of the Company and Stoll Keenon Ogden PLLC, special Kentucky counsel of the Company, subject to the assumptions, limitations and qualifications set forth therein. In rendering their opinions to you, Mr. Reynolds and Stoll Keenon Ogden PLLC may rely as to matters of New York law addressed herein upon this letter as if it were addressed directly to them.

We hereby consent to the filing of this opinion letter as Exhibit 5(d) to the Company's Current Report on Form 8-K to be filed by the Company with the Commission and the incorporation thereof by reference into the Registration Statement and to the use of our name under the caption "Validity of the Bonds" in the Prospectus. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ Pillsbury Winthrop Shaw Pittman LLP

Exhibit 5(e)

[Letterhead of Stoll Keenon Ogden PLLC]

2000 PNC PLAZA
500 WEST JEFFERSON STREET
LOUISVILLE, KY 40202-2828
MAIN: (502) 333-6000
FAX: (502) 333-6099
www.skofirm.com

September 28, 2015

Kentucky Utilities Company
One Quality Street
Lexington, Kentucky 40507

Ladies and Gentlemen:

We are acting as special counsel to Kentucky Utilities Company (the "***Company***") in connection with the issuance and sale by the Company of $250,000,000.00 of the Company's 3.300% First Mortgage Bonds due 2025 and $250,000,000.00 of the Company's 4.375% First Mortgage Bonds due 2045 (collectively, the "Bonds"). The Bonds are covered by the Registration Statement on Form S-3 (Registration No. 333-202290-04) dated February 25, 2015 (the "***Registration Statement***") filed by the Company with the Securities and Exchange Commission (the "***SEC***") under the Securities Act of 1933, as amended (the "***Securities Act***"), the Bonds and related prospectus, dated February 25, 2015, as supplemented by the prospectus supplement dated September 21, 2015 relating to the offer and sale of the Bonds (as so supplemented, the "Prospectus"). The Bonds are being issued under the Company's Indenture dated as of October 1, 2010, as supplemented (the "***Indenture***"), to The Bank of New York Mellon, as Trustee.

We have reviewed the Indenture, the Officer's Certificates of the Company dated September 28, 2015, pursuant to Sections 201 and 301 of the Indenture, establishing the terms and characteristics of the Bonds, and the records of various corporate and other actions taken by the Company in connection with the issuance of the Bonds. As to various questions of fact relevant to the opinions set forth below, we have relied upon certificates and other oral and written assurances of public officials and officers or other employees of the Company, its subsidiaries and its affiliates. In addition, we have reviewed such other documents and satisfied ourselves as to such other matters as we have deemed appropriate in order to render this opinion. We understand the Registration Statement has become effective under the Securities Act and we assume that at the time of issuance of the Bonds, such effectiveness shall not have been terminated or rescinded and that there shall not have been any change in law or any authorization affecting the legality or validity of the Bonds.

Based on the foregoing and, to the extent indicated below, in reliance upon the opinion of other counsel hereinafter mentioned, we are of the opinion that the Bonds, when issued and delivered by the Company and authenticated by the Trustee in accordance with the Indenture and as contemplated in the Registration Statement, will be legally issued and binding obligations of the Company.

Our opinion as to the legal and binding nature of the Company's obligations is subject to laws relating to or affecting generally the enforcement of creditors' and mortgagees' rights, including, without limitation, bankruptcy, insolvency or reorganization laws and general principles of equity and by requirements of reasonableness, good faith and fair dealing. We express no opinion with respect to the lien of the Indenture.

This opinion is limited to the law of the Commonwealths of Kentucky and Virginia and the State of Tennessee. We express no opinion whatsoever as to the securities laws of any jurisdiction, including the federal securities laws. Insofar as the opinions set forth herein are dependent upon or affected by matters governed by the laws of the State of New York, we have relied upon the opinion of even date herewith of Pillsbury Winthrop Shaw Pittman LLP. In rendering their opinions to you of even date herewith, Pillsbury Winthrop Shaw Pittman LLP and Gerald A. Reynolds may rely as to matters governed by the law of the Commonwealths of Kentucky and Virginia and the State of Tennessee upon this letter as if it were addressed directly to them.

We hereby authorize and consent to the use of this opinion as Exhibit 5(e) to the Company's Current Report on Form 8-K to be filed by the Company with the SEC and the incorporation thereof by reference into the Registration Statement and to the use of our name under the caption "Validity of the Bonds" in the Prospectus. In giving this consent, we do not hereby concede that we come within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the SEC thereunder.

Very truly yours,

STOLL KEENON OGDEN PLLC

By: /s/ Anthony L. Schnell
Member

FORM 10-Q

PPL CORP - PPL

Filed: October 30, 2015 (period: September 30, 2015)

Quarterly report with a continuing view of a company's financial position

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended September 30, 2015

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _________ to ___________

Commission File Number	Registrant; State of Incorporation; Address and Telephone Number	IRS Employer Identification No.
1-11459	**PPL Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-2758192
1-905	**PPL Electric Utilities Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-0959590
333-173665	**LG&E and KU Energy LLC** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-2893	**Louisville Gas and Electric Company** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150
1-3464	**Kentucky Utilities Company** (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

PPL Corporation	Yes X	No ___
PPL Electric Utilities Corporation	Yes X	No ___
LG&E and KU Energy LLC	Yes X	No ___
Louisville Gas and Electric Company	Yes X	No ___
Kentucky Utilities Company	Yes X	No ___

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files).

PPL Corporation	Yes X	No ___
PPL Electric Utilities Corporation	Yes X	No ___
LG&E and KU Energy LLC	Yes X	No ___
Louisville Gas and Electric Company	Yes X	No ___
Kentucky Utilities Company	Yes X	No ___

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
PPL Corporation	[X]	[ ]	[ ]	[ ]
PPL Electric Utilities Corporation	[ ]	[ ]	[X]	[ ]
LG&E and KU Energy LLC	[ ]	[ ]	[X]	[ ]
Louisville Gas and Electric Company	[ ]	[ ]	[X]	[ ]
Kentucky Utilities Company	[ ]	[ ]	[X]	[ ]

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

PPL Corporation	Yes ___	No X
PPL Electric Utilities Corporation	Yes ___	No X
LG&E and KU Energy LLC	Yes ___	No X
Louisville Gas and Electric Company	Yes ___	No X
Kentucky Utilities Company	Yes ___	No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

PPL Corporation	Common stock, $0.01 par value, 672,845,584 shares outstanding at October 23, 2015.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at October 23, 2015.
LG&E and KU Energy LLC	PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC.
Louisville Gas and Electric Company	Common stock, no par value, 21,294,223 shares outstanding and all held by LG&E and KU Energy LLC at October 23, 2015.
Kentucky Utilities Company	Common stock, no par value, 37,817,878 shares outstanding and all held by LG&E and KU Energy LLC at October 23, 2015.

This document is available free of charge at the Investors section of PPL Corporation's website at www.pplweb.com. However, information on this website does not constitute a part of this Form 10-Q.

PPL CORPORATION
PPL ELECTRIC UTILITIES CORPORATION
LG&E AND KU ENERGY LLC
LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

FORM 10-Q
FOR THE QUARTER ENDED September 30, 2015

Table of Contents

This combined Form 10-Q is separately filed by the following Registrants in their individual capacity: PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant, except that information under "Forward-Looking Information" relating to subsidiaries of PPL Corporation is also attributed to PPL Corporation and information relating to the subsidiaries of LG&E and KU Energy LLC is also attributed to LG&E and KU Energy LLC.

Unless otherwise specified, references in this Report, individually, to PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company are references to such entities directly or to one or more of their subsidiaries, as the case may be, the financial results of which subsidiaries are consolidated into such Registrants in accordance with GAAP. This presentation has been applied where identification of particular subsidiaries is not material to the matter being disclosed, and to conform narrative disclosures to the presentation of financial information on a consolidated basis.

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GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its subsidiaries

KU - Kentucky Utilities Company, a public utility subsidiary of LKE engaged in the regulated generation, transmission, distribution and sale of electricity, primarily in Kentucky.

LG&E - Louisville Gas and Electric Company, a public utility subsidiary of LKE engaged in the regulated generation, transmission, distribution and sale of electricity and the distribution and sale of natural gas in Kentucky.

LKE - LG&E and KU Energy LLC, a subsidiary of PPL and the parent of LG&E, KU and other subsidiaries.

LKS - LG&E and KU Services Company, a subsidiary of LKE that provides services to LKE and its subsidiaries.

PPL - PPL Corporation, the parent holding company of PPL Electric, PPL Energy Funding, PPL Capital Funding, LKE and other subsidiaries.

PPL Capital Funding - PPL Capital Funding, Inc., a financing subsidiary of PPL that provides financing for the operations of PPL and certain subsidiaries. Debt issued by PPL Capital Funding is guaranteed as to payment by PPL.

PPL Electric - PPL Electric Utilities Corporation, a public utility subsidiary of PPL engaged in the regulated transmission and distribution of electricity in its Pennsylvania service area and that provides electricity supply to its retail customers in this area as a PLR.

PPL Energy Funding - PPL Energy Funding Corporation, a subsidiary of PPL and the parent holding company of PPL Global and other subsidiaries.

PPL EU Services - PPL EU Services Corporation, a subsidiary of PPL that, beginning in 2015, provides support services and corporate functions such as financial, supply chain, human resources and information technology services primarily to PPL Electric and its affiliates.

PPL Global - PPL Global, LLC, a subsidiary of PPL Energy Funding that, primarily through its subsidiaries, owns and operates WPD, PPL's regulated electricity distribution businesses in the U.K.

PPL Services - PPL Services Corporation, a subsidiary of PPL that provides services to PPL and its subsidiaries.

PPL WPD Limited - an indirect U.K. subsidiary of PPL Global. PPL WPD Limited holds a liability for a closed defined benefit pension plan and a receivable with WPD plc.

Registrant(s) - refers to the Registrants named on the cover of this Report (each a "Registrant" and collectively, the "Registrants").

Subsidiary Registrant(s) - Registrants that are direct or indirect wholly owned subsidiaries of PPL: PPL Electric, LKE, LG&E and KU.

WPD - refers to WPD plc and its subsidiaries together with a sister company PPL WPD Limited.

WPD (East Midlands) - Western Power Distribution (East Midlands) plc, a British regional electricity distribution utility company.

WPD plc - Western Power Distribution plc, formerly known as Western Power Distribution Limited, an indirect U.K. subsidiary of PPL Global. Its principal indirectly owned subsidiaries are WPD (East Midlands), WPD (South Wales), WPD (South West) and WPD (West Midlands).

WPD Midlands - refers to WPD (East Midlands) and WPD (West Midlands), collectively.

WPD (South Wales) - Western Power Distribution (South Wales) plc, a British regional electricity distribution utility company.

WPD (South West) - Western Power Distribution (South West) plc, a British regional electricity distribution utility company.

WPD (West Midlands) - Western Power Distribution (West Midlands) plc, a British regional electricity distribution utility company.

WKE - Western Kentucky Energy Corp., a subsidiary of LKE that leased certain non-utility generating plants in western Kentucky until July 2009.

Other terms and abbreviations

£ - British pound sterling.

2014 Form 10-K - Annual Report to the SEC on Form 10-K for the year ended December 31, 2014.

Act 11 - Act 11 of 2012 that became effective on April 16, 2012. The Pennsylvania legislation authorizes the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, a DSIC.

Act 129 - Act 129 of 2008 that became effective in October 2008. The law amends the Pennsylvania Public Utility Code and creates an energy efficiency and conservation program and smart metering technology requirements, adopts new PLR electricity supply procurement rules, provides remedies for market misconduct and changes to the Alternative Energy Portfolio Standard (AEPS).

AFUDC - Allowance for Funds Used During Construction, the cost of equity and debt funds used to finance construction projects of regulated businesses, which is capitalized as part of construction costs.

AOCI - accumulated other comprehensive income or loss.

ARO - asset retirement obligation.

ATM Program - At-the-Market stock offering program.

Basis - when used in the context of derivatives and commodity trading, the commodity price differential between two locations, products or time periods.

BSER - Best System of Emission Reduction. The degree of emission reduction that EPA determines has been adequately demonstrated when taking into account the cost of achieving such reduction and any non-air quality health and environmental impact and energy requirements.

Cane Run Unit 7 - a natural gas combined-cycle unit in Kentucky, jointly owned by LG&E and KU, which provides electric generating capacity of 642 MW (141 MW and 501 MW to LG&E and KU).

CCR(s) - Coal Combustion Residual(s). CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes.

Clean Air Act - federal legislation enacted to address certain environmental issues related to air emissions, including acid rain, ozone and toxic air emissions.

Clean Water Act - federal legislation enacted to address certain environmental issues relating to water quality including effluent discharges, cooling water intake, and dredge and fill activities.

COBRA - Consolidated Omnibus Budget Reconciliation Act, which provides individuals the option to temporarily continue employer group health insurance coverage after termination of employment.

CPCN - Certificate of Public Convenience and Necessity. Authority granted by the KPSC pursuant to Kentucky Revised Statute 278.020 to provide utility service to or for the public or the construction of certain plant, equipment, property or facility for furnishing of utility service to the public.

Customer Choice Act - the Pennsylvania Electricity Generation Customer Choice and Competition Act, legislation enacted to restructure the state's electric utility industry to create retail access to a competitive market for generation of electricity.

DNO - Distribution Network Operator in the U.K.

DOJ - U.S. Department of Justice.

DPCR4 - Distribution Price Control Review 4, the U.K. five-year rate review period applicable to WPD that commenced April 1, 2005.

DPCR5 - Distribution Price Control Review 5, the U.K. five-year rate review period applicable to WPD that commenced April 1, 2010.

DRIP - PPL Amended and Restated Dividend Reinvestment and Direct Stock Purchase Plan.

DSIC - the Distribution System Improvement Charge authorized under Act 11, which is an alternative ratemaking mechanism providing more-timely cost recovery of qualifying distribution system capital expenditures.

DSM - Demand Side Management. Pursuant to Kentucky Revised Statute 278.285, the KPSC may determine the reasonableness of DSM plans proposed by any utility under its jurisdiction. Proposed DSM mechanisms may seek full recovery of costs and revenues lost by implementing DSM programs and/or incentives designed to provide financial rewards to the utility for implementing cost-effective DSM programs. The cost of such programs shall be assigned only to the class or classes of customers which benefit from the programs.

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 - Edison Electric Institute, the association that represents U.S. investor-owned electric companies.

ELG(s) - Effluent Limitation Guidelines, regulations promulgated by the EPA.

EPA - Environmental Protection Agency, a U.S. government agency.

EPS - earnings per share.

Equity Unit(s) - a PPL equity unit, issued in April 2011, consisting of a 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.

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.

FGD - flue-gas desulfurization, a pollution control process for the removal of sulfur dioxide from exhaust gas.

Fitch - Fitch, Inc., a credit rating agency.

GAAP - Generally Accepted Accounting Principles in the U.S.

GBP - British pound sterling.

GHG - greenhouse gas(es).

GLT - Gas Line Tracker. The KPSC approved LG&E's recovery of costs associated with gas service lines, gas risers, leak mitigation, and gas main replacements. Rate recovery became effective on January 1, 2013.

Holdco - Talen Energy Holdings, Inc., a Delaware corporation, which was formed for the purposes of the June 1, 2015 spinoff of PPL Energy Supply, LLC.

If-Converted Method - A method applied to calculate diluted EPS for a company with outstanding convertible debt. The method is applied as follows: Interest charges (after-tax) applicable to the convertible debt are added back to net income and the convertible debt is assumed to have been converted to equity at the beginning of the period, and the resulting common shares are treated as outstanding shares. Both adjustments are made only for purposes of calculating diluted EPS. This method was applied to PPL's Equity Units prior to settlement.

IRS - Internal Revenue Service, a U.S. government agency.

KPSC - Kentucky Public Service Commission, the state agency that has jurisdiction over the regulation of rates and service of utilities in Kentucky.

LIBOR - London Interbank Offered Rate.

MATS - Mercury and Air Toxics Standards, regulations promulgated by the EPA.

Moody's - Moody's Investors Service, Inc., a credit rating agency.

MW - megawatt, one thousand kilowatts.

NAAQS - National Ambient Air Quality Standards periodically adopted pursuant to the Clean Air Act.

NERC - North American Electric Reliability Corporation.

NGCC - Natural gas-fired combined-cycle generating plant.

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.

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.

NRC - Nuclear Regulatory Commission, the U.S. federal agency that regulates nuclear power facilities.

NSR - The new source review provisions of the Clean Air Act that impose stringent emission control requirements on new and modified sources of air emissions that result in emission increases beyond thresholds allowed by the Clean Air Act.

OCI - other comprehensive income or loss.

Ofgem - Office of Gas and Electricity Markets, the British agency that regulates transmission, distribution and wholesale sales of electricity and related matters.

OVEC - Ohio Valley Electric Corporation, located in Piketon, Ohio, an entity in which LKE indirectly owns an 8.13% interest (consists of LG&E's 5.63% and KU's 2.50% interests), which is accounted for as a cost-method investment. OVEC owns and operates two coal-fired power plants, the Kyger Creek plant in Ohio and the Clifty Creek plant in Indiana, with combined summer rating capacities of 2,120 MW.

PLR - Provider of Last Resort, the role of PPL Electric in providing default electricity supply within its delivery area to retail customers who have not chosen to select an alternative electricity supplier under the Customer Choice Act.

PP&E - property, plant and equipment.

PPL EnergyPlus - prior to the June 1, 2015 spinoff of PPL Energy Supply, PPL EnergyPlus, LLC, a subsidiary of PPL Energy Supply that marketed and traded wholesale and retail electricity and gas, and supplied energy and energy services in competitive markets.

PPL Energy Supply - prior to the June 1, 2015 spinoff, PPL Energy Supply, LLC, a subsidiary of PPL Energy Funding and the parent company of PPL EnergyPlus and other subsidiaries.

PPL Montana - prior to the June 1, 2015 spinoff of PPL Energy Supply, PPL Montana, LLC, an indirect subsidiary of PPL Energy Supply, LLC that generated electricity for wholesale sales in Montana and the Pacific Northwest.

PUC - Pennsylvania Public Utility Commission, the state agency that regulates certain ratemaking, services, accounting and operations of Pennsylvania utilities.

RAV - regulatory asset value. This term, used within the U.K. regulatory environment, is also commonly known as RAB or regulatory asset base. RAV is based on historical investment costs at time of privatization, plus subsequent allowed additions less annual regulatory depreciation, and represents the value on which DNOs earn a return in accordance with the regulatory cost of capital. RAV is indexed to Retail Price Index (RPI) in order to allow for the effects of inflation. Since the beginning of DPCR5 in April 2010, RAV additions have been based on a percentage of annual total expenditures, which have continued from April 2015 under RIIO-ED1. RAV is intended to represent expenditures that have a long-term benefit to WPD (similar to capital projects for the U.S. regulated businesses that are generally included in rate base).

RCRA - Resource Conservation and Recovery Act of 1976.

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.

RIIO-ED1 - RIIO represents "Revenues = Incentive + Innovation + Outputs." RIIO-ED1 refers to the initial eight-year rate review period applicable to WPD which commenced April 1, 2015.

Riverstone - Riverstone Holdings LLC, a Delaware limited liability company and ultimate parent company of the entities that own the competitive power generation business contributed to Talen Energy other than the competitive power generation business contributed by virtue of the spinoff of a newly formed parent of PPL Energy Supply.

RJS Power - RJS Generation Holdings LLC, a Delaware limited liability company controlled by Riverstone, that owns the competitive power generation business contributed by its owners to Talen Energy other than the competitive power generation business contributed by virtue of the spinoff of a newly formed parent of PPL Energy Supply.

RMC - Risk Management Committee.

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.

SCRs - selective catalytic reduction, a pollution control process for the removal of nitrogen oxide from exhaust gas.

Scrubber - an air pollution control device that can remove particulates and/or gases (primarily sulfur dioxide) from exhaust gases.

SEC - the U.S. Securities and Exchange Commission, a U.S. government agency primarily responsible to protect investors and maintain the integrity of the securities markets.

SERC - SERC Reliability Corporation, one of eight regional entities with delegated authority from NERC that work to safeguard the reliability of the bulk power systems throughout North America.

Smart meter - an electric meter that utilizes smart metering technology.

Smart metering technology - technology that can measure, among other things, time of electricity consumption to permit offering rate incentives for usage during lower cost or demand intervals. The use of this technology also has the potential to strengthen network reliability.

Superfund - federal environmental statute that addresses remediation of contaminated sites; states also have similar statutes.

Talen Energy - Talen Energy Corporation, the Delaware corporation formed to be the publicly traded company and owner of the competitive generation assets of PPL Energy Supply and certain affiliates of Riverstone.

Talen Energy Marketing - PPL EnergyPlus' new name subsequent to the spinoff of PPL Energy Supply.

Total shareowner return - the change in market value of a share of the Company's common stock plus the value of all dividends paid on a share of the common stock during the applicable performance period, divided by the price of the common stock as of the beginning of the performance period. The price used for purposes of this calculation is the average share price for the 20 trading days at the beginning and end of the applicable period.

Treasury Stock Method - A method applied to calculate diluted EPS that assumes any proceeds that could be obtained upon exercise of options and warrants (and their equivalents) would be used to purchase common stock at the average market price during the relevant period.

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.

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.

FORWARD-LOOKING INFORMATION

Statements contained in this Form 10-Q concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in each Registrant's 2014 Form 10-K and in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements.

- fuel supply;
- 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 customer energy use;
- availability of existing generation facilities;
- the duration of and cost associated with unscheduled outages at our generating facilities;
- transmission and distribution system conditions and operating costs;
- expansion of alternative and distributed sources of electricity generation and storage;
- 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;
- the effectiveness of our risk management programs, including foreign currency and interest rate hedging;
- our ability to attract and retain qualified employees;
- volatility in demand for electricity and prices for energy and transmission services;
- competition in retail and wholesale power and natural gas markets;
- 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 defined benefit plans, and the potential cash funding requirements if fair value declines;
- interest rates and their effect on pension and retiree medical liabilities and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial markets and economic conditions;
- new accounting requirements or new interpretations or applications of existing requirements;
- changes in securities and credit ratings;
- changes in foreign currency exchange rates for British pound sterling;
- current and future environmental conditions, regulations and other requirements and the related costs of compliance, including environmental capital expenditures, emission allowance costs and other expenses;
- changes in political, regulatory or economic conditions in states, regions or countries where the Registrants or their subsidiaries conduct business;
- receipt of necessary governmental permits, approvals and rate relief;
- new state, federal or foreign legislation or regulatory developments;
- the outcome of any rate cases or other cost recovery or revenue filings by PPL Electric, LG&E, KU or WPD;
- the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures; and
- business dispositions or acquisitions and our ability to realize expected benefits from such business transactions.

Any such forward-looking statements should be considered in light of such important factors and in conjunction with other documents of the Registrants on file with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for the Registrants to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and the Registrants undertake no obligation to update the information contained in such statement to reflect subsequent developments or information.

PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, except share data)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Operating Revenues	**$ 1,878**	$ 1,879	**$ 5,889**	$ 5,906
Operating Expenses				
Operation				
Fuel	**228**	240	**695**	748
Energy purchases	**177**	173	**676**	683
Other operation and maintenance	**482**	467	**1,405**	1,382
Depreciation	**226**	233	**658**	688
Taxes, other than income	**79**	78	**241**	238
Total Operating Expenses	**1,192**	1,191	**3,675**	3,739
Operating Income	**686**	688	**2,214**	2,167
Other Income (Expense) - net	**75**	136	**61**	33
Interest Expense	**221**	213	**645**	637
Income from Continuing Operations Before Income Taxes	**540**	611	**1,630**	1,563
Income Taxes	**144**	201	**432**	534
Income from Continuing Operations After Income Taxes	**396**	410	**1,198**	1,029
Income (Loss) from Discontinued Operations (net of income taxes) (Note 8)	**(3)**	87	**(915)**	13
Net Income	**$ 393**	$ 497	**$ 283**	$ 1,042
Earnings Per Share of Common Stock:				
Income from Continuing Operations After Income Taxes Available to PPL Common Shareowners:				
Basic	**$ 0.59**	$ 0.61	**$ 1.78**	$ 1.58
Diluted	**$ 0.59**	$ 0.61	**$ 1.78**	$ 1.55
Net Income Available to PPL Common Shareowners:				
Basic	**$ 0.58**	$ 0.74	**$ 0.42**	$ 1.60
Diluted	**$ 0.58**	$ 0.74	**$ 0.42**	$ 1.57
Dividends Declared Per Share of Common Stock	**$ 0.3775**	$ 0.3725	**$ 1.1225**	$ 1.1175
Weighted-Average Shares of Common Stock Outstanding (in thousands)				
Basic	**670,763**	664,432	**668,731**	649,561
Diluted	**673,702**	666,402	**671,254**	665,501

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net income	**$ 393**	$ 497	**$ 283**	$ 1,042
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Foreign currency translation adjustments, net of tax of ($3), ($9), ($2), ($3)	**52**	(48)	**(97)**	80
Available-for-sale securities, net of tax of $0, $1, ($9), ($20)		(1)	**7**	18
Qualifying derivatives, net of tax of $11, $2, $4, $31	**(19)**	(5)	**8**	(52)
Defined benefit plans:				
Prior service costs, net of tax of $0, $0, $4, $0			**(6)**	
Net actuarial gain (loss), net of tax of $0, ($1), ($36), $1		(1)	**52**	(3)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Available-for-sale securities, net of tax of $0, $4, $2, $6		(3)	**(2)**	(5)
Qualifying derivatives, net of tax of ($3), $3, ($23), $4	**10**	(12)	**20**	2
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $1, $0			**(1)**	
Defined benefit plans:				
Prior service costs, net of tax of $0, ($1), $0, ($3)		1		3
Net actuarial loss, net of tax of ($10), ($9), ($35), ($26)	**35**	29	**111**	84
Total other comprehensive income (loss)	**78**	(40)	**92**	127
Comprehensive income	**$ 471**	$ 457	**$ 375**	$ 1,169

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Nine Months Ended September 30, 2015	2014
Cash Flows from Operating Activities		
Net income	**$ 283**	$ 1,042
(Income) loss from discontinued operations (net of income taxes)	**915**	(13)
Income from continuing operations (net of income taxes)	**1,198**	1,029
Adjustments to reconcile Income from continuing operations (net of taxes) to net cash provided by operating activities - continuing operations		
Depreciation	**658**	688
Amortization	**46**	51
Defined benefit plans - expense	**44**	37
Deferred income taxes and investment tax credits	**359**	416
Unrealized (gains) losses on derivatives, and other hedging activities	**(17)**	(99)
Adjustment to WPD line loss accrual		65
Stock-based compensation expense	**26**	24
Other	**9**	(1)
Change in current assets and current liabilities		
Accounts receivable	**(5)**	(59)
Accounts payable	**(180)**	(53)
Unbilled revenues	**91**	122
Fuel, materials and supplies	**60**	7
Taxes payable	**(142)**	138
Regulatory assets and liabilities, net	**46**	7
Other	**(48)**	28
Other operating activities		
Defined benefit plans - funding	**(396)**	(290)
Settlement of interest rate swaps	**(88)**	
Other assets	**(42)**	10
Other liabilities	**69**	43
Net cash provided by operating activities - continuing operations	**1,688**	2,163
Net cash provided by operating activities - discontinued operations	**343**	465
Net cash provided by operating activities	**2,031**	2,628
Cash Flows from Investing Activities		
Investing activities from continuing operations:		
Expenditures for property, plant and equipment	**(2,560)**	(2,602)
Expenditures for intangible assets	**(32)**	(36)
Purchase of other investments	**(15)**	
Proceeds from the sale of other investments	**136**	
Net (increase) decrease in restricted cash and cash equivalents	**5**	12
Other investing activities	**3**	(4)
Net cash provided by (used in) investing activities - continuing operations	**(2,463)**	(2,630)
Net cash provided by (used in) investing activities - discontinued operations	**(149)**	(344)
Net cash provided by (used in) investing activities	**(2,612)**	(2,974)
Cash Flows from Financing Activities		
Financing activities from continuing operations:		
Issuance of long-term debt	**1,137**	296
Retirement of long-term debt		(237)
Issuance of common stock	**145**	1,037
Payment of common stock dividends	**(750)**	(718)
Net increase (decrease) in short-term debt	**(271)**	(192)
Other financing activities	**(30)**	(49)
Net cash provided by (used in) financing activities - continuing operations	**231**	137
Net cash provided by (used in) financing activities - discontinued operations	**(546)**	(166)
Net cash distributions to parent from discontinued operations	**132**	448
Net cash provided by (used in) financing activities	**(183)**	419
Effect of Exchange Rates on Cash and Cash Equivalents	**(6)**	13
Net (Increase) Decrease in Cash and Cash Equivalents included in Discontinued Operations	**352**	45
Net Increase (Decrease) in Cash and Cash Equivalents	**(418)**	131
Cash and Cash Equivalents at Beginning of Period	**1,399**	863
Cash and Cash Equivalents at End of Period	**$ 981**	$ 994

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 981**	$ 1,399
Short-term investments		120
Accounts receivable (less reserve: 2015, $46; 2014, $44)		
Customer	**713**	737
Other	**64**	71
Unbilled revenues	**421**	517
Fuel, materials and supplies	**321**	381
Prepayments	**86**	75
Deferred income taxes	**223**	125
Other current assets	**181**	134
Current assets of discontinued operations		2,600
Total Current Assets	**2,990**	6,159
Property, Plant and Equipment		
Regulated utility plant	**33,752**	30,568
Less: accumulated depreciation - regulated utility plant	**5,632**	5,361
Regulated utility plant, net	**28,120**	25,207
Non-regulated property, plant and equipment	**534**	592
Less: accumulated depreciation - non-regulated property, plant and equipment	**170**	162
Non-regulated property, plant and equipment, net	**364**	430
Construction work in progress	**1,478**	2,532
Property, Plant and Equipment, net	**29,962**	28,169
Other Noncurrent Assets		
Regulatory assets	**1,627**	1,562
Goodwill	**3,613**	3,667
Other intangibles	**672**	668
Other noncurrent assets	**382**	322
Noncurrent assets of discontinued operations		8,317
Total Other Noncurrent Assets	**6,294**	14,536
Total Assets	**$ 39,246**	$ 48,864

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2015	December 31, 2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 557**	$ 836
Long-term debt due within one year	**1,460**	1,000
Accounts payable	**808**	995
Taxes	**118**	263
Interest	**300**	298
Dividends	**254**	249
Customer deposits	**312**	304
Regulatory liabilities	**151**	91
Other current liabilities	**508**	632
Current liabilities of discontinued operations		2,775
Total Current Liabilities	**4,468**	7,443
Long-term Debt	**17,745**	17,173
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**3,736**	3,227
Investment tax credits	**129**	132
Accrued pension obligations	**963**	1,457
Asset retirement obligations	**539**	324
Regulatory liabilities	**962**	992
Other deferred credits and noncurrent liabilities	**482**	525
Noncurrent liabilities of discontinued operations		3,963
Total Deferred Credits and Other Noncurrent Liabilities	**6,811**	10,620
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
Common stock - $0.01 par value (a)	**7**	7
Additional paid-in capital	**9,630**	9,433
Earnings reinvested	**2,791**	6,462
Accumulated other comprehensive loss	**(2,206)**	(2,274)
Total Equity	**10,222**	13,628
Total Liabilities and Equity	**$ 39,246**	$ 48,864

(a) 780,000 shares authorized; 671,792 and 665,849 shares issued and outstanding at September 30, 2015 and December 31, 2014.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Total
June 30, 2015	669,514	$ 7	$ 9,564	$ 2,654	$ (2,284)	$ 9,941
Common stock issued	2,278		72			72
Stock-based compensation			(6)			(6)
Net income				393		393
Dividends and dividend equivalents				(256)		(256)
Other comprehensive income (loss)					78	78
September 30, 2015	671,792	$ 7	$ 9,630	$ 2,791	$ (2,206)	$ 10,222
December 31, 2014	665,849	$ 7	$ 9,433	$ 6,462	$ (2,274)	$ 13,628
Common stock issued	5,943		183			183
Stock-based compensation			14			14
Net income				283		283
Dividends and dividend equivalents				(754)		(754)
Distribution of PPL Energy Supply (Note 8)				(3,200)	(24)	(3,224)
Other comprehensive income (loss)					92	92
September 30, 2015	671,792	$ 7	$ 9,630	$ 2,791	$ (2,206)	$ 10,222
June 30, 2014	664,018	$ 7	$ 9,358	$ 5,768	$ (1,398)	$ 13,735
Common stock issued	635		21			21
Stock-based compensation			9			9
Net income				497		497
Dividends and dividend equivalents				(248)		(248)
Other comprehensive income (loss)					(40)	(40)
September 30, 2014	664,653	$ 7	$ 9,388	$ 6,017	$ (1,438)	$ 13,974
December 31, 2013	630,321	$ 6	$ 8,316	$ 5,709	$ (1,565)	$ 12,466
Common stock issued	34,332	1	1,048			1,049
Stock-based compensation			24			24
Net income				1,042		1,042
Dividends and dividend equivalents				(734)		(734)
Other comprehensive income (loss)					127	127
September 30, 2014	664,653	$ 7	$ 9,388	$ 6,017	$ (1,438)	$ 13,974

(a) Shares in thousands. Each share entitles the holder to one vote on any question presented at any shareowners' meeting.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Operating Revenues	**$ 519**	$ 477	**$ 1,625**	$ 1,518
Operating Expenses				
Operation				
Energy purchases	**154**	128	**519**	431
Energy purchases from affiliate		20	**14**	68
Other operation and maintenance	**162**	133	**435**	402
Depreciation	**55**	47	**158**	137
Taxes, other than income	**27**	25	**87**	80
Total Operating Expenses	**398**	353	**1,213**	1,118
Operating Income	**121**	124	**412**	400
Other Income (Expense) - net	**1**	3	**5**	6
Interest Expense	**32**	33	**96**	91
Income Before Income Taxes	**90**	94	**321**	315
Income Taxes	**35**	37	**130**	121
Net Income (a)	**$ 55**	$ 57	**$ 191**	$ 194

(a) Net income approximates comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Cash Flows from Operating Activities		
Net income	**$ 191**	$ 194
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**158**	137
Amortization	**19**	13
Defined benefit plans - expense	**13**	10
Deferred income taxes and investment tax credits	**127**	65
Other	**(9)**	(20)
Change in current assets and current liabilities		
Accounts receivable	**18**	(45)
Accounts payable	**(140)**	(25)
Unbilled revenues	**28**	40
Prepayments	**(17)**	(17)
Regulatory assets and liabilities	**46**	19
Taxes payable	**(50)**	45
Other	**13**	2
Other operating activities		
Defined benefit plans - funding	**(33)**	(20)
Other assets	**(6)**	8
Other liabilities	**15**	6
Net cash provided by operating activities	**373**	412
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(758)**	(700)
Expenditures for intangible assets	**(9)**	(25)
Net (increase) decrease in notes receivable from affiliates		150
Other investing activities	**3**	13
Net cash provided by (used in) investing activities	**(764)**	(562)
Cash Flows from Financing Activities		
Issuance of long-term debt		296
Retirement of long-term debt		(10)
Contributions from parent	**275**	95
Payment of common stock dividends to parent	**(140)**	(121)
Net increase (decrease) in short-term debt	**68**	(20)
Other financing activities		(4)
Net cash provided by (used in) financing activities	**203**	236
Net Increase (Decrease) in Cash and Cash Equivalents	**(188)**	86
Cash and Cash Equivalents at Beginning of Period	**214**	25
Cash and Cash Equivalents at End of Period	**$ 26**	$ 111

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 26**	$ 214
Accounts receivable (less reserve: 2015, $21; 2014, $17)		
Customer	**312**	312
Other	**10**	44
Unbilled revenues	**85**	113
Materials and supplies	**34**	43
Prepayments	**27**	10
Deferred income taxes	**103**	58
Regulatory assets	**10**	12
Other current assets	**10**	13
Total Current Assets	**617**	819
Property, Plant and Equipment		
Regulated utility plant	**8,565**	7,589
Less: accumulated depreciation - regulated utility plant	**2,613**	2,517
Regulated utility plant, net	**5,952**	5,072
Construction work in progress	**512**	738
Property, Plant and Equipment, net	**6,464**	5,810
Other Noncurrent Assets		
Regulatory assets	**942**	897
Intangibles	**243**	235
Other noncurrent assets	**39**	24
Total Other Noncurrent Assets	**1,224**	1,156
Total Assets	**$ 8,305**	$ 7,785

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2015	December 31, 2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 68**	
Long term debt due within one year	**100**	$ 100
Accounts payable	**315**	325
Accounts payable to affiliates	**36**	70
Taxes	**35**	85
Interest	**26**	34
Regulatory liabilities	**120**	76
Other current liabilities	**114**	103
Total Current Liabilities	**814**	793
Long-term Debt	**2,503**	2,502
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,655**	1,483
Accrued pension obligations	**149**	212
Regulatory liabilities	**25**	18
Other deferred credits and noncurrent liabilities	**69**	60
Total Deferred Credits and Other Noncurrent Liabilities	**1,898**	1,773
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
Common stock - no par value (a)	**364**	364
Additional paid-in capital	**1,925**	1,603
Earnings reinvested	**801**	750
Total Equity	**3,090**	2,717
Total Liabilities and Equity	**$ 8,305**	$ 7,785

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at September 30, 2015 and December 31, 2014.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
June 30, 2015	66,368	$ 364	$ 1,810	$ 779	$ 2,953
Net income				55	55
Capital contributions from PPL			115		115
Dividends declared on common stock				(33)	(33)
September 30, 2015	66,368	$ 364	$ 1,925	$ 801	$ 3,090
December 31, 2014	66,368	$ 364	$ 1,603	$ 750	$ 2,717
Net income				191	191
Capital contributions from PPL (b)			322		322
Dividends declared on common stock				(140)	(140)
September 30, 2015	66,368	$ 364	$ 1,925	$ 801	$ 3,090
June 30, 2014	66,368	$ 364	$ 1,435	$ 695	$ 2,494
Net income				57	57
Dividends declared on common stock				(34)	(34)
September 30, 2014	66,368	$ 364	$ 1,435	$ 718	$ 2,517
December 31, 2013	66,368	$ 364	$ 1,340	$ 645	$ 2,349
Net income				194	194
Capital contributions from PPL			95		95
Dividends declared on common stock				(121)	(121)
September 30, 2014	66,368	$ 364	$ 1,435	$ 718	$ 2,517

(a) Shares in thousands. All common shares of PPL Electric stock are owned by PPL.
(b) Includes non-cash contributions of $47 million.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Operating Revenues	**$ 801**	$ 753	**$ 2,414**	$ 2,409
Operating Expenses				
Operation				
Fuel	**228**	240	**695**	748
Energy purchases	**23**	24	**143**	184
Other operation and maintenance	**202**	197	**625**	609
Depreciation	**97**	89	**286**	262
Taxes, other than income	**14**	13	**43**	39
Total Operating Expenses	**564**	563	**1,792**	1,842
Operating Income	**237**	190	**622**	567
Other Income (Expense) - net	**(1)**	(2)	**(3)**	(6)
Interest Expense	**43**	42	**127**	125
Interest Expense with Affiliate			**1**	
Income Before Income Taxes	**193**	146	**491**	436
Income Taxes	**73**	55	**194**	165
Net Income	**$ 120**	$ 91	**$ 297**	$ 271

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net income	**$ 120**	$ 91	**$ 297**	$ 271
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Defined benefit plans:				
Net actuarial loss, net of tax of $0, $0, $5, $1			**(8)**	(2)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $1, $0			**(1)**	(1)
Defined benefit plans:				
Prior service costs, net of tax of $0, $0, $0, $0			**1**	
Net actuarial loss, net of tax of $0, $0, ($1), $0	**1**		**2**	
Total other comprehensive income (loss)	**1**		**(6)**	(3)
Comprehensive income	**$ 121**	$ 91	**$ 291**	$ 268

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
LG&E and KU Energy LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Cash Flows from Operating Activities		
Net income	**$ 297**	$ 271
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**286**	262
Amortization	**18**	18
Defined benefit plans - expense	**29**	18
Deferred income taxes and investment tax credits	**199**	251
Other	**29**	11
Change in current assets and current liabilities		
Accounts receivable	**(1)**	(3)
Accounts payable	**(34)**	7
Accounts payable to affiliates	**(7)**	(2)
Unbilled revenues	**19**	49
Fuel, materials and supplies	**43**	4
Income tax receivable	**132**	(28)
Taxes payable		5
Accrued interest	**37**	36
Other	**(2)**	(10)
Other operating activities		
Defined benefit plans - funding	**(66)**	(43)
Settlement of interest rate swaps	**(88)**	
Other assets	**(4)**	
Other liabilities	**8**	5
Net cash provided by operating activities	**895**	851
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(928)**	(843)
Net (increase) decrease in notes receivable from affiliates		70
Other investing activities	**7**	
Net cash provided by (used in) investing activities	**(921)**	(773)
Cash Flows from Financing Activities		
Net increase (decrease) in notes payable with affiliates	**21**	22
Issuance of long-term debt	**1,050**	
Net increase (decrease) in short-term debt	**(500)**	103
Debt issuance and credit facility costs	**(9)**	(3)
Distributions to member	**(157)**	(327)
Contributions from member	**55**	139
Net cash provided by (used in) financing activities	**460**	(66)
Net Increase (Decrease) in Cash and Cash Equivalents	**434**	12
Cash and Cash Equivalents at Beginning of Period	**21**	35
Cash and Cash Equivalents at End of Period	**$ 455**	$ 47

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS
LG&E and KU Energy LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	September 30, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 455**	$ 21
Accounts receivable (less reserve: 2015, $23; 2014, $25)		
Customer	**228**	231
Other	**14**	18
Unbilled revenues	**148**	167
Fuel, materials and supplies	**260**	311
Prepayments	**23**	28
Income taxes receivable	**4**	136
Deferred income taxes	**68**	16
Regulatory assets	**27**	25
Other current assets	**5**	3
Total Current Assets	**1,232**	956
Property, Plant and Equipment		
Regulated utility plant	**11,481**	10,014
Less: accumulated depreciation - regulated utility plant	**1,094**	1,069
Regulated utility plant, net	**10,387**	8,945
Construction work in progress	**839**	1,559
Property, Plant and Equipment, net	**11,226**	10,504
Other Noncurrent Assets		
Regulatory assets	**685**	665
Goodwill	**996**	996
Other intangibles	**136**	174
Other noncurrent assets	**102**	101
Total Other Noncurrent Assets	**1,919**	1,936
Total Assets	**$ 14,377**	$ 13,396

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	September 30, 2015	December 31, 2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 75**	$ 575
Long-term debt due within one year	**900**	900
Notes payable with affiliates	**62**	41
Accounts payable	**284**	399
Accounts payable to affiliates	**1**	2
Customer deposits	**51**	52
Taxes	**36**	36
Price risk management liabilities	**5**	5
Price risk management liabilities with affiliates		66
Regulatory liabilities	**31**	15
Interest	**60**	23
Other current liabilities	**142**	131
Total Current Liabilities	**1,647**	2,245
Long-term Debt	**4,717**	3,667
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,489**	1,241
Investment tax credits	**128**	131
Accrued pension obligations	**275**	305
Asset retirement obligations	**488**	274
Regulatory liabilities	**937**	974
Price risk management liabilities	**45**	43
Other deferred credits and noncurrent liabilities	**214**	268
Total Deferred Credits and Other Noncurrent Liabilities	**3,576**	3,236
Commitments and Contingent Liabilities (Notes 6 and 10)		
Member's equity	**4,437**	4,248
Total Liabilities and Equity	**$ 14,377**	$ 13,396

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

		Member's Equity
June 30, 2015	$	4,329
Net income		120
Contributions from member		35
Distributions to member		(48)
Other comprehensive income (loss)		1
September 30, 2015	$	4,437
December 31, 2014	$	4,248
Net income		297
Contributions from member		55
Distributions to member		(157)
Other comprehensive income (loss)		(6)
September 30, 2015	$	4,437
June 30, 2014	$	4,225
Net income		91
Contributions from member		20
Distributions to member		(106)
September 30, 2014	$	4,230
December 31, 2013	$	4,150
Net income		271
Contributions from member		139
Distributions to member		(327)
Other comprehensive income (loss)		(3)
September 30, 2014	$	4,230

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED STATEMENTS OF INCOME
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Operating Revenues				
Retail and wholesale	**$ 349**	$ 334	**$ 1,089**	$ 1,096
Electric revenue from affiliate	**2**	13	**32**	74
Total Operating Revenues	**351**	347	**1,121**	1,170
Operating Expenses				
Operation				
Fuel	**82**	99	**267**	320
Energy purchases	**18**	20	**129**	167
Energy purchases from affiliate	**9**	3	**17**	11
Other operation and maintenance	**87**	94	**286**	286
Depreciation	**40**	39	**122**	116
Taxes, other than income	**7**	6	**21**	19
Total Operating Expenses	**243**	261	**842**	919
Operating Income	**108**	86	**279**	251
Other Income (Expense) - net	**(1)**		**(3)**	(3)
Interest Expense	**13**	13	**39**	37
Income Before Income Taxes	**94**	73	**237**	211
Income Taxes	**36**	27	**91**	78
Net Income (a)	**$ 58**	$ 46	**$ 146**	$ 133

(a) Net income equals comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF CASH FLOWS
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars)

	Nine Months Ended September 30, 2015	2014
Cash Flows from Operating Activities		
Net income	**$ 146**	$ 133
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**122**	116
Amortization	**9**	9
Defined benefit plans - expense	**10**	7
Deferred income taxes and investment tax credits	**93**	31
Other	**25**	(2)
Change in current assets and current liabilities		
Accounts receivable	**10**	4
Accounts receivable from affiliates	**4**	(10)
Accounts payable	**(14)**	8
Accounts payable to affiliates	**(1)**	(4)
Unbilled revenues	**13**	27
Fuel, materials and supplies	**21**	5
Income tax receivable	**74**	(2)
Taxes payable	**(1)**	10
Accrued interest	**9**	9
Other	**9**	1
Other operating activities		
Defined benefit plans - funding	**(25)**	(12)
Settlement of interest rate swaps	**(44)**	
Other assets	**10**	1
Other liabilities	**(1)**	(4)
Net cash provided by operating activities	**469**	327
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(519)**	(422)
Net cash provided by (used in) investing activities	**(519)**	(422)
Cash Flows from Financing Activities		
Issuance of long-term debt	**550**	
Net increase (decrease) in short-term debt	**(264)**	123
Debt issuance and credit facility costs	**(5)**	(1)
Payment of common stock dividends to parent	**(81)**	(83)
Contributions from parent	**20**	73
Net cash provided by (used in) financing activities	**220**	112
Net Increase (Decrease) in Cash and Cash Equivalents	**170**	17
Cash and Cash Equivalents at Beginning of Period	**10**	8
Cash and Cash Equivalents at End of Period	**$ 180**	$ 25

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Louisville Gas and Electric Company

(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	$ **180**	$ 10
Accounts receivable (less reserve: 2015, $1; 2014, $2)		
Customer	**97**	107
Other	**9**	11
Unbilled revenues	**63**	76
Accounts receivable from affiliates	**19**	23
Fuel, materials and supplies	**133**	162
Prepayments	**6**	8
Income taxes receivable		74
Deferred income taxes	**23**	
Regulatory assets	**11**	21
Other current assets	**2**	1
Total Current Assets	**543**	493
Property, Plant and Equipment		
Regulated utility plant	**4,651**	4,031
Less: accumulated depreciation - regulated utility plant	**384**	456
Regulated utility plant, net	**4,267**	3,575
Construction work in progress	**414**	676
Property, Plant and Equipment, net	**4,681**	4,251
Other Noncurrent Assets		
Regulatory assets	**396**	397
Goodwill	**389**	389
Other intangibles	**79**	97
Other noncurrent assets	**28**	35
Total Other Noncurrent Assets	**892**	918
Total Assets	$ **6,116**	$ 5,662

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Louisville Gas and Electric Company

(Unaudited)
(Millions of Dollars, shares in thousands)

Liabilities and Equity		September 30, 2015		December 31, 2014
Current Liabilities				
Short-term debt			$	264
Long-term debt due within one year	**$**	**250**		250
Accounts payable		**191**		240
Accounts payable to affiliates		**20**		20
Customer deposits		**25**		25
Taxes		**18**		19
Price risk management liabilities		**5**		5
Price risk management liabilities with affiliates				33
Regulatory liabilities		**15**		10
Interest		**15**		6
Other current liabilities		**50**		42
Total Current Liabilities		**589**		914
Long-term Debt		**1,653**		1,103
Deferred Credits and Other Noncurrent Liabilities				
Deferred income taxes		**818**		700
Investment tax credits		**35**		36
Accrued pension obligations		**34**		57
Asset retirement obligations		**147**		66
Regulatory liabilities		**439**		458
Price risk management liabilities		**45**		43
Other deferred credits and noncurrent liabilities		**97**		111
Total Deferred Credits and Other Noncurrent Liabilities		**1,615**		1,471
Commitments and Contingent Liabilities (Notes 6 and 10)				
Stockholder's Equity				
Common stock - no par value (a)		**424**		424
Additional paid-in capital		**1,541**		1,521
Earnings reinvested		**294**		229
Total Equity		**2,259**		2,174
Total Liabilities and Equity	**$**	**6,116**	$	5,662

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at September 30, 2015 and December 31, 2014.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF EQUITY
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)		Common stock		Additional paid-in capital		Earnings reinvested		Total
June 30, 2015	21,294	$	424	$	1,541	$	259	$	2,224
Net income							58		58
Cash dividends declared on common stock							(23)		(23)
September 30, 2015	21,294	$	424	$	1,541	$	294	$	2,259
December 31, 2014	21,294	$	424	$	1,521	$	229	$	2,174
Net income							146		146
Capital contributions from LKE					20				20
Cash dividends declared on common stock							(81)		(81)
September 30, 2015	21,294	$	424	$	1,541	$	294	$	2,259
June 30, 2014	21,294	$	424	$	1,417	$	199	$	2,040
Net income							46		46
Capital contributions from LKE					20				20
Cash dividends declared on common stock							(23)		(23)
September 30, 2014	21,294	$	424	$	1,437	$	222	$	2,083
December 31, 2013	21,294	$	424	$	1,364	$	172	$	1,960
Net income							133		133
Capital contributions from LKE					73				73
Cash dividends declared on common stock							(83)		(83)
September 30, 2014	21,294	$	424	$	1,437	$	222	$	2,083

(a) Shares in thousands. All common shares of LG&E stock are owned by LKE.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED STATEMENTS OF INCOME
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Operating Revenues				
Retail and wholesale	**$ 452**	$ 419	**$ 1,325**	$ 1,313
Electric revenue from affiliate	**9**	3	**17**	11
Total Operating Revenues	**461**	422	**1,342**	1,324
Operating Expenses				
Operation				
Fuel	**146**	141	**428**	428
Energy purchases	**5**	4	**14**	17
Energy purchases from affiliate	**2**	13	**32**	74
Other operation and maintenance	**108**	97	**321**	302
Depreciation	**57**	50	**164**	145
Taxes, other than income	**7**	7	**22**	20
Total Operating Expenses	**325**	312	**981**	986
Operating Income	**136**	110	**361**	338
Other Income (Expense) - net		(1)	**1**	(1)
Interest Expense	**20**	19	**58**	58
Income Before Income Taxes	**116**	90	**304**	279
Income Taxes	**44**	34	**115**	106
Net Income (a)	**$ 72**	$ 56	**$ 189**	$ 173

(a) Net income approximates comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF CASH FLOWS
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars)

	Nine Months Ended September 30, 2015	2014
Cash Flows from Operating Activities		
Net income	**$ 189**	$ 173
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**164**	145
Amortization	**8**	8
Defined benefit plans - expense	**9**	4
Deferred income taxes and investment tax credits	**132**	129
Other	**4**	11
Change in current assets and current liabilities		
Accounts receivable	**(11)**	(8)
Accounts payable	**(18)**	6
Accounts payable to affiliates	**(7)**	4
Unbilled revenues	**6**	22
Fuel, materials and supplies	**22**	(1)
Income tax receivable	**60**	(3)
Taxes payable	**9**	(12)
Accrued interest	**19**	18
Other	**(3)**	(8)
Other operating activities		
Defined benefit plans - funding	**(20)**	(4)
Settlement of interest rate swaps	**(44)**	
Other assets	**(9)**	(2)
Other liabilities		4
Net cash provided by operating activities	**510**	486
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(407)**	(418)
Other investing activities	**7**	
Net cash provided by (used in) investing activities	**(400)**	(418)
Cash Flows from Financing Activities		
Issuance of long-term debt	**500**	
Net increase (decrease) in short-term debt	**(236)**	(20)
Debt issuance and credit facility costs	**(4)**	(1)
Payment of common stock dividends to parent	**(106)**	(112)
Contributions from parent		66
Net cash provided by (used in) financing activities	**154**	(67)
Net Increase (Decrease) in Cash and Cash Equivalents	**264**	1
Cash and Cash Equivalents at Beginning of Period	**11**	21
Cash and Cash Equivalents at End of Period	**$ 275**	$ 22

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Kentucky Utilities Company

(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 275**	$ 11
Accounts receivable (less reserve: 2015, $2; 2014, $2)		
Customer	**131**	124
Other	**5**	6
Unbilled revenues	**85**	91
Fuel, materials and supplies	**127**	149
Prepayments	**7**	10
Income taxes receivable		60
Deferred income taxes	**30**	2
Regulatory assets	**16**	4
Other current assets	**3**	2
Total Current Assets	**679**	459
Property, Plant and Equipment		
Regulated utility plant	**6,828**	5,977
Less: accumulated depreciation - regulated utility plant	**710**	611
Regulated utility plant, net	**6,118**	5,366
Construction work in progress	**421**	880
Property, Plant and Equipment, net	**6,539**	6,246
Other Noncurrent Assets		
Regulatory assets	**289**	268
Goodwill	**607**	607
Other intangibles	**57**	77
Other noncurrent assets	**61**	58
Total Other Noncurrent Assets	**1,014**	1,010
Total Assets	**$ 8,232**	$ 7,715

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2015	December 31, 2014
Liabilities and Equity		
Current Liabilities		
Short-term debt		$ 236
Long-term debt due within one year	**$ 250**	250
Accounts payable	**77**	141
Accounts payable to affiliates	**41**	47
Customer deposits	**26**	27
Taxes	**23**	14
Price risk management liabilities with affiliates		33
Regulatory liabilities	**16**	5
Interest	**30**	11
Other current liabilities	**53**	41
Total Current Liabilities	**516**	805
Long-term Debt	**2,341**	1,841
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,048**	884
Investment tax credits	**93**	95
Accrued pension obligations	**44**	59
Asset retirement obligations	**341**	208
Regulatory liabilities	**498**	516
Other deferred credits and noncurrent liabilities	**63**	101
Total Deferred Credits and Other Noncurrent Liabilities	**2,087**	1,863
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	**308**	308
Additional paid-in capital	**2,596**	2,596
Accumulated other comprehensive income (loss)	**(1)**	
Earnings reinvested	**385**	302
Total Equity	**3,288**	3,206
Total Liabilities and Equity	**$ 8,232**	$ 7,715

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at September 30, 2015 and December 31, 2014.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF EQUITY
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive income (loss)	Total
June 30, 2015	37,818	$ 308	$ 2,596	$ 338	$ (1)	$ 3,241
Net income				72		72
Cash dividends declared on common stock				(25)		(25)
September 30, 2015	37,818	$ 308	$ 2,596	$ 385	$ (1)	$ 3,288
December 31, 2014	37,818	$ 308	$ 2,596	$ 302		$ 3,206
Net income				189		189
Cash dividends declared on common stock				(106)		(106)
Other comprehensive income (loss)					$ (1)	(1)
September 30, 2015	37,818	$ 308	$ 2,596	$ 385	$ (1)	$ 3,288
June 30, 2014	37,818	$ 308	$ 2,571	$ 261		$ 3,140
Net income				56		56
Cash dividends declared on common stock				(26)		(26)
September 30, 2014	37,818	$ 308	$ 2,571	$ 291		$ 3,170
December 31, 2013	37,818	$ 308	$ 2,505	$ 230	$ 1	$ 3,044
Net income				173		173
Capital contributions from LKE			66			66
Cash dividends declared on common stock				(112)		(112)
Other comprehensive income (loss)					(1)	(1)
September 30, 2014	37,818	$ 308	$ 2,571	$ 291	$	$ 3,170

(a) Shares in thousands. All common shares of KU stock are owned by LKE.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

Combined Notes to Condensed Financial Statements (Unaudited)

1. Interim Financial Statements

(All Registrants)

Capitalized terms and abbreviations appearing in the unaudited combined notes to condensed financial statements are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure. Within combined disclosures, amounts are disclosed for any Registrant when significant.

The accompanying unaudited condensed financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnote disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation in accordance with GAAP are reflected in the condensed financial statements. All adjustments are of a normal recurring nature, except as otherwise disclosed. Each Registrant's Balance Sheet at December 31, 2014 is derived from that Registrant's 2014 audited Balance Sheet. The financial statements and notes thereto should be read in conjunction with the financial statements and notes contained in each Registrant's 2014 Form 10-K. The results of operations for the three and nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for the full year ending December 31, 2015 or other future periods, because results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

The classification of certain prior period amounts has been changed to conform to the presentation in the September 30, 2015 financial statements.

(PPL)

"Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income includes the activities of PPL Energy Supply, substantially representing PPL's former Supply segment, which was spun off and distributed to PPL shareowners on June 1, 2015. PPL Energy Supply's assets and liabilities have been reclassified on the Balance Sheet at December 31, 2014 to assets and liabilities of discontinued operations. The assets and liabilities were distributed and removed from PPL's Balance Sheets in the second quarter of 2015. In addition, the Statements of Cash Flows separately report the cash flows of the discontinued operations. See Note 8 for additional information.

2. Summary of Significant Accounting Policies

(All Registrants)

The following accounting policy disclosures represent updates to Note 1 to each indicated Registrant's 2014 Form 10-K and should be read in conjunction with those disclosures.

Accounts Receivable *(PPL and PPL Electric)*

In accordance with a PUC-approved purchase of accounts receivable program, PPL Electric purchases certain accounts receivable from alternative electricity suppliers at a discount, which reflects a provision for uncollectible accounts. The alternative electricity suppliers have no continuing involvement or interest in the purchased accounts receivable. The purchased accounts receivable are initially recorded at fair value using a market approach based on the purchase price paid and are classified as Level 2 in the fair value hierarchy. During the three and nine months ended September 30, 2015, PPL Electric purchased $361 million and $968 million of accounts receivable from unaffiliated third parties. During the three and nine months ended September 30, 2014, PPL Electric purchased $260 million and $874 million of accounts receivable from unaffiliated third parties and $77 million and $261 million from PPL EnergyPlus. PPL Electric's purchases from PPL EnergyPlus for the nine months ended September 30, 2015 were $146 million and include purchases through May 31, 2015, which is the period during which PPL Electric and PPL EnergyPlus were affiliated entities. As a result of the June 1, 2015 spinoff of PPL Energy Supply and creation of Talen Energy, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are included as purchases from an unaffiliated third party.

Depreciation *(PPL)*

Effective January 1, 2015, after completing a review of the useful lives of its distribution network assets, WPD extended the weighted average useful lives of these assets to 69 years from 55 years. For the three and nine months ended September 30, 2015, this change in useful lives resulted in lower depreciation of $22 million ($17 million after-tax or $0.03 per share) and $64 million ($50 million after-tax or $0.08 per share).

New Accounting Guidance Adopted *(All Registrants)*

Reporting of Discontinued Operations

Effective January 1, 2015, the Registrants prospectively adopted accounting guidance that changes the criteria for determining what should be classified as a discontinued operation and the related presentation and disclosure requirements. A discontinued operation may include a component of an entity or a group of components of an entity, or a business activity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on the entity's operations and financial results when any of the following occurs: (1) The components of an entity or group of components of an entity meets the criteria to be classified as held for sale, (2) The component of an entity or group of components of an entity is disposed of by sale, or (3) The component of an entity or group of components of an entity is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spinoff).

As a result of the spinoff on June 1, 2015, PPL Energy Supply has been reported as a discontinued operation under the new discontinued operations guidance. See Note 8 for additional information.

3. Segment and Related Information

(PPL)

See Note 2 in PPL's 2014 Form 10-K for a discussion of reportable segments and related information.

On June 1, 2015, PPL completed the spinoff of PPL Energy Supply, which substantially represented PPL's Supply segment. As a result of this transaction, PPL no longer has a Supply segment. See Note 8 for additional information.

Financial data for the segments and reconciliation to PPL's consolidated results for the periods ended September 30 are:

	Three Months		Nine Months	
	2015	2014	2015	2014
Income Statement Data				
Revenues from external customers				
U.K. Regulated	$ 552	$ 644	$ 1,836	$ 1,964
Kentucky Regulated	801	753	2,414	2,409
Pennsylvania Regulated	519	477	1,625	1,516
Corporate and Other	6	5	14	17
Total	$ 1,878	$ 1,879	$ 5,889	$ 5,906
Net Income				
U.K. Regulated (a)	$ 249	$ 295	$ 814	$ 688
Kentucky Regulated	111	82	267	247
Pennsylvania Regulated	55	57	191	194
Corporate and Other (b)	(19)	(24)	(74)	(100)
Discontinued Operations (c)	(3)	87	(915)	13
Total	$ 393	$ 497	$ 283	$ 1,042

	September 30, 2015	December 31, 2014
Balance Sheet Data		
Assets		
U.K. Regulated	$ 16,382	$ 16,005
Kentucky Regulated	14,043	13,062
Pennsylvania Regulated	8,305	7,785
Corporate and Other (d)	516	1,095
Discontinued Operations (c)		10,917
Total assets	$ 39,246	$ 48,864

(a) Includes unrealized gains and losses from economic activity. See Note 14 for additional information.
(b) 2015 includes transition costs related to the formation of the Talen Energy organization and to reconfigure the remaining PPL Services functions. See Note 8 for additional information.
(c) See Note 8 for additional information.
(d) Primarily consists of unallocated items, including cash, PP&E and the elimination of inter-segment transactions.

4. Earnings Per Share

(PPL)

Basic EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding during the applicable period. Diluted EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding, increased by incremental shares that would be outstanding if potentially dilutive non-participating securities were converted to common shares as calculated using the Treasury Stock Method or the If-Converted Method, as applicable. Incremental non-participating securities that have a dilutive impact are detailed in the table below.

Reconciliations of the amounts of income and shares of PPL common stock (in thousands) for the periods ended September 30 used in the EPS calculation are:

	Three Months		Nine Months	
	2015	2014	2015	2014
Income (Numerator)				
Income from continuing operations after income taxes	$ 396	$ 410	$ 1,198	$ 1,029
Less amounts allocated to participating securities	2	2	5	5
Income from continuing operations after income taxes available to PPL common shareowners - Basic	394	408	1,193	1,024
Plus interest charges (net of tax) related to Equity Units (a)				9
Income from continuing operations after income taxes available to PPL common shareowners - Diluted	$ 394	$ 408	$ 1,193	$ 1,033
Income (loss) from discontinued operations (net of income taxes) available to PPL common shareowners - Basic and Diluted	$ (3)	$ 87	$ (915)	$ 13
Net income	$ 393	$ 497	$ 283	$ 1,042
Less amounts allocated to participating securities	2	2	1	5
Net income available to PPL common shareowners - Basic	391	495	282	1,037
Plus interest charges (net of tax) related to Equity Units (a)				9
Net income available to PPL common shareowners - Diluted	$ 391	$ 495	$ 282	$ 1,046
Shares of Common Stock (Denominator)				
Weighted-average shares - Basic EPS	670,763	664,432	668,731	649,561
Add incremental non-participating securities:				
Share-based payment awards	2,939	1,970	2,523	1,860
Equity Units (a)				14,080
Weighted-average shares - Diluted EPS	673,702	666,402	671,254	665,501
Basic EPS				
Available to PPL common shareowners:				
Income from continuing operations after income taxes	$ 0.59	$ 0.61	$ 1.78	$ 1.58
Income (loss) from discontinued operations (net of income taxes)	(0.01)	0.13	(1.36)	0.02
Net Income Available to PPL common shareowners	$ 0.58	$ 0.74	$ 0.42	$ 1.60
Diluted EPS				
Available to PPL common shareowners:				
Income from continuing operations after income taxes	$ 0.59	$ 0.61	$ 1.78	$ 1.55
Income (loss) from discontinued operations (net of income taxes)	(0.01)	0.13	(1.36)	0.02
Net Income Available to PPL common shareowners	$ 0.58	$ 0.74	$ 0.42	$ 1.57

(a) In 2014, the If-Converted Method was applied to the Equity Units prior to the March 2014 settlement.

For the periods ended September 30, PPL issued common stock related to stock-based compensation plans and the DRIP as follows (in thousands):

	Three Months		Nine Months	
	2015	2014	2015	2014
Stock-based compensation plans (a)	1,368	210	3,805	2,228
DRIP	475	425	1,318	425

(a) Includes stock options exercised, vesting of performance units, vesting of restricted stock and restricted stock units and conversion of stock units granted to directors.

See Note 7 for additional information on common stock issued under the ATM Program.

For the periods ended September 30, the following shares (in thousands) were excluded from the computations of diluted EPS because the effect would have been antidilutive.

	Three Months		Nine Months	
	2015	2014	2015	2014
Stock options	1,484	527	1,218	1,901
Performance units			49	
Restricted stock units				41

5. Income Taxes

Reconciliations of income taxes for the periods ended September 30 are as follows.

(PPL)

	Three Months		Nine Months	
	2015	2014	2015	2014
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 35%	$ 189	$ 214	$ 571	$ 547
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	15	13	44	28
Valuation allowance adjustments (a)		3	8	49
Impact of lower U.K. income tax rates	(40)	(48)	(138)	(124)
U.S. income tax on foreign earnings - net of foreign tax credit (b)		26	(1)	47
Federal and state tax reserve adjustments (c)	(9)		(21)	
Foreign income tax return adjustments			(4)	
Amortization of investment tax credit	(1)	1	(3)	(3)
Depreciation not normalized	(1)	(3)	(4)	(7)
Intercompany interest on U.K. financing entities	(4)		(15)	(4)
Other	(5)	(5)	(5)	1
Total increase (decrease)	(45)	(13)	(139)	(13)
Total income taxes	$ 144	$ 201	$ 432	$ 534

(a) As a result of the spinoff announcement, PPL recorded deferred income tax expense during the three and nine months ended September 30, 2014 to adjust valuation allowances on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the future earnings of PPL Energy Supply. See Note 8 for additional information on the spinoff.

(b) During the three and nine months ended September 30, 2015, PPL recorded lower income tax expense due to a decrease in taxable dividends.

(c) During the three and nine months ended September 30, 2015, PPL recorded a $9 million tax benefit related to a planned amendment of a prior period tax return.

During the nine months ended September 30, 2015, PPL recorded a $12 million tax benefit to adjust the settled refund amount approved by the Joint Committee of Taxation for the open audit years 1998-2011.

(PPL Electric)

	Three Months		Nine Months	
	2015	2014	2015	2014
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 32	$ 33	$ 112	$ 110
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	7	5	21	17
Depreciation not normalized	(1)	(2)	(3)	(5)
Other	(3)	1		(1)
Total increase (decrease)	3	4	18	11
Total income taxes	$ 35	$ 37	$ 130	$ 121

(LKE)

	Three Months		Nine Months	
	2015	2014	2015	2014
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 35%	$ 68	$ 51	$ 172	$ 153
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	7	6	18	16
Amortization of investment tax credit	(1)	(1)	(2)	(3)
Valuation allowance adjustment (a)			8	
Other	(1)	(1)	(2)	(1)
Total increase (decrease)	5	4	22	12
Total income taxes	$ 73	$ 55	$ 194	$ 165

(a) Represents a valuation allowance against tax credits expiring in 2016 and 2017 that are more likely than not to expire before being utilized.

(LG&E)

	Three Months		Nine Months	
	2015	2014	2015	2014
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 33	$ 26	$ 83	$ 74
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	4	3	9	8
Other	(1)	(2)	(1)	(4)
Total increase (decrease)	3	1	8	4
Total income taxes	$ 36	$ 27	$ 91	$ 78

(KU)

	Three Months		Nine Months	
	2015	2014	2015	2014
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 41	$ 32	$ 106	$ 98
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	4	3	11	10
Other	(1)	(1)	(2)	(2)
Total increase (decrease)	3	2	9	8
Total income taxes	$ 44	$ 34	$ 115	$ 106

Unrecognized Tax Benefits *(PPL)*

Changes to unrecognized tax benefits for the periods ended September 30 are as follows.

	Three Months		Nine Months	
	2015	2014	2015	2014
PPL				
Beginning of period	$ 5	$ 21	$ 20	$ 22
Additions based on tax positions of prior years				1
Reductions based on tax positions of prior years				(2)
Settlements			(15)	
End of period	$ 5	$ 21	$ 5	$ 21

Other *(PPL)*

In February 2015, PPL and the IRS Appeals division reached a settlement on the amount of PPL's refund from its open audits for the years 1998 - 2011. In April 2015, PPL was notified that the Joint Committee on Taxation approved PPL's settlement. For the nine months ended September 30, 2015, PPL recorded a tax benefit of $24 million. Of this amount, $12 million is reflected in continuing operations.

6. Utility Rate Regulation

(All Registrants)

The following table provides information about the regulatory assets and liabilities of cost-based rate-regulated utility operations.

	PPL		PPL Electric	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Current Regulatory Assets:				
Environmental cost recovery	$ 19	$ 5		
Gas supply clause	1	15		
Transmission service charge	7	6	$ 7	$ 6
Other	10	11	3	6
Total current regulatory assets (a)	$ 37	$ 37	$ 10	$ 12
Noncurrent Regulatory Assets:				
Defined benefit plans (b)	$ 734	$ 720	$ 411	$ 372
Taxes recoverable through future rates	323	316	323	316
Storm costs	101	124	34	46
Unamortized loss on debt	70	77	44	49
Interest rate swaps (c)	146	122		
Accumulated cost of removal of utility plant	130	114	130	114
AROs	109	79		
Other	14	10		
Total noncurrent regulatory assets	$ 1,627	$ 1,562	$ 942	$ 897
Current Regulatory Liabilities:				
Generation supply charge	$ 41	$ 28	$ 41	$ 28
Demand side management	12	2		
Gas supply clause	9	6		
Transmission formula rate	61	42	61	42
Storm damage expense	13	3	13	3
Other	15	10	5	3
Total current regulatory liabilities	$ 151	$ 91	$ 120	$ 76
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 695	$ 693		
Coal contracts (d)	28	59		
Power purchase agreement - OVEC (d)	86	92		
Net deferred tax assets	23	26		
Act 129 compliance rider	25	18	$ 25	$ 18
Defined benefit plans	22	16		
Interest rate swaps	82	84		
Other	1	4		
Total noncurrent regulatory liabilities	$ 962	$ 992	$ 25	$ 18

	LKE		LG&E		KU	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Current Regulatory Assets:						
Environmental cost recovery	$ 19	$ 5	$ 10	$ 4	$ 9	$ 1
Gas supply clause	1	15	1	15		
Fuel adjustment clause		4		2		2
Other	7	1			7	1
Total current regulatory assets	$ 27	$ 25	$ 11	$ 21	$ 16	$ 4
Noncurrent Regulatory Assets:						
Defined benefit plans (b)	$ 323	$ 348	$ 200	$ 215	$ 123	$ 133
Storm costs	67	78	37	43	30	35
Unamortized loss on debt	26	28	17	18	9	10
Interest rate swaps (c)	146	122	102	89	44	33
AROs	109	79	38	28	71	51
Plant retirement costs (e)	6				6	
Other	8	10	2	4	6	6
Total noncurrent regulatory assets	$ 685	$ 665	$ 396	$ 397	$ 289	$ 268
Current Regulatory Liabilities:						
Demand side management	$ 12	$ 2	$ 6	$ 1	$ 6	$ 1
Gas supply clause	9	6	9	6		
Fuel adjustment clause	8				8	
Gas line tracker		3		3		
Other	2	4			2	4
Total current regulatory liabilities	$ 31	$ 15	$ 15	$ 10	$ 16	$ 5
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal of utility plant	$ 695	$ 693	$ 304	$ 302	$ 391	$ 391
Coal contracts (d)	28	59	12	25	16	34
Power purchase agreement - OVEC (d)	86	92	59	63	27	29
Net deferred tax assets	23	26	23	24		2
Defined benefit plans	22	16			22	16
Interest rate swaps	82	84	41	42	41	42
Other	1	4		2	1	2
Total noncurrent regulatory liabilities	$ 937	$ 974	$ 439	$ 458	$ 498	$ 516

(a) For PPL, these amounts are included in "Other current assets" on the Balance Sheets.
(b) Included in 2015 is $4 million for PPL and LKE, $3 million for LG&E and $1 million for KU related to the deferred recovery of the difference between the pension cost calculated in accordance with LG&E and KU's pension accounting policy and pension cost using a 15 year amortization period for actuarial gains and losses as provided in the June 30, 2015 rate case settlement. See Note 9 and "Kentucky Activities - Rate Case Proceedings" below for additional information.
(c) Amounts include net settlements related to forward-starting interest rate swaps that were terminated in September 2015 and are included in "Cash Flows from Operating Activities" on the Statements of Cash Flows. See Note 14 for additional information.
(d) These liabilities were recorded as offsets to certain intangible assets that were recorded at fair value upon the acquisition of LKE by PPL.
(e) The June 30, 2015 rate case settlement provided for deferred recovery of costs associated with Green River's coal-fired generating unit retirements. These costs include inventory write-downs and separation benefits and will be amortized over three years.

Regulatory Matters

U.K. Activities *(PPL)*

RIIO-ED1

On April 1, 2015, the RIIO-ED1 eight-year price control period commenced for WPD's four DNOs. See "Item 1. Business - Segment Information - U. K. Regulated Segment" of PPL's 2014 Form 10-K for additional information on RIIO-ED1.

Ofgem Review of Line Loss Calculation

In March 2014, Ofgem issued its final decision on the DPCR4 line loss incentives and penalties mechanism. As a result, during the first quarter of 2014 WPD increased its liability by $65 million for over-recovery of line losses with a reduction to "Operating Revenues" on the Statement of Income. WPD began refunding the liability to customers on April 1, 2015 and will continue through March 31, 2019. The liability at September 30, 2015 was $75 million.

Kentucky Activities *(PPL, LKE, LG&E and KU)*

Rate Case Proceedings

On June 30, 2015, the KPSC approved a rate case settlement agreement providing for increases in the annual revenue requirements associated with KU base electricity rates of $125 million and LG&E base gas rates of $7 million. The annual revenue requirement associated with base electricity rates at LG&E was not changed. Although the settlement did not establish a specific return on equity with respect to the base rates, an authorized 10% return on equity will be utilized in the ECR and GLT mechanisms. The settlement agreement provides for deferred recovery of costs associated with Green River Units 3 and 4 through their retirement. The new regulatory asset will be amortized over three years. The settlement also provides regulatory asset treatment for the difference between pension expense calculated in accordance with LG&E and KU's pension accounting policy and pension expense using a 15 year amortization period for actuarial gains and losses. The new rates and all elements of the settlement became effective July 1, 2015.

KPSC Landfill Proceedings

On May 22, 2015, LG&E and KU filed an application with the KPSC for a declaratory order that the existing CPCN and ECR approvals regarding the initial phases of construction and rate recovery of the landfill for management of CCRs at the Trimble County Station remain in effect. The current design of the proposed landfill provides for construction in substantially the same location as originally proposed with approximately the same storage capacity and expected useful life. On May 20, 2015, the owner of an underground limestone mine filed a complaint with the KPSC requesting it to revoke the CPCN for the Trimble County landfill and limit recovery of costs for the Ghent Station landfill on the grounds that, as a result of cost increases, the proposed landfill no longer constitutes the least cost alternative for CCR management. The KPSC has initiated its own investigation, consolidated the proceedings, and ordered an accelerated procedural schedule. The KPSC conducted a hearing on the matter in September 2015 and LG&E and KU are awaiting a ruling. Although the companies continue to believe that the landfills at the Trimble County and Ghent stations are the least cost options and the CPCN and prior KPSC determinations provide the necessary regulatory authority to proceed with construction of the landfill and obtain cost recovery, LG&E and KU are currently unable to predict the outcome or impact of the pending proceedings.

Pennsylvania Activities *(PPL and PPL Electric)*

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 Distribution System Improvement Charge (DSIC). Such alternative ratemaking procedures and mechanisms provide opportunity for accelerated cost-recovery and, therefore, are important to PPL Electric as it is in a period of significant capital investment to maintain and enhance the reliability of its delivery system, including the replacement of aging distribution assets.

Rate Case Proceeding

On March 31, 2015, PPL Electric filed a request with the PUC for an increase in its annual distribution revenue requirement of approximately $167.5 million. The application was based on a fully projected future test year of January 1, 2016 through December 31, 2016. On September 3, 2015, PPL Electric filed with the PUC Administrative Law Judge a petition for approval of a settlement agreement under which PPL Electric would be permitted to increase its annual distribution rates by $124 million, effective January 1, 2016. On October 5, 2015, the Administrative Law Judge issued a recommended decision approving the settlement agreement. The PUC is expected to issue its final order in December 2015. PPL Electric cannot predict the outcome of this proceeding.

Distribution System Improvement Charge (DSIC)

On March 31, 2015, PPL Electric filed a petition requesting a waiver of the DSIC cap of 5% of billed revenues and approval to increase the maximum allowable DSIC from 5% to 7.5% for service rendered after January 1, 2016. PPL Electric filed the petition concurrently with its 2015 rate case and the Administrative Law Judge granted PPL Electric's request to consolidate these two proceedings. Under the terms of the settlement agreement discussed above, PPL Electric agreed to withdraw the petition without prejudice to re-file it at a later date.

Storm Damage Expense Rider (SDER)

In its December 28, 2012 final rate case order, the PUC directed PPL Electric to file a proposed SDER. The SDER is a reconcilable automatic adjustment clause under which PPL Electric annually will compare actual storm costs to storm costs allowed in base rates and refund or recoup any differences from customers. In March 2013, PPL Electric filed its proposed SDER with the PUC and, as part of that filing, requested recovery of the 2012 qualifying storm costs related to Hurricane Sandy. PPL Electric proposed that the SDER become effective January 1, 2013 at a zero rate with qualifying storm costs incurred in 2013 and the 2012 Hurricane Sandy costs included in rates effective January 1, 2014. In April 2014, the PUC issued a final order approving the SDER with a January 1, 2015 effective date and initially including actual storm costs compared to collections for December 2013 through November 2014. As a result, PPL Electric reduced its regulatory liability by $12 million in March 2014. Also, as part of the April 2014 order, PPL Electric was authorized to recover Hurricane Sandy storm damage costs through the SDER of $29 million over a three-year period beginning January 1, 2015.

On June 20, 2014, the Office of Consumer Advocate (OCA) filed a petition with the Commonwealth Court of Pennsylvania requesting that the Court reverse and remand the April 2014 order permitting PPL Electric to establish the SDER. This matter remains pending before the Commonwealth Court. On January 15, 2015, the PUC issued a final order closing an investigation related to a separate OCA complaint concerning PPL Electric's October 2014 preliminary SDER calculation and modified the effective date of the SDER to February 1, 2015.

Smart Meter Rider (SMR)

Act 129 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 are able to recover the costs of providing smart metering technology. All of PPL Electric's metered customers currently have advanced meters installed at their service locations capable of many of the functions required under Act 129. PPL Electric conducted pilot projects and technical evaluations of its current advanced metering technology and concluded that the current technology does not meet all of the requirements of Act 129. PPL Electric recovered the cost of its pilot programs and evaluations through a cost recovery mechanism, the Smart Meter Rider. In August 2013, PPL Electric filed with the PUC an annual report describing the actions it was taking under its Smart Meter Plan during 2013 and its planned actions for 2014. PPL Electric also submitted revised SMR charges that became effective January 1, 2014. In June 2014, PPL Electric filed its final Smart Meter Plan with the PUC. In that plan, PPL Electric proposes by the end of 2019 to replace all of its current meters with new meters that meet the Act 129 requirements. The total cost of the project is estimated to be approximately $450 million, of which approximately $328 million is expected to be capital. PPL Electric proposes to recover these costs through the SMR which the PUC previously approved for recovery of such costs. On April 30, 2015, the Administrative Law Judge assigned by the PUC to review PPL Electric's Smart Meter Plan issued a recommended decision approving the plan with minor modifications. On September 3, 2015, the PUC entered a final order approving the Smart Meter Plan with minor modifications.

Federal Matters *(PPL, LKE and KU)*

FERC Wholesale Formula Rates

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 a true-up. KU's application proposed an authorized return on equity of 10.7%. Certain elements, including the new formula rate, became effective April 23, 2014, subject to refund. In April 2014, nine municipalities submitted notices of termination, under the original notice period provisions, to cease taking power under the wholesale requirements contracts. Such terminations are to be effective in 2019, except in the case of one municipality with a 2017 effective date. In addition, a tenth municipality has become a transmission-only customer as of June 2015. In July 2014, KU agreed on settlement terms with the two municipal customers that did not provide termination notices and filed the settlement proposal with the FERC for its approval. In August 2014, the FERC issued an order on the interim settlement agreement allowing the proposed rates to become effective pending a final order. If approved, the settlement agreement will resolve the rate case with respect to these two municipalities, including approval of the formula rate with a true-up provision and authorizing a return on equity of 10% or the return on equity awarded to other parties in this case, whichever is lower. In August 2015, KU filed a partial settlement agreement with the nine terminating municipalities, which, if approved by FERC, would resolve all but one open matter with one municipality, including providing for certain refunds, approving the formula rate with a true-up provision, and authorizing a 10.25% return on equity. A single remaining unresolved issue with one terminating municipality is in FERC litigation proceedings. KU cannot predict the ultimate outcome of these FERC proceedings regarding its wholesale power agreements with the municipalities, but does not currently anticipate significant remaining refunds beyond amounts already recorded.

7. Financing Activities

Credit Arrangements and Short-term Debt

(All Registrants)

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. For reporting purposes, on a consolidated basis, the credit facilities and commercial paper programs of PPL Electric, LKE, LG&E and KU also apply to PPL and the credit facilities and commercial paper programs of LG&E and KU also apply to LKE. The amounts borrowed below are recorded as "Short-term debt" on the Balance Sheets. The following credit facilities were in place at:

	September 30, 2015					December 31, 2014	
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued
PPL							
U.K.							
WPD plc							
Syndicated Credit Facility	Dec. 2016	£ 210	£ 127		£ 83	£ 103	
WPD (South West)							
Syndicated Credit Facility	July 2020	245			245		
WPD (East Midlands)							
Syndicated Credit Facility	July 2020	300	139		161	64	
WPD (West Midlands)							
Syndicated Credit Facility	July 2020	300			300		
Uncommitted Credit Facilities		65		£ 4	61		£ 5
Total U.K. Credit Facilities (a)		£ 1,120	£ 266	£ 4	£ 850	£ 167	£ 5
U.S.							
PPL Capital Funding							
Syndicated Credit Facility	July 2019	$ 300			$ 300		
Syndicated Credit Facility	Nov. 2018	300			300		
Bilateral Credit Facility	Mar. 2016	150		$ 20	130		$ 21
Total PPL Capital Funding Credit Facilities		$ 750		$ 20	$ 730		$ 21
PPL Electric							
Syndicated Credit Facility	July 2019	$ 300		$ 69	$ 231		$ 1
LKE							
Syndicated Credit Facility (b)	Oct. 2018	$ 75	$ 75		$	$ 75	
LG&E							
Syndicated Credit Facility	July 2019	$ 500			$ 500		$ 264
KU							
Syndicated Credit Facility	July 2019	$ 400			$ 400		$ 236
Letter of Credit Facility	Oct. 2017	198		$ 198			198
Total KU Credit Facilities		$ 598		$ 198	$ 400		$ 434

(a) WPD plc's amounts borrowed at September 30, 2015 and December 31, 2014 were USD-denominated borrowings of $200 million and $161 million, which bore interest at 1.80% and 1.86%. WPD (East Midlands) amounts borrowed at September 30, 2015 and December 31, 2014 were GBP-denominated borrowings which equated to $214 million and $100 million, which bore interest at 0.91% and 1.00%. At September 30, 2015, the unused capacity under the U.K. credit facilities was $1.3 billion.

(b) LKE's interest rates on outstanding borrowings at September 30, 2015 and December 31, 2014 were 1.45% and 1.67%.

PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's Syndicated Credit Facility. The following commercial paper programs were in place at:

	September 30, 2015				December 31, 2014	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Electric	0.41%	$ 300	$ 68	$ 232		
LG&E		350		350	0.42%	$ 264
KU		350		350	0.49%	236
Total		$ 1,000	$ 68	$ 932		$ 500

In October 2015, PPL Capital Funding established a commercial paper program for up to $600 million to provide an additional financing source to fund its short-term liquidity needs from time to time. Commercial paper issuances will be supported by PPL Capital Funding's Syndicated Credit Facilities. PPL guarantees PPL Capital Funding's payment obligations on the commercial paper notes.

(LKE)

See Note 11 for discussion of intercompany borrowings.

Long-term Debt

(PPL, LKE and LG&E)

In September 2015, LG&E issued $300 million of 3.30% First Mortgage Bonds due 2025 and $250 million of 4.375% First Mortgage Bonds due 2045. LG&E received proceeds of $298 million and $248 million, net of discounts and underwriting fees, which were used to repay short-term debt and additionally will be used for the repayment of First Mortgage Bonds maturing in November 2015, and for general corporate purposes.

(PPL, LKE and KU)

In September 2015, KU issued $250 million of 3.30% First Mortgage Bonds due 2025 and $250 million of 4.375% First Mortgage Bonds due 2045. KU received proceeds of $248 million for each issuance, net of discounts and underwriting fees, which were used to repay short-term debt and additionally will be used for the repayment of First Mortgage Bonds maturing in November 2015, and for general corporate purposes.

(PPL and PPL Electric)

In October 2015, PPL Electric issued $350 million of 4.150% First Mortgage Bonds due 2045. PPL Electric received proceeds of $345 million, net of a discount and underwriting fees, which will be used to repay short-term debt and for general corporate purposes.

(PPL)

ATM Program

In February 2015, PPL entered into two separate equity distribution agreements, pursuant to which PPL may sell, from time to time, up to an aggregate of $500 million of its common stock. For the periods ended September 30, 2015, PPL issued the following:

	Three Months	Nine Months
Number of shares	435,800	857,500
Average share price	$ 32.95	$ 33.33
Net proceeds	14	28

Distributions

In August 2015, PPL declared its increased quarterly common stock dividend, payable October 1, 2015, at 37.75 cents per share (equivalent to $1.51 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. See Note 8 for information regarding the June 1, 2015 distribution to PPL's shareowners of a newly formed entity, Holdco, which at closing owned all of the membership interests of PPL Energy Supply and all of the common stock of Talen Energy.

8. Acquisitions, Development and Divestitures

(All Registrants)

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with, modify or terminate the projects. Any resulting transactions may impact future financial results. See Note 8 in the 2014 Form 10-K for additional information.

(PPL)

Discontinued Operations

Spinoff of PPL Energy Supply

In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to spin off PPL Energy Supply and immediately combine it with Riverstone's competitive power generation businesses to form a new, stand-alone, publicly traded company named Talen Energy. The transaction was subject to customary closing conditions, including receipt of regulatory approvals from the NRC, FERC, DOJ and PUC, all of which were received by mid-April 2015. On April 29, 2015, PPL's Board of Directors declared the June 1, 2015 distribution to PPL's shareowners of record on May 20, 2015 of a newly formed entity, Holdco, which at closing owned all of the membership interests of PPL Energy Supply and all of the common stock of Talen Energy.

Immediately following the spinoff on June 1, 2015, Holdco merged with a special purpose subsidiary of Talen Energy, with Holdco continuing as the surviving company to the merger and as a wholly owned subsidiary of Talen Energy and the sole owner of PPL Energy Supply. Substantially contemporaneous with the spinoff and merger, RJS Power was contributed by its owners to become a subsidiary of Talen Energy. PPL shareowners received approximately 0.1249 shares of Talen Energy common stock for each share of PPL common stock they owned on May 20, 2015. Following completion of these transactions, PPL shareowners owned 65% of Talen Energy and affiliates of Riverstone owned 35%. The spinoff had no effect on the number of PPL common shares owned by PPL shareowners or the number of shares of PPL common stock outstanding. The transaction is intended to be tax-free to PPL and its shareowners for U.S. federal income tax purposes.

PPL has no continuing ownership interest in, control of, or affiliation with Talen Energy and Talen Energy Supply (formerly PPL Energy Supply).

Loss on Spinoff

In conjunction with the accounting for the spinoff, PPL evaluated whether the fair value of the Supply segment's net assets was less than the carrying value as of the June 1, 2015 spinoff date.

PPL considered several valuation methodologies to derive a fair value estimate of its Supply segment at the spinoff date. These methodologies included considering the closing "when-issued" Talen Energy market value on June 1, 2015 (the spinoff date), adjusted for the proportional share of the equity value attributable to the Supply segment, as well as, the valuation methods consistently used in PPL's goodwill impairment assessments - an income approach using a discounted cash flow analysis of the Supply segment and an alternative market approach considering market multiples of comparable companies.

Although the market value of Talen Energy approach utilized the most observable inputs of the three approaches, PPL considered certain limitations of the "when-issued" trading market for the spinoff transaction including the short trading duration, lack of liquidity in the market and anticipated initial Talen stock ownership base selling pressure, among other factors, and concluded that these factors limit this input being solely determinative of the fair value of the Supply segment. As such, PPL also considered the other valuation approaches in estimating the overall fair value, but ultimately assigned the highest weighting to the Talen Energy market value approach.

The following table summarizes PPL's fair value analysis:

Approach	Weighting	Weighted Fair Value (in billions)
Talen Energy Market Value	50%	$ 1.4
Income/Discounted Cash Flow	30%	1.1
Alternative Market (Comparable Company)	20%	0.7
Estimated Fair Value		$ 3.2

A key assumption included in the fair value estimate is the application of a control premium of 25% in the two market approaches. PPL concluded it was appropriate to apply a control premium in these approaches as the goodwill impairment testing guidance was followed in determining the estimated fair value of the Supply segment which has historically been a reporting unit for PPL. This guidance provides that the market price of an individual security (and thus the market capitalization of a reporting unit with publically traded equity securities) may not be representative of the fair value of the reporting unit. This guidance also indicates that substantial value may arise to a controlling shareholder from the ability to take advantage of synergies and other benefits that arise from control over another entity, and that the market price of a Company's individual share of stock does not reflect this additional value to a controlling shareholder. Therefore, the quoted market price need not be the sole measurement basis for determining the fair value, and including a control premium is appropriate in measuring the fair value of a reporting unit.

In determining the control premium, PPL reviewed premiums received during the last five years in market sales transactions obtained from observable independent power producer and hybrid utility transactions greater than $1 billion. Premiums for these transactions ranged from 5% to 42% with a median of approximately 25%. Given these metrics, PPL concluded a control premium of 25% to be reasonable for both of the market valuation approaches used.

Assumptions used in the discounted cash flow analysis included forward energy prices, forecasted generation, and forecasted operation and maintenance expenditures that were consistent with assumptions used in the Energy Supply portion of the recent Talen Energy business planning process and a market participant discount rate.

Using these methodologies and weightings, PPL determined the estimated fair value of the Supply segment (classified as Level 3) was below its carrying value of $4.1 billion and recorded a loss on the spinoff of $879 million in the second quarter of 2015, which is reflected in discontinued operations and is nondeductible for tax purposes. This amount served to reduce the basis of the net assets accounted for as a dividend at the June 1, 2015 spinoff date.

Costs of Spinoff

Following the announcement of the transaction to form Talen Energy, efforts were initiated to identify the appropriate staffing for Talen Energy and for PPL and its subsidiaries following completion of the spinoff. Organizational plans were substantially completed in 2014. The new organizational plans identified the need to resize and restructure the organizations and as a result, in 2014, estimated charges for employee separation benefits were recorded. See Note 8 in the 2014 Form 10-K for additional information. The separation benefits include cash severance compensation, lump sum COBRA reimbursement payments and outplacement services. Most separations and payment of separation benefits are expected to be completed by the end of 2015. At September 30, 2015 and December 31, 2014, the recorded liabilities related to the separation benefits were $11 million and $21 million, which are included in "Other current liabilities" on the Balance Sheets.

Additional employee-related costs incurred primarily include accelerated stock-based compensation and prorated performance-based cash incentive and stock-based compensation awards, primarily for PPL Energy Supply employees and for PPL Services employees who became PPL Energy Supply employees in connection with the transaction. PPL Energy Supply recognized $24 million of these costs at the spinoff closing date, which are reflected in discontinued operations.

As the vesting for all PPL Energy Supply employees was accelerated and all remaining unrecognized compensation expense accelerated concurrently with the spinoff, PPL does not expect to recognize significant future compensation costs for equity awards held by former PPL Energy Supply employees. PPL's future stock-based compensation expense will not be significantly impacted by equity award adjustments that occurred as a result of the spinoff. Stock-based compensation expense recognized in future periods will correspond to the unrecognized compensation expense as of the date of the spinoff, which reflects the unamortized balance of the original grant date fair value of the equity awards held by PPL employees.

PPL recorded $44 million of third-party costs related to this transaction during the nine months ended September 30, 2015. Of these costs, $31 million were primarily for bank advisory, legal and accounting fees to facilitate the transaction, and are reflected in discontinued operations. An additional $13 million of consulting and other costs were incurred during the nine months ended September 30, 2015, related to the formation of the Talen Energy organization and to reconfigure the remaining PPL service functions. These costs are primarily recorded in "Other operation and maintenance" on the Statement of Income. No significant additional third-party costs are expected to be incurred. PPL recorded $5 million and $21 million of third-party costs related to this transaction during the three and nine months ended September 30, 2014.

At the close of the transaction, $72 million ($42 million after-tax) of cash flow hedges, primarily unamortized losses on PPL interest rate swaps recorded in AOCI and designated as cash flow hedges of PPL Energy Supply's future interest payments, were reclassified into earnings and reflected in discontinued operations.

As a result of the spinoff announcement in June 2014, PPL recorded $3 million and $49 million of deferred income tax expense during the three and nine months ended September 30, 2014, to adjust valuation allowances on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the future earnings of PPL Energy Supply.

Continuing Involvement

As a result of the spinoff, PPL and PPL Energy Supply entered into a Transition Services Agreement (TSA) that terminates no later than two years from the spinoff date. The TSA sets forth the terms and conditions for PPL and Talen Energy to provide certain transition services to one another. PPL will provide Talen Energy certain information technology, financial and accounting, human resource and other specified services. For the three and nine months ended September 30, 2015, the amounts PPL billed Talen Energy for these services were $11 million and $14 million. In general, the fees for the transition services allow the provider to recover its cost of the services, including overheads, but without margin or profit.

Additionally, prior to the spinoff, through the annual competitive solicitation process, PPL EnergyPlus was awarded supply contracts for a portion of the PLR generation supply for PPL Electric, which were retained by Talen Energy Marketing as part of the spinoff transaction. PPL Electric's supply contracts with Talen Energy Marketing extend through December 2015. The energy purchases were previously included in PPL Electric's Statements of Income as "Energy purchases from affiliate" but were eliminated in PPL's Consolidated Statements of Income.

Subsequent to the spinoff, PPL Electric's energy purchases from Talen Energy Marketing were not significant and are no longer considered affiliate transactions.

Summarized Results of Discontinued Operations

The operations of the Supply segment are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income. Following are the components of Discontinued Operations in the Statements of Income for the periods ended September 30:

	Three Months		Nine Months	
	2015	2014	2015	2014
Operating revenues		$ 1,623	$ 1,427	$ 1,741
Operating expenses		1,429	1,328	1,593
Other Income (Expense) - net		8	(22)	6
Interest Expense (a)		47	150	145
Income (loss) before income taxes		155	(73)	9
Income tax expense (benefit)	$ 3	68	(37)	(4)
Loss on spinoff			(879)	
Income (Loss) from Discontinued Operations (net of income taxes)	$ (3)	$ 87	$ (915)	$ 13

(a) Includes interest associated with the Supply Segment with no additional allocation as the Supply segment was sufficiently capitalized.

Summarized Assets and Liabilities of Discontinued Operations

The assets and liabilities of PPL's Supply segment for all periods prior to the spinoff are included in "Current assets of discontinued operations", "Noncurrent assets of discontinued operations", "Current liabilities of discontinued operations" and "Noncurrent liabilities of discontinued operations" on PPL's Balance Sheet. Net assets, after recognition of the loss on spinoff, of $3.2 billion were distributed to PPL shareowners on June 1, 2015, as a result of the completion of the spinoff of PPL Energy Supply. The following major classes of assets and liabilities were distributed and removed from PPL's Balance Sheet on June 1, 2015. Additionally, the following major classes of assets and liabilities were reclassified to discontinued operations as of December 31, 2014:

	Distribution on June 1, 2015	Discontinued Operations at December 31, 2014
Cash and cash equivalents (a)	$ 371	$ 352
Restricted cash and cash equivalents	156	176
Accounts receivable and unbilled revenues	325	504
Fuels, materials and supplies	415	455
Price risk management assets	784	1,079
Other current assets	65	34
Total Current Assets	2,116	2,600
Investments	999	980
PP&E, net	6,384	6,428
Goodwill	338	338
Other intangibles	260	257
Price risk management assets	244	239
Other noncurrent assets	78	75
Total Noncurrent Assets	8,303	8,317
Total assets	$ 10,419	$ 10,917
Short-term debt and long-term debt due within one year	$ 885	$ 1,165
Accounts payable	252	361
Price risk management liabilities	763	1,024
Other current liabilities	229	225
Total Current Liabilities	2,129	2,775
Long-term debt (excluding current portion)	1,932	1,683
Deferred income taxes	1,259	1,223
Price risk management liabilities	206	193
Accrued pension obligations	244	299
Asset retirement obligations	443	415
Other deferred credits and noncurrent liabilities	103	150
Total Noncurrent Liabilities	4,187	3,963
Total liabilities	$ 6,316	$ 6,738
Adjustment for loss on spinoff	879	
Net assets distributed	$ 3,224	

(a) The distribution of PPL Energy Supply's cash and cash equivalents at June 1, 2015 is included in "Net cash provided by (used in) financing activities - discontinued operations" on the Statement of Cash Flows for the nine months ended September 30, 2015.

Montana Hydro Sale

In November 2014, PPL Montana completed the sale to NorthWestern of 633 MW of hydroelectric generating facilities located in Montana for approximately $900 million in cash. The proceeds from the sale remained with PPL and did not transfer to Talen Energy as a result of the spinoff of PPL Energy Supply. The sale included 11 hydroelectric power facilities and related assets, included in the Supply segment.

As the Montana hydroelectric power facilities were previously reported as a component of PPL Energy Supply and the Supply Segment, the components of discontinued operations for these facilities contained in the Statements of Income are included in the disclosure above.

Development

Future Capacity Needs *(PPL, LKE, LG&E and KU)*

The Cane Run Unit 7 NGCC was put into commercial operation on June 19, 2015. As a result and to meet more stringent EPA regulations, LG&E retired one coal-fired generating unit at the Cane Run plant in March 2015 and retired the remaining two coal-fired generating units at the plant in June 2015. Additionally, KU retired the remaining two coal-fired generating units at the Green River plant on September 30, 2015. LG&E and KU incurred costs of $11 million and $6 million, respectively, directly related to these retirements including inventory write-downs and separation benefits. However, there were no gains or losses on the retirement of these units. See Note 6 for more information related to the regulatory recovery of the costs associated with the retirement of the Green River units.

In October 2013, LG&E and KU announced plans for a 10 MW solar generation facility to be operational in 2016 at a cost of approximately $36 million. In December 2014, a final order was issued by the KPSC approving the request to construct the solar generating facility at E.W. Brown.

9. Defined Benefits

(PPL)

PPL performed a remeasurement of the assets and the obligations for the PPL Retirement Plan and PPL Postretirement Benefit plans as of May 31, 2015 to allow for separation of those plans for PPL and Talen Energy as required in accordance with the spinoff transaction agreements. The net pension obligations for all active PPL Energy Supply employees and for individuals who terminated employment from PPL Energy Supply on or after July 1, 2000 were distributed and removed from PPL's Balance Sheet. The net other postretirement benefit obligations for all active PPL Energy Supply employees were distributed and removed from PPL's Balance Sheet. In addition, the net nonqualified pension plan obligations for all PPL Energy Supply active and inactive employees were retained by PPL. As a result, PPL distributed and removed from its Balance Sheet $244 million of net accrued pension obligations and $7 million of other postretirement benefit obligations. See Note 8 for additional information on the spinoff of PPL Energy Supply.

(PPL, LKE and LG&E)

Certain net periodic defined benefit costs are applied to accounts that are further distributed between capital and expense, including certain costs allocated to applicable subsidiaries for plans sponsored by PPL Services and LKE. Additionally, as a result of the LG&E and KU rate case settlement that became effective July 1, 2015, the difference between pension cost calculated in accordance with LG&E and KU's pension accounting policy and pension cost calculated using a 15 year amortization period for actuarial gains and losses is recorded as a regulatory asset. See Note 6 for further information. Following are the net periodic defined benefit costs (credits) of the plans sponsored by PPL and its subsidiaries, LKE and its subsidiaries and LG&E for the periods ended September 30:

	Pension Benefits							
	Three Months				Nine Months			
	U.S.		U.K.		U.S.		U.K.	
	2015	2014 (c)	2015	2014	2015 (b)	2014 (c)	2015	2014
PPL								
Service cost	$ 20	$ 24	$ 21	$ 18	$ 76	$ 73	$ 60	$ 54
Interest cost	42	56	80	90	152	168	236	268
Expected return on plan assets	(56)	(72)	(133)	(133)	(201)	(216)	(393)	(395)
Amortization of:								
Prior service cost	1	5			5	15		
Actuarial (gain) loss	18	8	39	34	65	22	118	100
Net periodic defined benefit costs (credits) prior to termination benefits	25	21	7	9	97	62	21	27
Termination benefits (a)		(7)				13		
Net periodic defined benefit costs (credits)	$ 25	$ 14	$ 7	$ 9	$ 97	$ 75	$ 21	$ 27

	Pension Benefits			
	Three Months		Nine Months	
	2015	2014	2015	2014
LKE				
Service cost	$ 7	$ 5	$ 20	$ 16
Interest cost	17	17	51	50
Expected return on plan assets	(22)	(21)	(66)	(62)
Amortization of:				
Prior service cost	1	1	5	3
Actuarial (gain) loss	9	4	26	10
Net periodic defined benefit costs (credits)	$ 12	$ 6	$ 36	$ 17
LG&E				
Service cost			$ 1	$ 1
Interest cost	$ 3	$ 4	10	11
Expected return on plan assets	(5)	(4)	(15)	(14)
Amortization of:				
Prior service cost	1	1	2	2
Actuarial (gain) loss	3	1	9	4
Net periodic defined benefit costs (credits)	$ 2	$ 2	$ 7	$ 4

(a) The three and nine months ended September 30, 2014 include termination benefits of ($2) million and $2 million for PPL Electric. The remaining ($5) million and $11 million relate to PPL Energy Supply and are reflected in discontinued operations.
(b) For the nine months ended September 30, 2015, the total net periodic defined benefit cost includes $18 million reflected in discontinued operations related to costs allocated from PPL's plans to PPL Energy Supply prior to the spinoff.
(c) For the three and nine months ended September 30, 2014, the total net periodic defined benefit cost includes $1 million and $29 million reflected in discontinued operations related to costs allocated from PPL's plans to PPL Energy Supply.

	Other Postretirement Benefits			
	Three Months		Nine Months	
	2015	2014	2015	2014
PPL				
Service cost	$ 2	$ 3	$ 9	$ 9
Interest cost	6	7	20	23
Expected return on plan assets	(6)	(6)	(20)	(19)
Net periodic defined benefit costs (credits)	$ 2	$ 4	$ 9	$ 13
LKE				
Service cost	$ 1	$ 1	$ 4	$ 3
Interest cost	2	2	7	7
Expected return on plan assets	(1)	(1)	(4)	(4)
Amortization of:				
Prior service cost	1	1	2	2
Net periodic defined benefit costs (credits)	$ 3	$ 3	$ 9	$ 8

(PPL Electric, LG&E and KU)

In addition to the specific plans it sponsors, LG&E is allocated costs of defined benefit plans sponsored by LKE based on its participation in those plans, which management believes are reasonable. PPL Electric and KU do not directly sponsor any defined benefit plans. PPL Electric is allocated costs of defined benefit plans sponsored by PPL Services and KU is allocated costs of defined benefit plans sponsored by LKE based on their participation in those plans, which management believes are reasonable. For the periods ended September 30, PPL Services allocated the following net periodic defined benefit costs to PPL Electric, and LKE allocated the following net periodic defined benefit costs to LG&E and KU.

	Three Months		Nine Months	
	2015	2014	2015	2014
PPL Electric (a)	$ 8	$ 3	$ 24	$ 18
LG&E	3	2	10	6
KU	4	2	13	6

(a) The three and nine months ended September 30, 2014 include ($2) million and $2 million of termination benefits for PPL Electric related to a one-time voluntary retirement window offered to certain bargaining unit employees.

10. Commitments and Contingencies

(PPL)

All commitments, contingencies and guarantees associated with PPL Energy Supply and its subsidiaries were retained by Talen Energy Supply and its subsidiaries at the spinoff date without recourse to PPL.

Legal Matters

(All Registrants)

PPL and its subsidiaries are involved in legal proceedings, claims and litigation in the ordinary course of business. PPL and its subsidiaries cannot predict the outcome of such matters, or whether such matters may result in material liabilities, unless otherwise noted.

WKE Indemnification *(PPL and LKE)*

See footnote (e) to the table in "Guarantees and Other Assurances" below for information on an LKE indemnity relating to its former WKE lease, including related legal proceedings.

(PPL, LKE, LG&E and KU)

Cane Run Environmental Claims

In December 2013, six residents, on behalf of themselves and others similarly situated, filed a class action complaint against LG&E and PPL in the U.S. District Court for the Western District of Kentucky alleging violations of the Clean Air Act and RCRA. In addition, these plaintiffs assert common law claims of nuisance, trespass and negligence. These plaintiffs seek injunctive relief and civil penalties, plus costs and attorney fees, for the alleged statutory violations. Under the common law claims, these plaintiffs seek monetary compensation and punitive damages for property damage and diminished property values for a class consisting of residents within four miles of the plant. In their individual capacities, these plaintiffs seek compensation for alleged adverse health effects. In response to a motion to dismiss filed by PPL and LG&E, in July 2014, the court dismissed the plaintiffs' RCRA claims and all but one Clean Air Act claim, but declined to dismiss their common law tort claims. Upon motion of LG&E and PPL, the district court certified for appellate review the issue of whether the state common law claims are preempted by federal statute. In December 2014, the U.S. Court of Appeals for the Sixth Circuit issued an order granting appellate review regarding the above matter and such issues as may appropriately be presented by the parties and determined by the court. Oral argument before the Sixth Circuit was held in August 2015, but a ruling has not yet been issued by the Court. PPL, LKE and LG&E cannot predict the outcome of this matter. LG&E retired one coal-fired unit at the Cane Run plant in March 2015 and the remaining two coal-fired units at the plant in June 2015.

Mill Creek Environmental Claims

In May 2014, the Sierra Club filed a citizen suit against LG&E in the U.S. District Court for the Western District of Kentucky for alleged violations of the Clean Water Act. The Sierra Club alleges that various discharges at the Mill Creek plant constitute violations of the plant's water discharge permit. The Sierra Club seeks civil penalties, injunctive relief, costs and attorney's fees. In August 2015, the Court denied cross-motions for summary judgment filed by both parties and directed the parties to proceed with discovery. PPL, LKE and LG&E cannot predict the outcome of this matter or the potential impact on the operations of the Mill Creek plant but believe the plant is operating in compliance with the permits.

E.W. Brown Environmental Claims

In October 2015, KU received a notice of intent from Earthjustice and the Sierra Club informing certain federal and state agencies of the Sierra Club's intent to file a citizen suit, following expiration of the mandatory 60-day notification period, for alleged violations of the Clean Water Act. The claimant alleges discharges at the E.W. Brown plant in violation of applicable rules and the plant's water discharge permit. The claimant asserts that, unless the alleged discharges are promptly brought into compliance, it intends to seek civil penalties, injunctive relief and attorney's fees. PPL, LKE and KU cannot predict the outcome of this matter or the potential impact on the operations of the E. W. Brown plant.

Regulatory Issues *(All Registrants)*

See Note 6 for information on regulatory matters related to utility rate regulation.

Electricity - Reliability Standards

The NERC is responsible for establishing and enforcing mandatory reliability standards (Reliability Standards) regarding the bulk 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.

PPL, LG&E, KU and PPL Electric monitor their compliance with the Reliability Standards and continue to self-report or self-log potential violations of certain applicable reliability requirements and submit accompanying mitigation plans, as required. The resolution of a small 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.

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 geomagnetically induced currents on implicated transformers. In May 2013, FERC issued Order No. 779, requiring NERC to submit two types of Reliability Standards for FERC's approval. The first type would require certain owners and operators of the nation's electricity infrastructure, such as the Registrants, to develop and implement operational procedures to mitigate the effects of geomagnetic disturbances on the bulk-power system. This NERC-proposed standard was approved by FERC in June 2014. These requirements do not impose significant costs on the Registrants. 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. FERC issued a notice of proposed rulemaking on this second type of Reliability Standard on May 14, 2015. The Registrants do not presently anticipate significant costs to comply with the requirements if finalized as proposed.

Environmental Matters - Domestic

(All Registrants)

Due to the environmental issues discussed below or other environmental matters, it may be necessary for the Registrants to modify, curtail, replace or cease operation of certain facilities or performance of certain operations to comply with statutes, regulations and other requirements of regulatory bodies or courts. In addition, legal challenges to new environmental permits or rules add to the uncertainty of estimating the future cost of these permits and rules.

LG&E and KU are entitled to recover, through the ECR mechanism, certain costs of complying with the Clean Air Act, as amended, and those federal, state or local environmental requirements applicable to coal combustion wastes and by-products from facilities that generate electricity from coal in accordance with approved compliance plans. Costs not covered by the ECR mechanism for LG&E and KU and all such costs for PPL Electric are subject to rate recovery before the companies' respective state regulatory authorities, or the FERC, if applicable. Because PPL Electric does not own any generating plants, its exposure to related environmental compliance costs is reduced. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

(PPL, LKE, LG&E and KU)

Air

The Clean Air Act, which regulates air pollutants from mobile and stationary sources, has a significant impact on the operation of fossil fuel plants. The Clean Air Act requires the EPA periodically to review and establish concentration levels in the ambient air for six criteria pollutants to protect public health and welfare. These concentration levels are known as NAAQS. The six criteria pollutants are carbon monoxide, lead, nitrogen dioxide, ozone, particulate matter and SO_2.

Federal environmental regulations of these criteria pollutants require states to adopt implementation plans, known as SIPs, for certain pollutants, which detail how the state will attain the standards that are mandated by the relevant law or regulation. Each state identifies the areas within its boundaries that meet the NAAQS (attainment areas) and those that do not (non-attainment areas), and must develop a SIP both to bring non-attainment areas into compliance with the NAAQS and to maintain good air quality in attainment areas. In addition, for attainment of ozone and fine particulates standards, states in the eastern portion of the country, including Kentucky, are subject to a regional program developed by the EPA known as the Cross-State Air Pollution Rule. The NAAQS, future revisions to the NAAQS and SIPs implementing them, or future revisions to regional programs, may require installation of additional pollution controls, the costs of which PPL, LKE, LG&E and KU believe are subject to cost recovery.

Although PPL, LKE, LG&E and KU do not currently anticipate significant costs to comply with these programs, changes in market or operating conditions could result in different costs than anticipated.

National Ambient Air Quality Standards (NAAQS)

Under the Clean Air Act, the EPA is required to reassess the NAAQS for certain air pollutants on a five-year schedule. In 2008, the EPA revised the NAAQS for ozone and proposed to further strengthen the standard in November 2014. The EPA released a new ozone standard on October 1, 2015. The states and EPA will determine attainment with the new ozone standard through review of relevant ambient air monitoring data, with attainment or nonattainment designations scheduled no later than October 2017. States are also obligated to address interstate transport issues associated with new ozone standards through the establishment of "good neighbor" state implementation plans for those states that are found to contribute significantly to another states' non-attainment. States that are not in the ozone transport region, including Kentucky, are working together to evaluate further nitrogen oxide reductions from fossil-fueled plants with SCRs. The nature and timing of any additional reductions resulting from these evaluations cannot be predicted at this time.

In 2010, the EPA finalized revised NAAQS for sulfur dioxide and required states to identify areas that meet those standards and areas that are in "non-attainment". In July 2013, the EPA finalized non-attainment designations for parts of the country, including part of Jefferson County in Kentucky. Attainment must be achieved by 2018. PPL, LKE, LG&E and KU anticipate that certain previously required compliance measures, such as upgraded or new sulfur dioxide scrubbers at certain plants and the retirement of coal-fired generating units at LG&E's Cane Run plant and KU's Green River and Tyrone plants, will help to achieve compliance with the new sulfur dioxide and ozone standards. If additional reductions are required, the costs could be significant.

Mercury and Air Toxics Standards (MATS)

In February 2012, the EPA finalized the MATS rule requiring reductions of mercury and other hazardous air pollutants from fossil-fuel fired power plants, with an effective date of April 16, 2012. The MATS rule was challenged by industry groups and states and was upheld by the U.S. Court of Appeals for the D.C. Circuit Court (D.C. Circuit Court) in April 2014. A group of states subsequently petitioned the U.S. Supreme Court (Supreme Court) to review this decision and on June 29, 2015, the Supreme Court held that the EPA failed to properly consider costs when deciding to regulate hazardous air emissions from power plants under MATS. The Court remanded the matter to the D.C. Circuit Court. EPA's MATS rule remains in effect pending action by the D.C. Circuit Court. It is uncertain whether the D.C. Circuit Court will vacate the MATS rule, remand the rule to the EPA, or require further proceedings or actions.

LG&E and KU have installed significant controls in connection with the MATS rule and in conjunction with compliance with other environmental requirements, including fabric-filter baghouses, upgraded FGDs or chemical additive systems for which appropriate KPSC authorization and/or ECR treatment has been received. PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact, if any, on plant operations, rate treatment or future capital or operating needs.

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. PPL, LKE, LG&E and KU received various EPA information requests in 2007 and 2009, but have received no further communications from the EPA related to those requests since providing their responses. States and environmental groups also have commenced litigation alleging violations of the NSR regulations by coal-fired generating plants across the nation. PPL, LKE, LG&E and KU cannot predict the outcome of these matters, and cannot estimate the impact, if any.

If LG&E or KU is found to have triggered the applicability of NSR regulations by increasing pollutants beyond allowable thresholds through a plant modification, the company could, among other things, be required to meet substantially more stringent permit limits. The costs to meet such limits, including installation of technology at certain units, could be significant.

Trimble County Unit 2 Air Permit

The Sierra Club and other environmental groups petitioned the Kentucky Environmental and Public Protection Cabinet to overturn the air permit issued for the Trimble County Unit 2 baseload coal-fired generating unit, but the agency upheld the permit in an order issued in September 2007. In response to subsequent petitions by environmental groups, the EPA ordered certain non-material changes to the permit which, in January 2010, were incorporated into a final revised permit issued by the Kentucky Division for Air Quality. In March 2010, the environmental groups petitioned the EPA to object to the revised state permit. Until the EPA issues a final ruling on the pending petition and all available appeals are exhausted, PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact on plant operations, including increased capital costs, if any.

Climate Change

(All Registrants)

Authority to Regulate Carbon Dioxide Emissions

The EPA issued rules in 2014 regulating carbon dioxide emissions from stationary sources under the NSR and Title V operating permit provisions of the Clean Air Act. The EPA's rules were challenged in court and, in June 2014, the U.S. Supreme Court ruled that the EPA has authority to regulate carbon dioxide emissions under the Clean Air Act but only for stationary sources that would otherwise have been subject to these provisions due to significant increases in emissions of other pollutants. As a result, any new sources or major modifications to an existing GHG source causing a net significant increase in carbon dioxide emissions must comply with permit limits for carbon dioxide, but only if it would otherwise be subject to limits on new or modified sources due to significant increases in other pollutants.

The EPA's Rules under Section 111 of the Clean Air Act

As further described below, in August 2015, the EPA finalized rules imposing greenhouse gas emission standards for both new and existing power plants. The EPA has also issued a proposed federal implementation plan which would apply to any states that fail to submit an acceptable state implementation plan under these rules. The EPA's authority to promulgate these regulations under Section 111 of the Clean Air Act has been challenged in the D.C. Circuit Court by several states and industry groups.

The EPA's rule for new power plants imposes separate emission standards for coal and natural gas units based on the application of different technologies. The coal standard is based on the application of partial carbon capture and sequestration technology, but because this technology is not presently commercially available, the rule effectively precludes the construction of new coal-fired plants. The standard for NGCC power plants is the same as the EPA proposed in 2012 and is not continuously achievable. The preclusion of new coal-fired plants and the compliance difficulties posed for new natural gas-fired plants could have a significant industry-wide impact.

(PPL, LKE, LG&E and KU)

The EPA's Clean Power Plan

The EPA's rule for existing power plants, referred to as the Clean Power Plan, was published in the Federal Register in October 2015. The Rule contains state-specific rate-based and mass-based reduction goals and guidelines for the development, submission and implementation of state implementation plans to achieve the state goals. State-specific goals were calculated from 2012 data by applying EPA's broad interpretation and definition of the BSER, resulting in the most stringent targets to be met in 2030, with interim targets to be met beginning in 2022. The EPA believes it has offered some flexibility to the states as to how their compliance plans can be crafted, including the option to use a rate-based approach (limit emissions per megawatt hour) or a mass-based approach (limit total tons of emissions per year), and the option to demonstrate compliance through emissions trading and multi-state collaborations. Under the rate-based approach, Kentucky would need to make a 41% reduction from its 2012 emissions rate and under a mass-based approach it would need to make a 36% reduction. These reductions are significantly greater than initially proposed and present significant challenges to the state. If Kentucky fails to develop an approvable implementation plan by September 2016 (with the possibility of an extension until 2018), the EPA will impose a federal implementation plan that could be more stringent than what the state plan might provide. Depending on the provisions of the Kentucky implementation plan, LG&E and KU may need to modify their current portfolio of generating assets during the next decade and/or participate in an allowance trading program. LG&E and KU are participating in the ongoing regulatory processes at the state and federal level in an effort to provide input into the state or federal implementation plan that will govern reductions in Kentucky. PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact, if any, on plant operations, or future capital or operating needs. PPL, LKE, LG&E and KU believe that the costs, which could be significant, would be subject to cost recovery.

In April 2014, the Kentucky General Assembly passed legislation which limits the measures that the Kentucky Energy and Environment Cabinet may consider in setting performance standards to comply with the EPA's regulations governing GHG emissions from existing sources. The legislation provides that such state GHG performance standards shall be based on emission reductions, efficiency measures, and other improvements available at each power plant, rather than renewable energy, end-use energy efficiency, fuel switching and re-dispatch. These statutory restrictions may make it more difficult for Kentucky to achieve the GHG reduction levels that the EPA has established for Kentucky.

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 June 2011, the U.S. Supreme Court in the case of AEP v. Connecticut ruled that federal common law claims against five utility companies for allegedly causing a public nuisance as a result of their emissions of GHGs 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) upheld a district court ruling that plaintiffs did not have standing to pursue state common law claims against companies that emit GHGs. The plaintiffs in the Comer case later filed a substantially similar complaint against a larger group of companies which was subsequently dismissed by the U.S. District Court for the Southern District of Mississippi. The lower court's ruling was affirmed by the Fifth Circuit in May 2013. Additional litigation in federal and state courts over such issues is continuing. PPL, LKE, LG&E and KU cannot predict the outcome of these matters.

Water/Waste

Coal Combustion Residuals (CCRs)

On April 17, 2015, the EPA published its final rule regulating CCRs. CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. The rule became effective on October 19, 2015. It imposes extensive new requirements, including location restrictions, design and operating standards, groundwater monitoring and corrective action requirements and closure and post-closure care requirements on CCR impoundments and landfills that are located on active power plants and not closed. Under the rule, the EPA will regulate CCRs as non-hazardous under Subtitle D of RCRA and allow beneficial use of CCRs, with some restrictions. This self-implementing rule requires posting of compliance documentation on a publicly accessible website and is enforceable through citizen suits. LG&E's and KU's plants using surface impoundments for management and disposal of CCRs will be most impacted by this rule. The rule's requirements for covered CCR impoundments and landfills include commencement or completion of closure activities generally between three and ten years from certain triggering events. PPL, LKE, LG&E and KU also anticipate incurring capital or operation and maintenance costs prior to that time to address other provisions of the rule, such as groundwater monitoring and disposal facility modifications or closings, or to implement various compliance strategies.

In connection with the final CCR rule, LG&E and KU recorded increases to existing AROs during the three and nine months ending September 30, 2015. See Note 16 for additional information. Further increases to AROs or changes to current capital plans or to operating costs may be required as estimates are refined based on closure developments, groundwater monitoring results, and regulatory or legal proceedings. Costs relating to this rule are subject to rate recovery.

Trimble County Landfill

In May 2011, LG&E submitted an application for a special waste landfill permit to handle CCRs generated at the Trimble County plant. 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. 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. LG&E has also applied for other necessary regulatory approvals including a dredge and fill permit from the U.S. Army Corps of Engineers. LG&E and KU have responded to comments on the permit application submitted by EPA and other parties. PPL, LKE, LG&E and KU are unable to determine the potential impact of this matter until all permits are issued and any resulting legal challenges are concluded. See Note 6 for additional information on Kentucky Public Service Commission proceedings relating to the Trimble County Landfill.

Clean Water Act

Regulations under the federal Clean Water Act dictate permitting and mitigation requirements for many of LG&E's and KU's construction projects. Many of those requirements relate to power plant operations, including requirements related to the treatment of pollutants in effluents prior to discharge, the temperature of effluent discharges and the location, design and construction of cooling water intake structures at generating facilities, standards intended to protect aquatic organisms by reducing capture in the screens attached to cooling water intake structures (impingement) at generating facilities and the water volume brought into the facilities (entrainment). The requirements could impose significant costs which are subject to rate recovery.

Effluent Limitations Guidelines (ELGs)

On September 30, 2015, the EPA released its final effluent limitations guidelines for wastewater discharge permits for new and existing steam electric generating facilities. The rule provides strict technology-based discharge limitations for control of pollutants in scrubber wastewater, fly ash and bottom ash transport water, mercury control wastewater, gasification wastewater, and combustion residual leachate. The new guidelines require deployment of additional control technologies providing physical, chemical, and biological treatment of wastewaters. The guidelines also mandate operational changes including "no discharge" requirements for fly ash and bottom ash transport waters and mercury control wastewaters. The implementation date for individual generating stations will be determined by the states on a case-by-case basis according to criteria provided by the EPA, but the requirements of the rule must be fully implemented no later than 2023. It is not currently known how Kentucky intends to integrate the ELGs into its ongoing permit renewal process. LG&E and KU continue to assess the requirements of this complex rule to determine available compliance strategies. PPL, LKE, LG&E and KU are unable to fully estimate compliance costs or timing at this time although certain preliminary estimates are included in current capital forecasts, for applicable periods. Costs to comply with ELGs or other discharge limits, which are expected to be significant, are subject to rate recovery.

(PPL, LKE and LG&E)

Clean Water Act Section 316(b)

The EPA's final 316(b) rule for existing facilities became effective in October 2014, and regulates cooling water intake structures and their impact on aquatic organisms. States are allowed broad discretion to make site-specific determinations under the rule. The rule requires existing facilities to choose between several options to reduce the impact to aquatic organisms that become trapped against water intake screens (impingement) and to determine the intake structure's impact on aquatic organisms pulled through a plant's cooling water system (entrainment). Plants equipped with closed-cycle cooling, an acceptable option, would likely not incur substantial costs. Once-through systems would likely require additional technology to comply with the rule. Mill Creek Unit 1 is the only unit expected to be impacted. PPL, LKE, and LG&E are evaluating compliance strategies but do not presently expect the compliance costs, which are subject to rate recovery, to be significant.

(All Registrants)

Waters of the United States (WOTUS)

The U.S. Court of Appeals for the Sixth Circuit has issued a stay of EPA's rule on the definition of WOTUS pending the court's review of the rule. The effect of the stay is that the WOTUS rule is not currently in effect anywhere in the United

States. The ultimate outcome of the court's review of the rule remains uncertain. The Registrants had not expected the rule to have a significant impact on their operations, but were unable to predict the impact of the rule in light of the ongoing litigation, particularly in Pennsylvania where the rule could have resulted in significant project delays and added costs, as permits and other regulatory requirements could have been imposed for many activities not otherwise covered by permitting requirements (including vegetation management for transmission lines and activities affecting storm water conveyances and wetlands).

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 has postponed the release of the revised regulations to March 2016. 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.

(PPL, LKE, LG&E and KU)

In May 2010, the Kentucky Waterways Alliance and other environmental groups filed a petition with the Kentucky Energy and Environment Cabinet (KEEC) challenging the Kentucky Pollutant Discharge Elimination System permit issued in April 2010, which covers water discharges from the Trimble County plant. In November 2010, the KEEC issued a final order upholding the permit which was subsequently appealed by the environmental groups. In September 2013, the Franklin Circuit Court reversed the KEEC order upholding the permit and remanded the permit to the agency for further proceedings. LG&E and the KEEC appealed the order to the Kentucky Court of Appeals. In July 2015, the Court of Appeals upheld the lower court ruling. LG&E and the KEEC have moved for discretionary review by the Kentucky Supreme Court. PPL, LKE, LG&E and KU are unable to predict the outcome of this matter or the potential impact, if any, on plant operations or future capital or operating needs.

Superfund and Other Remediation *(All Registrants)*

PPL Electric is potentially responsible for costs at several sites listed by the EPA under the federal Superfund program, including the Columbia Gas Plant site, the Metal Bank site and the Brodhead site. Clean-up actions have been or are being undertaken at all of these sites, the costs of which have not been significant to PPL Electric. Should the EPA require different or additional measures in the future, however, or should PPL Electric's share of costs at multi-party sites increase substantially more than currently expected, the costs could be significant.

PPL Electric, LG&E and KU are investigating, responding to agency inquiries, remediating, or have completed the remediation of, several sites that were not addressed under a regulatory program such as Superfund, but for which PPL Electric, LG&E and KU may be liable for remediation. These include a number of former coal gas manufacturing plants in Pennsylvania and Kentucky previously owned or operated or currently owned by predecessors or affiliates of PPL Electric, LG&E and KU. To date, the costs of these sites have not been significant. There are additional sites, formerly owned or operated by PPL Electric, LG&E and KU predecessors or affiliates, 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 significant. 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.

From time to time, PPL's subsidiaries undertake remedial action in response to notices of violations, spills or other releases at various on-site and off-site locations, negotiate with the EPA and state and local agencies regarding actions necessary for compliance with applicable requirements, negotiate with property owners and other third parties alleging impacts from PPL's operations and undertake similar actions necessary to resolve environmental matters that arise in the course of normal operations. Based on analyses to date, resolution of these environmental matters is not expected to have a significant adverse impact on the operations of PPL Electric, LG&E and KU.

Future cleanup or remediation work at sites currently under review, or at sites not currently identified, may result in significant additional costs for PPL, PPL Electric, LKE, LG&E and KU.

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.

Other

Guarantees and Other Assurances

(All Registrants)

In the normal course of business, the Registrants enter into agreements that provide financial performance assurance to third parties on behalf of certain subsidiaries. Such agreements include, for example, guarantees, stand-by letters of credit issued by financial institutions and surety bonds issued by insurance companies. These agreements are entered into primarily to support or enhance the creditworthiness attributed to a subsidiary on a stand-alone basis or to facilitate the commercial activities in which these subsidiaries engage.

(PPL)

PPL fully and unconditionally guarantees all of the debt securities of PPL Capital Funding.

(All Registrants)

The table below details guarantees provided as of September 30, 2015. "Exposure" represents the estimated maximum potential amount of future payments that could be required to be made under the guarantee. The probability of expected payment/performance under each of these guarantees is remote except for "WPD guarantee of pension and other obligations of unconsolidated entities" and "Indemnification of lease termination and other divestitures." The total recorded liability at September 30, 2015 and December 31, 2014, was $24 million and $26 million for PPL and $19 million for LKE for both periods. For reporting purposes, on a consolidated basis, all guarantees of PPL Electric, LKE, LG&E and KU also apply to PPL, and all guarantees of LG&E and KU also apply to LKE.

	Exposure at September 30, 2015	Expiration Date
PPL		
Indemnifications related to the WPD Midlands acquisition	(a)	
WPD indemnifications for entities in liquidation and sales of assets	$ 11 (b)	2018
WPD guarantee of pension and other obligations of unconsolidated entities	116 (c)	
PPL Electric		
Guarantee of inventory value	36 (d)	2018
LKE		
Indemnification of lease termination and other divestitures	301 (e)	2021 - 2023
LG&E and KU		
LG&E and KU guarantee of shortfall related to OVEC	(f)	

(a) Indemnifications related to certain liabilities, including a specific unresolved tax issue and those relating to properties and assets owned by the seller that were transferred to WPD Midlands in connection with the acquisition. A cross indemnity has been received from the seller on the tax issue. The maximum exposure and expiration of these indemnifications cannot be estimated because the maximum potential liability is not capped and the expiration date is not specified in the transaction documents.

(b) Indemnification to the liquidators and certain others for existing liabilities or expenses or liabilities arising during the liquidation process. The indemnifications are limited to distributions made from the subsidiary to its parent either prior or subsequent to liquidation or are not explicitly stated in the agreements. The indemnifications generally expire two to seven years subsequent to the date of dissolution of the entities. The exposure noted only includes those cases where the agreements provide for specific limits.

In connection with their sales of various businesses, WPD and its affiliates have provided the purchasers with indemnifications that are standard for such transactions, including indemnifications for certain pre-existing liabilities and environmental and tax matters or have agreed to continue their obligations under existing third-party guarantees, either for a set period of time following the transactions or upon the condition that the purchasers make reasonable efforts to terminate the guarantees. Finally, WPD and its affiliates remain secondarily responsible for lease payments under certain leases that they have assigned to third parties.

(c) Relates to certain obligations of discontinued or modified electric associations that were guaranteed at the time of privatization by the participating members. Costs are allocated to the members and can be reallocated if an existing member becomes insolvent. At September 30, 2015, WPD has recorded an estimated discounted liability for which the expected payment/performance is probable. Neither the expiration date nor the maximum amount of potential payments for certain obligations is explicitly stated in the related agreements, and as a result, the exposure has been estimated.

(d) A third party logistics firm provides inventory procurement and fulfillment services. The logistics firm has title to the inventory, however, upon termination of the contracts, PPL Electric has guaranteed to purchase any remaining inventory that has not been used or sold.

(e) LKE provides certain indemnifications covering the due and punctual payment, performance and discharge by each party of its respective obligations. The most comprehensive of these guarantees is the LKE guarantee covering operational, regulatory and environmental commitments and indemnifications made by WKE under a 2009 Transaction Termination Agreement. This guarantee has a term of 12 years ending July 2021, and a maximum exposure of $200 million, exclusive of certain items such as government fines and penalties that fall outside the cap. Another WKE-related LKE guarantee covers other indemnifications related to the purchase price of excess power, has a term expiring in 2023, and a maximum exposure of $100 million. In May 2012, LKE's indemnitee received an unfavorable arbitration panel's decision interpreting this matter. In October 2014, LKE's indemnitee filed a motion for discretionary review with the Kentucky Supreme Court seeking to overturn the arbitration decision, and such motion was denied by the court in September 2015. In September 2015, a counterparty issued a demand letter to LKE's indemnitee. LKE does not believe appropriate contractual, legal or commercial grounds exist for the claim made and anticipates the indemnitee to dispute the demand. LKE believes its indemnification obligations in the WKE matter remain subject to various uncertainties, including additional legal and contractual developments, as well as future prices, availability and demand for the subject excess power. The ultimate outcomes of the WKE termination-related indemnifications cannot be predicted at this time. Additionally, LKE has indemnified various third parties related to historical obligations for other divested subsidiaries and affiliates. The indemnifications vary by entity and the maximum exposures range from being capped at the sale price to no specified maximum; LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. LKE cannot predict the ultimate outcomes of the indemnification circumstances, but does not currently expect such outcomes to result in significant losses above the amounts recorded.

(f) Pursuant to the OVEC power purchase contract, LG&E and KU are obligated to pay for their share of OVEC's excess debt service, post-retirement and decommissioning costs, as well as any shortfall from amounts currently included within a demand charge designed and currently expected to cover these costs over the term of the contract. The maximum exposure and the expiration date of these potential obligations are not presently determinable. See "Energy Purchase Commitments" and "Guarantees and Other Assurances" in Note 13 in PPL's, LKE's, LG&E's and KU's 2014 Form 10-K for additional information on the OVEC power purchase contract.

The Registrants provide other miscellaneous guarantees through contracts entered into in the normal course of business. These guarantees are primarily in the form of indemnification or warranties related to services or equipment and vary in duration. The amounts of these guarantees often are not explicitly stated, and the overall maximum amount of the obligation under such guarantees cannot be reasonably estimated. Historically, no significant payments have been made with respect to these types of guarantees and the probability of payment/performance under these guarantees is remote.

PPL, on behalf of itself and certain of its subsidiaries, maintains insurance that covers liability assumed under contract for bodily injury and property damage. The coverage provides maximum aggregate coverage of $225 million. This insurance may be applicable to obligations under certain of these contractual arrangements.

11. Related Party Transactions

PLR Contracts/Purchase of Accounts Receivable *(PPL Electric)*

PPL Electric holds competitive solicitations for PLR generation supply. PPL EnergyPlus was awarded a portion of the PLR generation supply through these competitive solicitations. The purchases from PPL EnergyPlus are included in PPL Electric's Statements of Income as "Energy purchases from affiliate" through May 31, 2015, the period through which PPL Electric and PPL EnergyPlus were affiliated entities. As a result of the June 1, 2015 spinoff of PPL Energy Supply and creation of Talen Energy, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are included as purchases from an unaffiliated third party.

Under the standard Default Service Supply Master Agreement for the solicitation process, PPL Electric requires all suppliers to post collateral once credit exposures exceed defined credit limits. Wholesale suppliers are required to post collateral with PPL Electric when: (a) the market price of electricity to be delivered by the wholesale suppliers exceeds the contract price for the forecasted quantity of electricity to be delivered; and (b) this market price exposure exceeds a contractual credit limit. 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 2 for additional information regarding PPL Electric's purchases of accounts receivable from alternative suppliers, including Talen Energy Marketing. See Note 8 for additional information regarding the spinoff of PPL Energy Supply.

Support Costs *(PPL Electric, LKE, LG&E and KU)*

PPL Services and LKS provide their respective PPL and LKE subsidiaries with administrative, management and support services. In 2015, PPL EU Services was formed to provide the majority of financial, supply chain, human resources and facilities management services primarily to PPL Electric. PPL Services will continue to provide certain corporate functions. For all service companies, the costs of these services are charged to the respective recipients as direct support costs. General costs that cannot be directly attributed to a specific entity are allocated and charged to the respective recipients as indirect support costs. PPL Services and PPL EU Services use a three-factor methodology that includes the applicable recipients' invested capital, operation and maintenance expenses and number of employees to allocate indirect costs. LKS bases its indirect allocations on the subsidiaries' number of employees, total assets, revenues, number of customers and/or other statistical information. PPL Services, PPL EU Services and LKS expensed the following amounts for the periods ended September 30, and believe these amounts are reasonable, including amounts applied to accounts that are further distributed between capital and expense.

	Three Months		Nine Months	
	2015	2014	2015	2014
PPL Electric from PPL Services	$ 35	$ 34	$ 90	$ 113
LKE from PPL Services	4	3	12	11
PPL Electric from PPL EU Services	12		44	
LG&E from LKS	36	36	107	103
KU from LKS	43	43	127	120

In addition to the charges for services noted above, LKS makes payments on behalf of LG&E and KU for fuel purchases and other costs for products or services provided by third parties. LG&E and KU also provide services to each other and to LKS. Billings between LG&E and KU relate to labor and overheads associated with union and hourly employees performing work for the other company, charges related to jointly-owned generating units and other miscellaneous charges. Tax settlements between LKE and LG&E and LKE and KU are reimbursed through LKS.

Intercompany Borrowings *(LKE)*

LKE maintains a $225 million revolving line of credit with a PPL Energy Funding subsidiary whereby LKE can borrow funds on a short-term basis at market-based rates. At September 30, 2015 and December 31, 2014, $62 million and $41 million were outstanding and were reflected in "Notes payable with affiliates" on the consolidated Balance Sheets. The interest rate on borrowings is equal to one-month LIBOR plus a spread. The interest rates on the outstanding borrowing at September 30, 2015 and December 31, 2014 were 1.70% and 1.65%. Interest on the revolving line of credit was not significant for the three and nine months ended September 30, 2015 and 2014.

Intercompany Derivatives *(LKE, LG&E and KU)*

Periodically, LG&E and KU enter 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 *(PPL Electric, LG&E and KU)*

See Note 9 for discussions regarding intercompany allocations associated with defined benefits.

12. Other Income (Expense) - net

(PPL)

"Other Income (Expense) - net" for the three and nine months ended September 30, 2015 and 2014 consisted primarily of gains on foreign currency exchange contracts to economically hedge the earnings translation risk of WPD's earnings denominated in British pound sterling. See Note 14 for additional information on these derivatives.

13. Fair Value Measurements

(All Registrants)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models), and/or a cost approach (generally, replacement cost) are used to measure the fair value of an asset or liability, as appropriate. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk. The fair value of a group of financial assets and liabilities is measured on a net basis. Transfers between levels are recognized at end-of-reporting-period values. During the three and nine months ended September 30, 2015 and 2014, there were no transfers between Level 1 and Level 2. See Note 1 in each Registrant's 2014 Form 10-K for information on the levels in the fair value hierarchy.

Recurring Fair Value Measurements

The assets and liabilities measured at fair value, excluding assets and liabilities of discontinued operations at December 31, 2014, were:

	September 30, 2015				December 31, 2014			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	$ 981	$ 981			$ 1,399	$ 1,399		
Short-term investments					120	120		
Restricted cash and cash equivalents (a)	36	36			31	31		
Price risk management assets (b):								
Interest rate swaps	1		$ 1					
Foreign currency contracts	169		169		130		$ 130	
Cross-currency swaps	61		61		29		28	$ 1
Total price risk management assets	231		231		159		158	1
Auction rate securities (c)	1			$ 1	2			2
Total assets	$ 1,249	$ 1,017	$ 231	$ 1	$ 1,711	$ 1,550	$ 158	$ 3
Liabilities								
Price risk management liabilities (b):								
Interest rate swaps	$ 82		$ 82		$ 156		$ 156	
Foreign currency contracts	7		7		2		2	
Cross-currency swaps					3		3	
Total price risk management liabilities	$ 89		$ 89		$ 161		$ 161	
PPL Electric								
Assets								
Cash and cash equivalents	$ 26	$ 26			$ 214	$ 214		
Restricted cash and cash equivalents (a)	2	2			3	3		
Total assets	$ 28	$ 28			$ 217	$ 217		
LKE								
Assets								
Cash and cash equivalents	$ 455	$ 455			$ 21	$ 21		
Cash collateral posted to counterparties (d)	10	10			21	21		
Total assets	$ 465	$ 465			$ 42	$ 42		
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 50		$ 50		$ 114		$ 114	
Total price risk management liabilities	$ 50		$ 50		$ 114		$ 114	

	September 30, 2015				December 31, 2014			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
LG&E								
Assets								
Cash and cash equivalents	$ 180	$ 180			$ 10	$ 10		
Cash collateral posted to counterparties (d)	10	10			21	21		
Total assets	$ 190	$ 190			$ 31	$ 31		
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 50		$ 50		$ 81		$ 81	
Total price risk management liabilities	$ 50		$ 50		$ 81		$ 81	
KU								
Assets								
Cash and cash equivalents	$ 275	$ 275			$ 11	$ 11		
Total assets	$ 275	$ 275			$ 11	$ 11		
Liabilities								
Price risk management liabilities:								
Interest rate swaps					$ 33		$ 33	
Total price risk management liabilities					$ 33		$ 33	

(a) Current portion is included in "Other current assets" and long-term portion is included in "Other noncurrent assets" on the Balance Sheets.
(b) Included in "Other current assets", "Other current liabilities", "Other noncurrent assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.
(c) Included in "Other noncurrent assets" on the Balance Sheets.
(d) Included in "Other noncurrent assets" on the Balance Sheets. Represents cash collateral posted to offset the exposure with counterparties related to certain interest rate swaps under master netting arrangements that are not offset.

Price Risk Management Assets/Liabilities - Interest Rate Swaps/Foreign Currency Contracts/Cross-Currency Swaps (*PPL, LKE, LG&E and KU)*

To manage interest rate risk, PPL, LKE, LG&E and KU use interest rate contracts such as forward-starting swaps, floating-to-fixed swaps and fixed-to-floating swaps. To manage foreign currency exchange risk, PPL uses foreign currency contracts such as forwards, options and cross-currency swaps that contain characteristics of both interest rate and foreign currency contracts. An income approach is used to measure the fair value of these contracts, utilizing readily observable inputs, such as forward interest rates (e.g., LIBOR and government security rates) and forward foreign currency exchange rates (e.g., GBP), as well as inputs that may not be observable, such as credit valuation adjustments. In certain cases, market information cannot practicably be obtained to value credit risk and therefore internal models are relied upon. These models use projected probabilities of default and estimated recovery rates based on historical observances. When the credit valuation adjustment is significant to the overall valuation, the contracts are classified as Level 3. Cross-currency swaps are valued by PPL's Treasury department, which reports to the Chief Financial Officer (CFO). Accounting personnel, who also 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 (*PPL)*

See Note 8 for information regarding the estimated fair value of the Supply segment's net assets as of the June 1, 2015 spinoff date.

Financial Instruments Not Recorded at Fair Value *(All Registrants)*

The carrying amounts of long-term debt on the Balance Sheets and their estimated fair values are set forth below, excluding long-term debt of discontinued operations at December 31, 2014. The fair values were estimated using an income approach by discounting future cash flows at estimated current cost of funding rates, which incorporate the credit risk of the Registrants. Long-term debt is classified as Level 2. The effect of third-party credit enhancements is not included in the fair value measurement.

	September 30, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
PPL	$ 19,205	$ 21,184	$ 18,173	$ 20,466
PPL Electric	2,603	2,882	2,602	2,990
LKE	5,617	5,927	4,567	4,946
LG&E	1,903	1,978	1,353	1,455
KU	2,591	2,763	2,091	2,313

The carrying value of short-term debt (including notes between affiliates), when outstanding, approximates fair value due to the variable interest rates associated with the short-term debt and is classified as Level 2.

14. Derivative Instruments and Hedging Activities

Risk Management Objectives

(All Registrants)

PPL has a risk management policy approved by the Board of Directors to manage market risk associated with commodities, interest rates on debt issuances and foreign exchange (including price, liquidity and volumetric risk) and credit risk (including non-performance risk and payment default risk). The 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, verification of risk and transaction limits, VaR analyses and the coordination and reporting of the Enterprise Risk Management (ERM) program.

Market Risk

Market risk includes the potential loss that may be incurred as a result of price changes associated with a particular financial or commodity instrument as well as market liquidity and volumetric risks. Forward contracts, futures contracts, options, swaps and structured transactions are utilized as part of risk management strategies to minimize unanticipated fluctuations in earnings caused by changes in commodity prices, volumes of full-requirement sales contracts, basis exposure, interest rates and foreign currency exchange rates. Many of the contracts meet the definition of a derivative. All derivatives are recognized on the Balance Sheets at their fair value, unless NPNS is elected.

The following summarizes the market risks that affect PPL and its Subsidiary Registrants.

Interest rate risk

- PPL and its subsidiaries are exposed to interest rate risk associated with forecasted fixed-rate and existing floating-rate debt issuances. PPL and WPD hold over-the-counter cross currency swaps to limit exposure to market fluctuations on interest and principal payments from changes in foreign currency exchange rates and interest rates. LG&E utilizes over-the-counter interest rate swaps to limit exposure to market fluctuations on floating-rate debt. PPL, LG&E and KU utilize forward starting interest rate swaps to hedge changes in benchmark interest rates, when appropriate, in connection with future debt issuances.

- PPL and its subsidiaries are exposed to interest rate risk associated with debt securities held by defined benefit plans. This risk is significantly mitigated to the extent that the plans are sponsored at, or sponsored on behalf of, the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place.

Foreign currency risk

- PPL is exposed to foreign currency exchange risk primarily associated with its investments in and earnings of U.K. affiliates.

Commodity price risk

- PPL is exposed to commodity price risk through its domestic subsidiaries as described below. WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K.

- PPL Electric is exposed to commodity price risk from its obligation as PLR; however, its PUC-approved cost recovery mechanism substantially eliminates its exposure to this risk. PPL Electric also mitigates its exposure to 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.

- LG&E's and KU's rates include certain mechanisms for fuel and fuel-related expenses. In addition, LG&E's rates include certain mechanisms for natural gas supply. These mechanisms generally provide for timely recovery of market price and volumetric fluctuations associated with these expenses.

Equity securities price risk

- PPL and its subsidiaries are exposed to equity securities price risk associated with defined benefit plans. This risk is significantly mitigated at the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place.

- PPL is exposed to equity securities price risk from future stock sales and/or purchases.

Credit Risk

Credit risk is the potential loss that may be incurred due to a counterparty's non-performance.

PPL is exposed to credit risk from "in-the-money" interest rate and foreign currency derivatives with financial institutions, as well as additional credit risk through certain of its subsidiaries, as discussed below.

In the event a supplier of LKE (through its subsidiaries LG&E and KU) or PPL Electric defaults on its obligation, those entities would be required to seek replacement power or replacement fuel in the market. In general, subject to regulatory review or other processes, appropriate incremental costs incurred by these entities would be recoverable from customers through applicable rate mechanisms, thus mitigating the financial risk for these entities.

PPL and its subsidiaries have credit policies in place to manage credit risk, including the use of an established credit approval process, daily monitoring of counterparty positions and the use of master netting agreements or provisions. These agreements generally include credit mitigation provisions, such as margin, prepayment or collateral requirements. PPL and its subsidiaries may request additional credit assurance, in certain circumstances, in the event that the counterparties' credit ratings fall below investment grade, their tangible net worth falls below specified percentages or their exposures exceed an established credit limit.

Master Netting Arrangements

Net derivative positions on the balance sheets are not offset against the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) under master netting arrangements.

PPL, LKE, LG&E and KU had no obligation to return cash collateral under master netting arrangements at September 30, 2015 and December 31, 2014.

PPL, LKE and LG&E posted $10 million and $21 million of cash collateral under master netting arrangements at September 30, 2015 and December 31, 2014.

KU did not post any cash collateral under master netting arrangements at September 30, 2015 and December 31, 2014.

See "Offsetting Derivative Instruments" below for a summary of derivative positions presented in the balance sheets where a right of setoff exists under these arrangements.

Interest Rate Risk

(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 debt portfolio due to changes in benchmark interest rates.

Cash Flow Hedges

(PPL)

Interest rate risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financings. Financial interest rate swap contracts that qualify as cash flow hedges may be entered into to hedge floating interest rate risk associated with both existing and anticipated debt issuances. At September 30, 2015, outstanding interest rate swaps contracts range in maturity through 2026 for WPD and through 2016 for PPL's domestic interest rate swaps. These swaps held an aggregate notional value of $792 million, of which £320 million (approximately $492 million based on spot rates) was related to WPD.

At September 30, 2015, PPL held an aggregate notional value in cross-currency interest rate swap contracts of $1.3 billion that range in maturity from 2016 through 2028 to hedge the interest payments and principal of WPD's U.S. dollar-denominated senior notes.

For the three months ended September 30, 2015, PPL had an insignificant amount of hedge ineffectiveness associated with interest rate derivatives and no hedge ineffectiveness for the three months ended September 30, 2014. For the nine months ended September 30, 2015 and 2014, PPL had an insignificant amount of hedge ineffectiveness associated with interest rate derivatives.

Cash flow hedges are discontinued if it is no longer probable that the original forecasted transaction will occur by the end of the originally specified time period and any amounts previously recorded in AOCI are reclassified into earnings once it is determined that the hedged transaction is probable of not occurring.

As a result of the June 1, 2015 spinoff of PPL Energy Supply, all PPL cash flow hedges associated with PPL Energy Supply were ineffective and discontinued and therefore, reclassified into earnings during the second quarter of 2015 and reflected in discontinued operations for the nine months ended September 30, 2015. See Note 8 for additional information.

For PPL's remaining cash flow hedges, for the three months ended September 30, 2015 and 2014 and the nine months ended September 30, 2015, PPL had no cash flow hedges reclassified into earnings associated with discontinued cash flow hedges. For the nine months ended September 30, 2014, PPL had an insignificant amount reclassified into earnings associated with discontinued cash flow hedges.

At September 30, 2015, the accumulated net unrecognized after-tax gains (losses) on qualifying derivatives that are expected to be reclassified into earnings during the next 12 months were insignificant. Amounts are reclassified as the hedged interest expense is recorded.

(LKE, LG&E and KU)

Periodically, LG&E and KU enter into forward-starting interest rate swaps with PPL that have terms identical to forward-starting swaps entered into by PPL with third parties. It is probable that realized gains and losses on all of these swaps will be recoverable through regulated rates; as such, any gains and losses on these derivatives are included in regulatory assets or liabilities and will be recognized in "Interest Expense" on the Statements of Income over the life of the underlying debt at the time the underlying hedged interest expense is recorded. In September 2015, first mortgage bonds totaling $1.05 billion were issued (LG&E issued $550 million and KU issued $500 million) and all outstanding forward-starting interest rate swaps were terminated. Net cash settlements of $88 million were paid on the swaps that were terminated (LG&E and KU each paid $44 million). The settlements are included in "Regulatory assets" (noncurrent) on the Balance Sheets and "Cash Flows from Operating Activities" on the Statements of Cash Flows.

Economic Activity *(PPL, LKE and LG&E)*

LG&E enters into interest rate swap contracts that economically hedge interest payments on variable rate debt. Because realized gains and losses from the swaps, including a terminated swap contract, are recoverable through regulated rates, any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities until they are realized as interest expense. Realized gains and losses are recognized in "Interest Expense" on the Statements of Income at the time the underlying hedged interest expense is recorded. At September 30, 2015, LG&E held contracts with a notional amount of $179 million that range in maturity through 2033.

Foreign Currency Risk

(PPL)

PPL is exposed to foreign currency risk, primarily through investments in and earnings of U.K. affiliates. PPL has adopted a foreign currency risk management program designed to hedge certain foreign currency exposures, including firm commitments, recognized assets or liabilities, anticipated transactions and net investments. In addition, PPL enters into financial instruments to protect against foreign currency translation risk of expected GBP earnings.

Net Investment Hedges

PPL enters into foreign currency contracts on behalf of a subsidiary to protect the value of a portion of its net investment in WPD. The contracts outstanding at September 30, 2015 had a notional amount of £134 million (approximately $221 million based on contracted rates). The settlement dates of these contracts range from November 2015 through June 2016.

At September 30, 2015, PPL had $18 million of accumulated net investment hedge after tax gains (losses) that were included in the foreign currency translation adjustment component of AOCI, compared to $14 million at December 31, 2014.

Economic Activity

PPL enters into foreign currency contracts on behalf of a subsidiary to economically hedge GBP-denominated anticipated earnings. At September 30, 2015, the total exposure hedged by PPL was approximately £1.7 billion (approximately $2.7 billion based on contracted rates). These contracts had termination dates ranging from October 2015 through December 2017.

Accounting and Reporting

(All Registrants)

All derivative instruments are recorded at fair value on the Balance Sheet as an asset or liability unless NPNS is elected. NPNS contracts for PPL and PPL Electric include certain full-requirement purchase contracts and other physical purchase contracts. Changes in the fair value of derivatives not designated as NPNS are recognized currently in earnings unless specific hedge accounting criteria are met and designated as such, except for the changes in fair values of LG&E's and KU's interest rate swaps that are recognized as regulatory assets or regulatory liabilities. See Note 6 for amounts recorded in regulatory assets and regulatory liabilities at September 30, 2015 and December 31, 2014.

See Notes 1 and 17 in each Registrant's 2014 Form 10-K for additional information on accounting policies related to derivative instruments.

(PPL)

The following table presents the fair value and location of derivative instruments recorded on the Balance Sheets, excluding derivative instruments of discontinued operations.

	September 30, 2015				December 31, 2014			
	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments		Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current:								
Price Risk Management Assets/Liabilities (a):								
Interest rate swaps (b)	$ 1	$ 31		$ 5		$ 94		$ 5
Cross-currency swaps (b)	26					3		
Foreign currency contracts	19		$ 76	6	$ 12		$ 67	
Total current	46	31	76	11	12	97	67	5
Noncurrent:								
Price Risk Management Assets/Liabilities (a):								
Interest rate swaps (b)		1		45		14		43
Cross-currency swaps (b)	35				29			
Foreign currency contracts			74	1	5		46	2
Total noncurrent	35	1	74	46	34	14	46	45
Total derivatives	$ 81	$ 32	$ 150	$ 57	$ 46	$ 111	$ 113	$ 50

(a) Included in "Other current assets", "Other current liabilities", "Other noncurrent assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.
(b) Excludes accrued interest, if applicable.

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities for the periods ended September 30, 2015.

				Three Months		Nine Months	
Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion) Three Months	Derivative Gain (Loss) Recognized in OCI (Effective Portion) Nine Months	Location of Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Cash Flow Hedges:							
Interest rate swaps	$ (27)	$ (29)	Interest expense	$ (2)		$ (9)	
			Discontinued operations				$ (77)
Cross-currency swaps	(3)	33	Interest expense	(1)		1	
			Other income (expense) - net	(10)		22	
Commodity contracts			Discontinued operations			13	7
Total	$ (30)	$ 4		$ (13)		$ 27	$ (70)
Net Investment Hedges:							
Foreign currency contracts	$ 7	$ 6					

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Nine Months
Foreign currency contracts	Other income (expense) - net	$ 78	$ 64
Interest rate swaps	Interest expense	(2)	(6)
	Total	$ 76	$ 58

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (5)	$ (2)

Derivatives Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (42)	$ (22)

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI, or regulatory assets and regulatory liabilities for the periods ended September 30, 2014.

				Three Months		Nine Months	
Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion) Three Months	Derivative Gain (Loss) Recognized in OCI (Effective Portion) Nine Months	Location of Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Cash Flow Hedges:							
Interest rate swaps	$ (5)	$ (65)	Interest expense	$ (5)		$ (14)	$ 2
Cross-currency swaps	(2)	(18)	Interest expense			1	
			Other income (expense) - net	12		(17)	
Commodity contracts			Discontinued operations	8		30	
Total	$ (7)	$ (83)		$ 15		$	$ 2
Net Investment Hedges:							
Foreign currency contracts	$ 25	$ 7					

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Nine Months
Foreign currency contracts	Other income (expense) - net	$ 134	$ 38
Interest rate swaps	Interest expense	(2)	(6)
	Total	$ 132	$ 32

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent		$ (6)

Derivatives Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (4)	$ (4)
	Regulatory liabilities - noncurrent	$ 6	$ 6

(LKE)

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	September 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps				$ 66

(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 assets for the periods ended September 30, 2015.

Derivative Instruments	Location of Gain (Loss)	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (42)	$ (22)

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets and liabilities for the periods ended September 30, 2014.

Derivative Instruments	Location of Gain (Loss)	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (4)	$ (4)

Derivative Instruments	Location of Gain (Loss)	Three Months	Nine Months
Interest rate swaps	Regulatory liabilities - noncurrent	$ 6	$ 6

(LG&E)

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	September 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps				$ 33

(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 assets for the periods ended September 30, 2015.

Derivative Instruments	Location of Gain (Loss)	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (21)	$ (11)

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets and liabilities for the periods ended September 30, 2014.

Derivative Instruments	Location of Gain (Loss)	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (2)	$ (2)

Derivative Instruments	Location of Gain (Loss)	Three Months	Nine Months
Interest rate swaps	Regulatory liabilities - noncurrent	$ 3	$ 3

(KU)

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	September 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps				$ 33

(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 assets for the periods ended September 30, 2015.

Derivative Instruments	Location of Gain (Loss)	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (21)	$ (11)

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets and liabilities for the periods ended September 30, 2014.

Derivative Instruments	Location of Gain (Loss)	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (2)	$ (2)

Derivative Instruments	Location of Gain (Loss)	Three Months	Nine Months
Interest rate swaps	Regulatory liabilities - noncurrent	$ 3	$ 3

(LKE and LG&E)

The following table presents the fair value and the location on the Balance Sheets of derivatives not designated as hedging instruments.

	September 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps		$ 5		$ 5
Total current		5		5
Noncurrent:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps		45		43
Total noncurrent		45		43
Total derivatives		$ 50		$ 48

(a) Represents the location on the Balance Sheets.

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets for the periods ended September 30, 2015.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months	Nine Months
Interest rate swaps	Interest expense	$ (2)	$ (6)

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (5)	$ (2)

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets for the periods ended September 30, 2014.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months	Nine Months
Interest rate swaps	Interest expense	$ (2)	$ (6)

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent		$ (6)

(PPL, LKE, LG&E and KU)

Offsetting Derivative Instruments

PPL, LKE, LG&E and KU or certain of their subsidiaries have master netting arrangements in place and also enter into agreements pursuant to which they purchase or sell certain energy and other products. Under the agreements, upon termination of the agreement as a result of a default or other termination event, the non-defaulting party typically would have a right to set off amounts owed under the agreement against any other obligations arising between the two parties (whether under the agreement or not), whether matured or contingent and irrespective of the currency, place of payment or place of booking of the obligation.

PPL, LKE, LG&E and KU have elected not to offset derivative assets and liabilities and not to offset net derivative positions against the right to reclaim cash collateral pledged (an asset) or the obligation to return cash collateral received (a liability) under derivatives agreements. The table below summarizes the derivative positions presented in the balance sheets where a right of setoff exists under these arrangements and related cash collateral received or pledged.

	Assets				Liabilities			
		Eligible for Offset				Eligible for Offset		
	Gross	Derivative Instruments	Cash Collateral Received	Net	Gross	Derivative Instruments	Cash Collateral Pledged	Net
September 30, 2015								
Treasury Derivatives								
PPL	$ 231	$ 33		$ 198	$ 89	$ 33	$ 10	$ 46
LKE					50		10	40
LG&E					50		10	40
December 31, 2014								
Treasury Derivatives								
PPL	$ 159	$ 65		$ 94	$ 161	$ 65	$ 21	$ 75
LKE					114		20	94
LG&E					81		20	61
KU					33			33

Credit Risk-Related Contingent Features

Certain derivative contracts contain credit risk-related contingent features which, when in a net liability position, would permit the counterparties to require the transfer of additional collateral upon a decrease in the credit ratings of PPL, LKE, LG&E and KU or certain of their subsidiaries. Most of these features would require the transfer of additional collateral or permit the counterparty to terminate the contract if the applicable credit rating were to fall below investment grade. Some of these features also would allow the counterparty to require additional collateral upon each downgrade in credit rating at levels that remain above investment grade. In either case, if the applicable credit rating were to fall below investment grade, and assuming no assignment to an investment grade affiliate were allowed, most of these credit contingent features require either immediate payment of the net liability as a termination payment or immediate and ongoing full collateralization on derivative instruments in net liability positions.

Additionally, certain derivative contracts contain credit risk-related contingent features that require adequate assurance of performance be provided if the other party has reasonable concerns regarding the performance of PPL's, LKE's, LG&E's, and KU's obligations under the contracts. A counterparty demanding adequate assurance could require a transfer of additional collateral or other security, including letters of credit, cash and guarantees from a creditworthy entity. This would typically involve negotiations among the parties. However, amounts disclosed below represent assumed immediate payment or immediate and ongoing full collateralization for derivative instruments in net liability positions with "adequate assurance" features.

(PPL, LKE and LG&E)

At September 30, 2015, derivative contracts in a net liability position that contain credit risk-related contingent features, collateral posted on those positions and the related effect of a decrease in credit ratings below investment grade are summarized as follows:

	PPL		LKE		LG&E	
Aggregate fair value of derivative instruments in a net liability position with credit risk-related contingent features	$	32	$	30	$	30
Aggregate fair value of collateral posted on these derivative instruments		10		10		10
Aggregate fair value of additional collateral requirements in the event of a credit downgrade below investment grade (a)		22		20		20

(a) Includes the effect of net receivables and payables already recorded on the Balance Sheet.

15. Goodwill

(PPL)

The change in the carrying amount of goodwill for the nine months ended September 30, 2015 was due to the effect of foreign currency exchange rates on the U.K. Regulated segment.

16. Asset Retirement Obligations

(PPL, LKE, LG&E and KU)

The changes in the carrying amounts of AROs were as follows.

	PPL		LKE		LG&E		KU	
Balance at December 31, 2014	$	336	$	285	$	74	$	211
Accretion		14		13		4		9
Changes in estimated cash flow or settlement date		221		221		83		138
Effect of foreign currency exchange rates		(1)						
Obligations settled		(5)		(5)		(4)		(1)
Balance at September 30, 2015	$	565	$	514	$	157	$	357

Substantially all of the ARO balances are classified as noncurrent at September 30, 2015 and December 31, 2014.

In connection with the final CCR rule, LG&E and KU recorded increases to the existing AROs of $57 million ($36 million at LG&E and $21 million at KU) and $219 million ($81 million at LG&E and $138 million at KU) during the three and nine months ended September 30, 2015 due to revisions in the timing and amounts of future expected cash flows. An updated engineering study based on the final rule was performed in the third quarter providing further clarity on the projected CCR closure costs and resulted in a revision to the estimate recorded in June. Further increases to AROs or changes to current capital plans or to operating costs may be required as estimates of future cash flows are refined based on closure developments, groundwater monitoring results and regulatory or legal proceedings. PPL, LKE, LG&E and KU believe relevant costs relating to this rule are subject to rate recovery. See Note 10 for information on the final CCR rule.

LG&E's and KU's accretion and ARO-related depreciation expense are recorded as a regulatory asset, such that there is no net earnings impact.

17. Accumulated Other Comprehensive Income (Loss)

(PPL and LKE)

The after-tax changes in AOCI by component for the periods ended September 30 were as follows.

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	Foreign currency translation adjustments	Unrealized gains (losses): Available-for-sale securities	Unrealized gains (losses): Qualifying derivatives	Equity investees' AOCI	Defined benefit plans: Prior service costs	Defined benefit plans: Actuarial gain (loss)	Defined benefit plans: Transition asset (obligation)	Total
PPL								
June 30, 2015	$ (435)		$ 2		$ (3)	$ (1,849)	$ 1	$ (2,284)
Amounts arising during the period	52		(19)					33
Reclassifications from AOCI			10			35		45
Net OCI during the period	52		(9)			35		78
September 30, 2015	$ (383)		$ (7)		$ (3)	$ (1,814)	$ 1	$ (2,206)
December 31, 2014	$ (286)	$ 202	$ 20	$ 1	$ 3	$ (2,215)	$ 1	$ (2,274)
Amounts arising during the period	(97)	7	8		(6)	52		(36)
Reclassifications from AOCI		(2)	20	(1)		111		128
Net OCI during the period	(97)	5	28	(1)	(6)	163		92
Distribution of PPL Energy Supply (Note 8)		(207)	(55)			238		(24)
September 30, 2015	$ (383)	$	$ (7)	$	$ (3)	$ (1,814)	$ 1	$ (2,206)
June 30, 2014	$ 117	$ 190	$ 61	$ 1	$ (4)	$ (1,764)	$ 1	$ (1,398)
Amounts arising during the period	(48)	(1)	(5)			(1)		(55)
Reclassifications from AOCI		(3)	(12)		1	29		15
Net OCI during the period	(48)	(4)	(17)		1	28		(40)
September 30, 2014	$ 69	$ 186	$ 44	$ 1	$ (3)	$ (1,736)	$ 1	$ (1,438)
December 31, 2013	$ (11)	$ 173	$ 94	$ 1	$ (6)	$ (1,817)	$ 1	$ (1,565)
Amounts arising during the period	80	18	(52)			(3)		43
Reclassifications from AOCI		(5)	2		3	84		84
Net OCI during the period	80	13	(50)		3	81		127
September 30, 2014	$ 69	$ 186	$ 44	$ 1	$ (3)	$ (1,736)	$ 1	$ (1,438)
LKE								
June 30, 2015				$ (1)	$ (7)	$ (44)		$ (52)
Reclassifications from AOCI						1		1
Net OCI during the period						1		1
September 30, 2015				$ (1)	$ (7)	$ (43)		$ (51)
December 31, 2014					$ (8)	$ (37)		$ (45)
Amounts arising during the period						(8)		(8)
Reclassifications from AOCI				$ (1)	1	2		2
Net OCI during the period				(1)	1	(6)		(6)
September 30, 2015				$ (1)	$ (7)	$ (43)		$ (51)
June 30, 2014					$ (2)	$ 12		$ 10
Net OCI during the period								
September 30, 2014					$ (2)	$ 12		$ 10
December 31, 2013				$ 1	$ (2)	$ 14		$ 13
Amounts arising during the period						(2)		(2)
Reclassifications from AOCI				(1)				(1)
Net OCI during the period				(1)		(2)		(3)
September 30, 2014				$	$ (2)	$ 12		$ 10

(PPL)

The following table presents the gains (losses) and related income taxes for reclassifications from AOCI for the periods ended September 30. The defined benefit plan components of AOCI are not reflected in their entirety in the statement of income during the periods; rather, they are included in the computation of net periodic defined benefit costs (credits). See Note 9 for additional information.

Details about AOCI	Three Months 2015	Three Months 2014	Nine Months 2015	Nine Months 2014	Affected Line Item on the Statements of Income
Available-for-sale securities		$ 7	$ 4	$ 11	Other Income (Expense) - net
Total Pre-tax		7	4	11	
Income Taxes		(4)	(2)	(6)	
Total After-tax		3	2	5	
Qualifying derivatives					
Interest rate swaps	$ (2)	(5)	(9)	(12)	Interest Expense
			(77)		Discontinued operations
Cross-currency swaps	(10)	12	22	(17)	Other Income (Expense) - net
	(1)		1	1	Interest Expense
Energy commodities		8	20	30	Discontinued operations
Total Pre-tax	(13)	15	(43)	2	
Income Taxes	3	(3)	23	(4)	
Total After-tax	(10)	12	(20)	(2)	
Equity investees' AOCI			2		Other Income (Expense) - net
Total Pre-tax			2		
Income Taxes			(1)		
Total After-tax			1		
Defined benefit plans					
Prior service costs		(2)		(6)	
Net actuarial loss	(45)	(38)	(146)	(110)	
Total Pre-tax	(45)	(40)	(146)	(116)	
Income Taxes	10	10	35	29	
Total After-tax	(35)	(30)	(111)	(87)	
Total reclassifications during the period	$ (45)	$ (15)	$ (128)	$ (84)	

18. New Accounting Guidance Pending Adoption

(All Registrants)

Accounting for Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued accounting guidance that establishes a comprehensive new model for the recognition of revenue from contracts with customers. This model is based on the core principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

For public business entities, this guidance can be applied using either a full retrospective or modified retrospective transition method, beginning in annual reporting periods after December 15, 2017 and interim periods within those years. Public business entities may early adopt this guidance in annual reporting periods beginning after December 15, 2016. The Registrants expect to adopt this guidance effective January 1, 2018.

The Registrants are currently assessing the impact of adopting this guidance, as well as the transition method they will use.

Reporting Uncertainties about an Entity's Ability to Continue as a Going Concern

In August 2014, the FASB issued accounting guidance which will require management to assess, for each interim and annual period, whether there are conditions or events that raise substantial doubt about an entity's ability to continue as a going concern. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date the financial statements are issued.

When management identifies conditions or events that raise substantial doubt about an entity's ability to continue as a going concern, management is required to disclose information that enables users of the financial statements to understand the principal conditions or events that raised substantial doubt about the entity's ability to continue as a going concern and management's evaluation of the significance of those conditions or events. If substantial doubt about the entity's ability to continue as a going concern has been alleviated as a result of management's plan, the entity should disclose information that allows the users of the financial statements to understand those plans. If the substantial doubt about the entity's ability to continue as a going concern is not alleviated by management's plans, management's plans to mitigate the conditions or events that gave rise to the substantial doubt about the entity's ability to continue as a going concern should be disclosed, as well as a statement that there is substantial doubt the entity's ability to continue as a going concern within one year after the date the financial statements are issued.

For all entities, this guidance should be applied prospectively within the annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted.

The Registrants will adopt this guidance for the annual period ending December 31, 2016. The adoption of this guidance is not expected to have a significant impact on the Registrants.

Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity

In November 2014, the FASB issued guidance that clarifies how current accounting guidance should be interpreted when evaluating the economic characteristics and risks of a host contract of a hybrid financial instrument issued in the form of a share. This guidance does not change the current criteria for determining whether separation of an embedded derivative feature from a hybrid financial instrument is required. Entities are still required to evaluate whether the economic risks of the embedded derivative feature are clearly and closely related to those of the host contract, among other relevant criteria.

An entity should consider the substantive terms and features of the entire hybrid financial instrument, including the embedded derivative feature being evaluated for bifurcation, in evaluating the nature of the host contract to determine whether the host contract is more akin to a debt instrument or more akin to an equity instrument. An entity should assess the relative strength of the debt-like and equity-like terms and features when determining how to weight those terms and features.

For public business entities, this guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 and should be applied using a modified retrospective method for existing hybrid financial instruments issued in the form of a share as of the beginning of the fiscal year the guidance is adopted. Early adoption is permitted. Retrospective application is permitted but not required.

The Registrants will adopt this guidance on January 1, 2016. The adoption of this guidance is not expected to have a significant impact on the Registrants.

Income Statement Presentation of Extraordinary and Unusual Items

In January 2015, the FASB issued accounting guidance that eliminates the concept of extraordinary items, which requires an entity to separately classify, present in the income statement and disclose material events and transactions that are both unusual and occur infrequently. The requirement to report material events or transactions that are unusual or infrequent as a separate component of income from continuing operations has been retained, as has the requirement to separately present the nature and financial effects of each event or transaction in the income statement as a separate component of continuing operations or disclose them within the notes to the financial statements. The scope of these requirements has been expanded to include items that are both unusual and occur infrequently.

For all entities, this guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted provided that an entity applies the guidance from the beginning of the fiscal year of adoption. The guidance may be applied either retrospectively or prospectively.

The Registrants will adopt this guidance on January 1, 2016. The adoption of this guidance is not expected to have a significant impact on the Registrants.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued accounting guidance to simplify the presentation of debt issuance costs by requiring that they be presented on the balance sheet as a direct deduction from the carrying amount of the associated debt liability, consistent with the presentation of debt discounts. For debt issuance costs associated with line of credit arrangements, the guidance was subsequently updated to reflect a speech by the SEC which noted that it would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the debt issuance costs ratably over the term of the line of credit arrangement.

For public business entities, this guidance should be applied retrospectively for financial statements issued for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. Early adoption is permitted.

The Registrants are assessing in which period they will adopt this guidance. The adoption of this guidance will require the Registrants to reclassify debt issuance costs from assets to long-term debt, and is not expected to have a significant impact on the Registrants.

Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations

(All Registrants)

This "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" is separately filed by PPL Corporation, PPL Electric, LKE, LG&E and KU. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure for each Registrant's related activities and disclosures. Within combined disclosures, amounts are disclosed for any Registrant when significant.

The following should be read in conjunction with the Registrants' Condensed Consolidated Financial Statements and the accompanying Notes and with the Registrants' 2014 Form 10-K. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted.

"Management's Discussion and Analysis of Financial Condition and Results of Operations" includes the following information:

- "Overview" provides a description of each Registrant's business strategy, a description of key factors expected to impact future earnings and a discussion of important financial and operational developments.
- "Results of Operations" for PPL provides a detailed analysis of earnings by segment, and for PPL Electric, LKE, LG&E and KU, includes a summary of earnings. For all Registrants, "Margins" provides explanations of non-GAAP financial measures and "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income, comparing the three and nine months ended September 30, 2015 with the same periods in 2014.
- "Financial Condition - Liquidity and Capital Resources" provides an analysis of the Registrants' liquidity positions and credit profiles. This section also includes a discussion of rating agency actions.
- "Financial Condition - Risk Management" provides an explanation of the Registrants' risk management programs relating to market and credit risk.

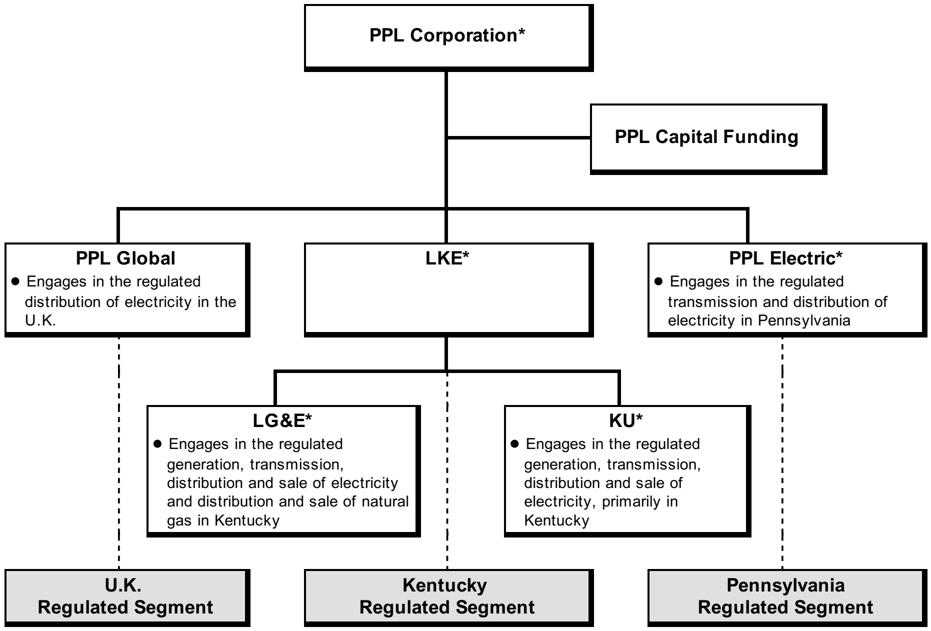
Overview

Introduction

(PPL)

PPL, headquartered in Allentown, Pennsylvania, is a utility holding company. PPL, through its regulated utility subsidiaries, delivers electricity to customers in the U.K., Pennsylvania, Kentucky, Virginia and Tennessee; delivers natural gas to customers in Kentucky; and generates electricity from power plants in Kentucky. In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy. The transaction was completed on June 1, 2015. See "Financial and Operational Developments - Other Financial and Operational Developments - Spinoff of PPL Energy Supply" below for additional information.

PPL's principal subsidiaries are shown below (* denotes an SEC registrant).



PPL's reportable segments' results primarily represent the results of the Subsidiary Registrants, except that the reportable segments are also allocated certain corporate level financing and other costs that are not included in the results of the applicable Subsidiary Registrants. The U.K. Regulated segment does not have a related Subsidiary Registrant.

In addition to PPL, the other Registrants included in this filing are as follows.

(PPL Electric)

PPL Electric, headquartered in Allentown, Pennsylvania, is a direct wholly owned subsidiary of PPL and a regulated public utility that is an electricity transmission and distribution service provider in eastern and central Pennsylvania. PPL Electric is subject to regulation as a public utility by the PUC, and certain of its transmission activities are subject to the jurisdiction of FERC under the Federal Power Act. PPL Electric delivers electricity in its Pennsylvania service area and provides electricity supply to retail customers in that area as a PLR under the Customer Choice Act.

(LKE)

LKE, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of PPL and a holding company that owns regulated utility operations through its subsidiaries, LG&E and KU, which constitute substantially all of LKE's assets. LG&E and KU are engaged in the generation, transmission, distribution and sale of electricity. LG&E also engages in the distribution and sale of natural gas. LG&E and KU maintain their separate corporate identities and serve customers in Kentucky under their respective names. KU also serves customers in Virginia under the Old Dominion Power name and in Tennessee under the KU name.

(LG&E)

LG&E, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity and distribution and sale of natural gas in Kentucky. LG&E is subject to regulation as a public utility by the KPSC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act.

(KU)

KU, headquartered in Lexington, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity in Kentucky, Virginia and Tennessee. KU is subject to regulation as a public utility by the KPSC, the VSCC and the Tennessee Regulatory Authority, and certain of its transmission and wholesale power activities are subject to the jurisdiction of the FERC under the Federal Power Act. KU serves its Virginia customers under the Old Dominion Power name and its Kentucky and Tennessee customers under the KU name.

Business Strategy

(All Registrants)

The strategy for the regulated businesses of WPD, PPL Electric, LG&E and KU is to provide efficient, reliable and safe operations and strong customer service, maintain constructive regulatory relationships and achieve timely recovery of costs. These regulated businesses are expected to achieve stable, long-term growth in rate base and RAV, as applicable, as significant capital expenditures are planned to maintain existing assets and to improve system reliability and, for LKE, LG&E and KU, to comply with federal and state environmental regulations related to coal-fired electricity generation facilities. This rate base growth in the domestic utilities is expected to result in stable earnings growth for the foreseeable future. However, we are not expecting significant earnings growth from the U.K. Regulated segment as WPD is transitioning to the RIIO-ED1 price control period, which began on April 1, 2015. U.K. revenues are expected to significantly decline from 2014 to 2015 resulting from revenue profiling in the prior price control period (DPCR5) and a lower return on regulatory equity, partially offset by the fast-track bonus. In addition, starting in 2017, the amount of incentive revenues WPD is able to earn is expected to decline as a result of tighter reliability and customer service targets set by Ofgem under RIIO-ED1. Despite these factors negatively impacting revenues in the U.K., management is focused on maintaining relatively flat earnings per share for the U.K. Regulated segment from 2015 to 2018.

In addition, for the U.K. regulated businesses, effective April 1, 2015 under the RIIO-ED1 price control period, 80% of network related expenditures are added to the RAV and, together with adjustments for inflation as measured by Retail Price Index (RPI) and a return on RAV, recovered through allowed revenue with the remaining 20% of expenditures being recovered in the current regulatory year. RAV is intended to represent expenditures that have a long-term benefit to WPD (similar to capital projects for the U.S. regulated businesses). The RAV balance at March 31, 2015 will continue to be recovered over 20 years and additions after April 1, 2023 will be recovered over 45 years. A transitional arrangement will gradually increase the applicable recoverable life during the current RIIO-ED1 eight-year price control period, resulting in an expected average useful life of 35 years for RAV additions in that period. See "Financial and Operational Developments - Other Financial and Operational Developments - RIIO-ED1" below for additional information.

For the U. S. regulated businesses, recovery of capital project costs is achieved through various rate-making mechanisms, including periodic base rate case proceedings using forward test years, annual FERC formula rate mechanisms, and other regulatory agency-approved recovery mechanisms. In Kentucky, the KPSC has adopted a series of regulatory mechanisms (ECR, DSM, GLT, fuel adjustment clause, gas supply clause and recovery on certain construction work-in-progress) that reduce regulatory lag and provide timely recovery of and return on, as appropriate, prudently incurred costs. In Pennsylvania, the FERC transmission formula rate, DSIC mechanism, SMR and other recovery mechanisms are in place to reduce regulatory lag and provide for timely recovery of and a return on, prudently incurred costs.

To manage financing costs and access to credit markets, and to fund capital expenditures, a key objective of the Registrants is to maintain investment grade credit ratings and adequate liquidity positions. In addition, the Registrants have financial and operational risk management programs that, among other things, are designed to monitor and manage exposure to earnings and cash flow volatility, as applicable, related to changes in interest rates, foreign currency exchange rates and counterparty credit quality. To manage these risks, PPL generally uses contracts such as forwards, options, and swaps.

(PPL)

Earnings generated by PPL's U.K. subsidiaries are subject to foreign currency translation risk. The U.K. subsidiaries also have currency exposure to the U.S. dollar to the extent of their U.S. dollar denominated debt. To manage these risks, PPL generally uses contracts such as forwards, options and cross currency swaps that contain characteristics of both interest rate and foreign currency exchange contracts.

Following the June 1, 2015 spinoff of PPL Energy Supply, PPL has no continuing ownership interest in, control of, or affiliation with Talen Energy and Talen Energy Supply (formerly, PPL Energy Supply).

Following the spinoff, PPL's focus is on its regulated utility businesses in the U.K., Kentucky and Pennsylvania, serving more than 10 million customers. PPL intends to maintain a strong balance sheet and manage its finances consistent with maintaining investment grade credit ratings and providing a competitive total shareowner return, including an attractive dividend. Following the spinoff transaction, PPL expects to reduce annual ongoing corporate support costs resulting from the 2014 corporate restructuring efforts as well as ongoing cost efficiency initiatives.

See "Financial and Operational Developments - Other Financial and Operational Developments - Costs of Spinoff" and "Loss on Spinoff" below for additional information.

Financial and Operational Developments

Earnings *(PPL)*

PPL's earnings by reportable segments for the periods ended September 30 were as follows:

	Three Months			Nine Months		
	2015	2014	$ Change	2015	2014	$ Change
U.K. Regulated	$ 249	$ 295	$ (46)	$ 814	$ 688	$ 126
Kentucky Regulated	111	82	29	267	247	20
Pennsylvania Regulated	55	57	(2)	191	194	(3)
Corporate and Other (a)	(19)	(24)	5	(74)	(100)	26
Income from Continuing Operations After Income Taxes	396	410	(14)	1,198	1,029	169
Discontinued Operations (b)	(3)	87	(90)	(915)	13	(928)
Net Income (Loss)	$ 393	$ 497	$ (104)	$ 283	$ 1,042	$ (759)
Income from Continuing Operations After Income Taxes						
EPS - basic	$ 0.59	$ 0.61	$ (0.02)	$ 1.78	$ 1.58	$ 0.20
EPS - diluted (c)	$ 0.59	$ 0.61	$ (0.02)	$ 1.78	$ 1.55	$ 0.23
Net Income (Loss)						
EPS - basic	$ 0.58	$ 0.74	$ (0.16)	$ 0.42	$ 1.60	$ (1.18)
EPS - diluted (c)	$ 0.58	$ 0.74	$ (0.16)	$ 0.42	$ 1.57	$ (1.15)

(a) Primarily includes unallocated corporate-level financing and other costs. Also includes certain costs related to the spinoff of PPL Energy Supply. See the following table of special items for additional information.
(b) As a result of the spinoff of PPL Energy Supply, substantially representing PPL's former Supply segment, the earnings of the Supply segment are included in Discontinued Operations. The nine months ended September 30, 2015 includes an $879 million charge reflecting the difference between PPL's recorded value for the Supply segment and its estimated fair value as of the spinoff date, determined in accordance with applicable accounting rules under GAAP. See Note 8 to the Financial Statements for additional information.
(c) See Note 4 to the Financial Statements for information on the Equity Units' impact on the calculation of diluted EPS.

The following after-tax gains (losses), in total, which management considers special items, impacted PPL's results for the periods ended September 30. See PPL's "Results of Operations - Segment Earnings" for details of each segment's special items.

	Three Months			Nine Months		
	2015	2014	$ Change	2015	2014	$ Change
U.K. Regulated	$ 54	$ 111	$ (57)	$ 40	$ 20	$ 20
Kentucky Regulated	(1)	(1)		(13)		(13)
Pennsylvania Regulated		2	(2)		(2)	2
Corporate and Other (a)	(3)	(18)	15	(23)	(70)	47
Discontinued Operations (b)	(4)	87	(91)	(916)	13	(929)
Total PPL	$ 46	$ 181	$ (135)	$ (912)	$ (39)	$ (873)

(a) The three and nine months ended September 30, 2015 primarily include transition-related costs associated with the spinoff of PPL Energy Supply. The three months ended September 30, 2014 primarily includes $11 million of separation benefits and transition-related costs associated with the spinoff of PPL Energy Supply. The nine months ended September 30, 2014 includes $49 million of deferred income tax expense to adjust valuation allowances that were previously supported by the future earnings of PPL Energy Supply, $11 million of separation benefits and transition-related costs associated with the spinoff of PPL Energy Supply. See Note 8 for additional information on the spinoff.
(b) As a result of the spinoff of PPL Energy Supply, substantially representing PPL's former Supply segment, the earnings of the Supply segment are included in Discontinued Operations and considered to be a special item. The nine months ended September 30, 2015 includes an $879 million charge reflecting the difference between PPL's recorded value for the Supply segment and its estimated fair value as of the spinoff date, determined in accordance with applicable accounting rules under GAAP. See Note 8 to the Financial Statements for additional information.

2015 Outlook

(PPL)

Excluding special items, higher earnings are expected in 2015 compared with 2014, after adjusting 2014 to reflect the impact of dissynergies in the Corporate and Other category related to the spinoff of PPL Energy Supply. This increase is primarily attributable to increases in the U.K. Regulated and Kentucky Regulated segments and lower Corporate and Other charges.

The following projections and factors underlying these projections (on an after-tax basis) are provided for PPL's segments and the Corporate and Other category and the related Registrants.

(PPL's U.K. Regulated Segment)

Excluding special items, higher earnings are projected in 2015 compared with 2014, primarily driven by lower income taxes and lower depreciation expense, partially offset by lower utility revenue from a price decrease due to the commencement of RIIO-ED1 effective April 1, 2015. The remaining 2015 foreign currency earnings exposure for this segment is fully hedged at an average rate of $1.54 per British pound sterling.

(PPL's Kentucky Regulated Segment and LKE, LG&E and KU)

Excluding special items, higher earnings are projected in 2015 compared with 2014, primarily driven by electric and gas base rate increases effective July 1, 2015, and returns on additional environmental capital investments, partially offset by higher operation and maintenance expense, higher depreciation and higher financing costs.

(PPL's Pennsylvania Regulated Segment and PPL Electric)

Excluding special items, lower earnings are projected in 2015 compared with 2014, primarily driven by higher operation and maintenance expense and higher depreciation expense, partially offset by higher transmission and distribution margins.

(PPL's Corporate and Other Category)

Excluding special items, lower costs are projected in 2015 compared with 2014, after adjusting 2014 to reflect the impact of dissynergies in the Corporate and Other category related to the spinoff of PPL Energy Supply, primarily driven by cost reductions resulting from corporate restructuring efforts and lower income taxes.

(All Registrants)

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," the rest of this Item 2, Notes 6 and 10 to the Financial Statements and "Item 1A. Risk Factors" in this Form 10-Q (as applicable) and "Item 1. Business" and "Item 1A. Risk Factors" in the Registrants' 2014 Form 10-K for a discussion of the risks, uncertainties and factors that may impact future earnings.

Other Financial and Operational Developments

Regulatory Requirements

(PPL, LKE, LG&E and KU)

The businesses of LKE, LG&E and KU are subject to extensive federal, state and local environmental laws, rules and regulations, including those pertaining to CCRs, GHG, ELGs, MATS and the Clean Power Plan. See "Financial Condition - Environmental Matters" below for additional information on the CCRs requirements and Note 10 to the Financial Statements for a discussion of the other significant environmental matters. These and other stringent environmental requirements have led PPL, LKE, LG&E and KU to retire approximately 800 megawatts of their coal-fired generating plants in Kentucky. In September 2015, KU retired two coal-fired units, with a combined summer capacity rating of 161 MW, at the Green River plant. LG&E retired a 240 MW coal-fired unit in March 2015 and two additional coal-fired units, with a combined summer capacity rating of 323 MW, in June 2015 at the Cane Run plant. The retirement of these units is not expected to have a material impact on the financial condition or results of operations of PPL, LKE, LG&E and KU.

Also as a result of the environmental requirements discussed above, LKE projects $2.2 billion ($1.1 billion each at LG&E and KU) in environmental capital investment over the next five years.

(All Registrants)

The Registrants cannot predict the impact that future regulatory requirements may have on their financial condition or results of operations.

(PPL)

Spinoff of PPL Energy Supply

In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to spin off PPL Energy Supply and immediately combine it with Riverstone's competitive power generation businesses to form a new, stand-alone, publicly traded company named Talen Energy. In June 2015, the spinoff was completed. See Note 8 to the Financial Statements for additional information relating to the transaction.

Loss on Spinoff

In conjunction with the accounting for the spinoff, PPL evaluated whether the fair value of the Supply segment's net assets was less than the carrying value as of the June 1, 2015 spinoff date.

PPL considered several valuation methodologies to derive a fair value estimate of its Supply segment at the spinoff date. These methodologies included considering the closing "when-issued" Talen Energy market value on June 1, 2015 (the spinoff date), adjusted for the proportional share of the equity value attributable to the Supply segment, as well as the valuation methods consistently used in PPL's goodwill impairment assessments - an income approach using a discounted cash flow analysis of the Supply segment and an alternative market approach considering market multiples of comparable companies.

Although the market value of Talen Energy approach utilized the most observable inputs of the three approaches, PPL considered certain limitations of the "when-issued" trading market for the spinoff transaction including the short trading duration, lack of liquidity in the market and anticipated initial Talen stock ownership base selling pressure, among other factors, and concluded that these factors limit this input being solely determinative of the fair value of the Supply segment. As such, PPL also considered the other valuation approaches in estimating the overall fair value, but ultimately assigned the highest weighting to the Talen Energy market value approach.

The following table summarizes PPL's fair value analysis:

Approach	Weighting	Weighted Fair Value (in billions)
Talen Energy Market Value	50%	$ 1.4
Income/Discounted Cash Flow	30%	1.1
Alternative Market (Comparable Company)	20%	0.7
Estimated Fair Value		$ 3.2

A key assumption included in the fair value estimate is the application of a control premium of 25% in the two market approaches. PPL concluded it was appropriate to apply a control premium in these approaches as the goodwill impairment testing guidance was followed in determining the estimated fair value of the Supply segment which has historically been a reporting unit for PPL. This guidance provides that the market price of an individual security (and thus the market capitalization of a reporting unit with publically traded equity securities) may not be representative of the fair value of the reporting unit. This guidance also indicates that substantial value may arise to a controlling shareholder from the ability to take advantage of synergies and other benefits that arise from control over another entity, and that the market price of a Company's individual share of stock does not reflect this additional value to a controlling shareholder. Therefore, the quoted market price need not be the sole measurement basis for determining the fair value, and including a control premium is appropriate in measuring the fair value of a reporting unit.

In determining the control premium, PPL reviewed premiums received during the last five years in market sales transactions obtained from observable independent power producer and hybrid utility transactions greater than $1 billion. Premiums for these transactions ranged from 5% to 42% with a median of approximately 25%. Given these metrics, PPL concluded a control premium of 25% to be reasonable for both of the market valuation approaches used.

Assumptions used in the discounted cash flow analysis included forward energy prices, forecasted generation, and forecasted operation and maintenance expenditures that were consistent with assumptions used in the Energy Supply portion of the recent Talen Energy business planning process and a market participant discount rate.

Using these methodologies and weightings, PPL determined the estimated fair value of the Supply segment (classified as Level 3) was below its carrying value of $4.1 billion and recorded a loss on the spinoff of $879 million in the second quarter of 2015, which is reflected in discontinued operations and is nondeductible for tax purposes. This amount served to reduce the basis of the net assets accounted for as a dividend at the June 1, 2015 spinoff date.

Costs of Spinoff

Following the announcement of the transaction to form Talen Energy as discussed in "Business Strategy" above, efforts were initiated to identify the appropriate staffing for Talen Energy and for PPL and its subsidiaries following completion of the spinoff. Organizational plans were substantially completed in 2014. The new organizational plans identified the need to resize and restructure the organizations and as a result, in 2014, estimated charges for employee separation benefits were recorded. See Note 8 in the 2014 Form 10-K for additional information. The separation benefits include cash severance compensation, lump sum COBRA reimbursement payments and outplacement services. Most separations and payment of separation benefits are expected to be completed by the end of 2015. At September 30, 2015 and December 31, 2014, the recorded liabilities related to the separation benefits were $11 million and $21 million, which are included in "Other current liabilities" on the Balance Sheets.

Additional employee-related costs incurred primarily include accelerated stock-based compensation and prorated performance-based cash incentive and stock-based compensation awards, primarily for PPL Energy Supply employees and for PPL Services employees who became PPL Energy Supply employees in connection with the transaction. PPL Energy Supply recognized $24 million of these costs at the spinoff closing date which are reflected in discontinued operations.

PPL recorded $44 million of third-party costs related to this transaction during the nine months ended September 30, 2015. Of these costs, $31 million were primarily for bank advisory, legal and accounting fees to facilitate the transaction, and are reflected in discontinued operations. An additional $13 million of consulting and other costs were incurred during the nine months ended September 30, 2015 related to the formation of the Talen Energy organization and to reconfigure the remaining PPL service functions. These costs are primarily recorded in "Other operation and maintenance" on the Statement of Income. No significant additional third-party costs are expected to be incurred. PPL recorded $5 million and $21 million of third-party costs related to this transaction during the three and nine months ended September 30, 2014.

At the close of the transaction, $72 million ($42 million after-tax) of cash flow hedges, primarily unamortized losses on PPL interest rate swaps recorded in AOCI and designated as cash flow hedges of PPL Energy Supply's future interest payments, were reclassified into earnings and reflected in discontinued operations.

As a result of the spinoff announcement in June 2014, PPL recorded $3 million and $49 million of deferred income tax expense during the three and nine months ended September 30, 2014, to adjust valuation allowances on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the future earnings of PPL Energy Supply.

Discontinued Operations

The operations of the Supply segment are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income.

The assets and liabilities of PPL's Supply segment for all periods prior to the spinoff are included in "Current assets of discontinued operations", "Noncurrent assets of discontinued operations", "Current liabilities of discontinued operations" and "Noncurrent liabilities of discontinued operations" on PPL's Balance Sheet.

Net assets, after recognition of the loss on spinoff, of $3.2 billion were distributed to PPL shareowners on June 1, 2015, as a result of the completion of the spinoff of PPL Energy Supply.

RIIO-ED1

On April 1, 2015, the RIIO-ED1 eight-year price control period commenced for WPD's four DNOs. In February 2014, Ofgem published formal confirmation that WPD's Business Plans submitted by its four DNOs under RIIO-ED1 were accepted as submitted, or "fast-tracked." Fast tracking affords several benefits to the WPD DNOs, including the ability to collect additional revenue equivalent to 2.5% of total annual expenditures during the eight-year price control period, or approximately $43 million annually, greater revenue certainty and a higher level of cost savings retention. See "Item 1. Business - Segment Information - U.K. Regulated Segment" of PPL's 2014 Form 10-K for additional information on RIIO-ED1.

Depreciation

Effective January 1, 2015, after completing a review of the useful lives of its distribution network assets, WPD extended the weighted average useful lives of these assets to 69 years from 55 years. For the three and nine months ended September 30, 2015, this change in useful lives resulted in lower depreciation of $22 million ($17 million after-tax or $0.03 per share) and $64 million ($50 million after-tax or $0.08 per share). It is expected to result in an annual reduction in depreciation of approximately $84 million ($66 million after-tax or $0.10 per share) in 2015.

IRS Audits for 1998 - 2011

In February 2015, PPL and the IRS Appeals division reached a settlement on the amount of PPL's refund from its open audits for the years 1998 - 2011. In April 2015, PPL was notified that the Joint Committee on Taxation approved PPL's settlement. For the nine months ended September 30, 2015, PPL recorded a tax benefit of $24 million. Of this amount, $12 million is reflected in continuing operations.

(PPL and PPL Electric)

Rate Case Proceedings

On March 31, 2015, PPL Electric filed a request with the PUC for an increase in its annual distribution revenue requirement of approximately $167.5 million. The application was based on a fully projected future test year of January 1, 2016 through December 31, 2016. On September 3, 2015, PPL Electric filed with the PUC Administrative Law Judge a petition for approval of a settlement agreement under which PPL Electric would be permitted to increase its annual distribution rates by $124 million, effective January 1, 2016. On October 5, 2015, the Administrative Law Judge issued a recommended decision approving the settlement agreement. The PUC is expected to issue its final order in December 2015.

Concurrently, PPL Electric filed a petition requesting a waiver of the DSIC cap of 5% of billed revenues and approval to increase the maximum allowable DSIC from 5% to 7.5% for service rendered after January 1, 2016. PPL Electric filed the petition concurrently with its 2015 rate case and the Administrative Law Judge granted PPL Electric's request to consolidate these two proceedings. Under the terms of the settlement agreement discussed above, PPL Electric agreed to withdraw its DSIC waiver petition without prejudice to filing it at a later date.

(PPL, LKE and KU)

FERC Wholesale Formula Rates

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 a true-up. KU's application proposed an authorized return on equity of 10.7%. Certain elements, including the new formula rate, became effective April 23, 2014, subject to refund. In April 2014, nine municipalities submitted notices of termination, under the original notice period provisions, to cease taking power under the wholesale requirements contracts. Such terminations are to be effective in 2019, except in the case of one municipality with a 2017 effective date. In addition, a tenth municipality has become a transmission-only customer as of June 2015. In July 2014, KU agreed on settlement terms with the two municipal customers that did not provide termination notices and filed the settlement proposal with the FERC for its approval. In August 2014, the FERC issued an order on the interim settlement agreement allowing the proposed rates to become effective pending a final order. If approved, the settlement agreement will resolve the rate case with respect to these two municipalities, including approval of the formula rate with a true-up provision and authorizing a return on equity of 10% or the return on equity awarded to other parties in this case, whichever is lower. In August 2015, KU filed a partial settlement agreement with the nine terminating municipalities, which, if approved by FERC, would resolve all but one open matter with one municipality, including providing for certain refunds, approving the formula rate with a true-up provision, and authorizing a 10.25% return on equity. A single remaining unresolved issue with one terminating municipality is in FERC litigation proceedings. KU cannot predict the ultimate outcome of these FERC proceedings regarding its wholesale power agreements with the municipalities, but does not currently anticipate significant remaining refunds beyond amounts already recorded.

(PPL, LKE, LG&E and KU)

Rate Case Proceedings

On June 30, 2015, the KPSC approved a rate case settlement agreement providing for increases in the annual revenue requirements associated with KU base electricity rates of $125 million and LG&E base gas rates of $7 million. The annual revenue requirement associated with base electricity rates at LG&E was not changed. Although the settlement did not establish a specific return on equity with respect to the base rates, an authorized 10% return on equity will be utilized in the ECR and GLT mechanisms. The settlement agreement provides for deferred recovery of costs associated with Green River Units 3 and 4 through their retirement. The new regulatory asset will be amortized over three years. The settlement also provides regulatory asset treatment for the difference between pension expense calculated in accordance with LG&E and KU's pension accounting policy and pension expense using a 15 year amortization period for actuarial gains and losses. The new rates and all elements of the settlement became effective July 1, 2015.

(LKE and KU)

On June 30, 2015, KU filed an application with the VSCC to increase annual Virginia base electricity revenue by approximately $7.2 million, representing an increase of 10.1%. KU's application is based on an authorized 10.5% return on equity. Public meetings were held during September 2015 and a hearing in the matter may be held during 2015. Subject to regulatory review and approval, new rates would become effective April 1, 2016.

Results of Operations

(PPL)

The discussion for PPL provides a review of results by reportable segment. The "Margins" discussion provides explanations of non-GAAP financial measures (Kentucky Gross Margins and Pennsylvania Gross Delivery Margins) and a reconciliation of non-GAAP financial measures to "Operating Income." The "Statement of Income Analysis" discussion addresses significant changes in principal line items on PPL's Statements of Income, comparing the three and nine months ended September 30, 2015 with the same periods in 2014. "Segment Earnings, Margins and Statement of Income Analysis" is presented separately for PPL.

Tables analyzing changes in amounts between periods within "Segment Earnings" 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.

(Subsidiary Registrants)

The discussion for each of PPL Electric, LKE, LG&E and KU provides a summary of earnings. The "Margins" discussion includes a reconciliation of non-GAAP financial measures to "Operating Income" and "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income comparing the three and nine months ended September 30, 2015 with the same periods in 2014. "Earnings, Margins and Statement of Income Analysis" is presented separately for PPL Electric, LKE, LG&E and KU.

(All Registrants)

The results for interim periods can be disproportionately influenced by numerous factors and developments and by seasonal variations. As such, the results of operations for interim periods do not necessarily indicate results or trends for the year or future periods.

PPL: Segment Earnings, Margins and Statement of Income Analysis

Segment Earnings

U.K. Regulated Segment

The U.K. Regulated segment consists of PPL Global which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from British pound sterling into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs, and allocated financing costs. The U.K. Regulated segment represents 68% of PPL's Income from Continuing Operations After Income Taxes for the nine months ended September 30, 2015 and 42% of PPL's assets at September 30, 2015.

Net Income for the periods ended September 30 includes the following results.

	Three Months			Nine Months		
	2015	2014	$ Change	2015	2014	$ Change
Operating revenues	$ 552	$ 644	$ (92)	$ 1,836	$ 1,964	$ (128)
Other operation and maintenance	118	118		332	358	(26)
Depreciation	63	86	(23)	181	256	(75)
Taxes, other than income	38	41	(3)	111	119	(8)
Total operating expenses	219	245	(26)	624	733	(109)
Other Income (Expense) - net	77	136	(59)	65	40	25
Interest Expense	109	115	(6)	312	352	(40)
Income Taxes	52	125	(73)	151	231	(80)
Net Income	$ 249	$ 295	$ (46)	$ 814	$ 688	$ 126

The changes in the results of the U.K. Regulated segment between these periods were due to the factors set forth below, which reflect certain items that management considers special and the effects of movements in foreign currency exchange, including the effects of foreign currency hedge contracts, on separate lines within the table and not in their respective Statement of Income line items. See below for additional detail of the special items.

	Three Months	Nine Months
U.K.		
Utility revenues	$ (46)	$ (33)
Other operation and maintenance	(12)	(5)
Depreciation	17	59
Interest expense	(2)	4
Other	1	
Income taxes	13	13
U.S.		
Interest expense and other	1	13
Income taxes	35	54
Foreign currency exchange, after-tax	4	1
Special items, after-tax	(57)	20
Total	$ (46)	$ 126

U.K.

- Lower utility revenues for the three month period primarily due to $69 million from the April 1, 2015 price decrease primarily resulting from the commencement of RIIO-ED1, partially offset by $6 million of higher volume primarily due to weather and $14 million from reduced revenues in 2014 primarily due to a required £5 per residential customer reduction for the regulatory year that began April 1, 2014. This reduction will be included in revenue in the regulatory year beginning April 1, 2016.
- Lower utility revenues for the nine month period primarily due to $100 million from the April 1, 2015 price decrease primarily resulting from the commencement of RIIO-ED1, partially offset by $46 million from the April 1, 2014 price increase and $7 million of higher volume primarily due to weather.
- Lower depreciation expense for the three and nine month periods primarily due to a $22 million and $64 million impact of an extension of the network asset lives. See Note 2 to the Financial Statements for additional information.

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- Lower income taxes for the three month period primarily due to lower pre-tax income.

U.S.

- Lower income taxes for the three and nine month periods primarily due to decreases in taxable dividends.

The following after-tax gains (losses), which management considers special items, also impacted the U.K. Regulated segment's results during the periods ended September 30.

	Income Statement Line Item	Three Months 2015	Three Months 2014	Nine Months 2015	Nine Months 2014
Foreign currency-related economic hedges, net of tax of ($29), ($60), ($10), ($39) (a)	Other Income (Expense)-net	$ 54	$ 111	$ 20	$ 72
WPD Midlands acquisition-related adjustment, net of tax of $0, $0, ($1), $0	Other operation and maintenance			2	
Change in WPD line loss accrual, net of tax of $0, $0, $0, $13(b)	Operating Revenues				(52)
Settlement of certain income tax positions (c)	Income Taxes			18	
Total		$ 54	$ 111	$ 40	$ 20

(a) Represents unrealized gains (losses) on contracts that economically hedge anticipated GBP denominated earnings.
(b) In March 2014, Ofgem issued its final decision on the DPCR4 line loss incentives and penalties mechanism. As a result, WPD increased its existing liability by $65 million, pre-tax, for over-recovery of line losses. See Note 6 to the Financial Statements for additional information.
(c) Relates to the April 2015 settlement of open audits for the years 1998-2011. See Note 5 to the Financial Statements for additional information.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations of LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain financing costs are allocated to the Kentucky Regulated segment. The Kentucky Regulated segment represents 22% of PPL's Income from Continuing Operations After Income Taxes for the nine months ended September 30, 2015 and 36% of PPL's assets at September 30, 2015.

Net Income for the periods ended September 30 includes the following results.

	Three Months 2015	Three Months 2014	Three Months $ Change	Nine Months 2015	Nine Months 2014	Nine Months $ Change
Operating revenues	$ 801	$ 753	$ 48	$ 2,414	$ 2,409	$ 5
Fuel	228	240	(12)	695	748	(53)
Energy purchases	23	24	(1)	143	184	(41)
Other operation and maintenance	202	197	5	625	609	16
Depreciation	97	89	8	286	262	24
Taxes, other than income	14	13	1	43	39	4
Total operating expenses	564	563	1	1,792	1,842	(50)
Other Income (Expense) - net	(2)	(2)		(8)	(6)	(2)
Interest Expense	56	56		167	164	3
Income Taxes	68	50	18	180	150	30
Net Income	$ 111	$ 82	$ 29	$ 267	$ 247	$ 20

The changes in the results of the Kentucky Regulated segment between these periods were due to the factors set forth below, which reflect amounts classified as Kentucky Gross Margins and certain items that management considers special on separate lines within the table and not in their respective Statement of Income line items. See below for additional detail of the special items.

	Three Months	Nine Months
Kentucky Gross Margins	$ 50	$ 75
Other operation and maintenance	(4)	(14)
Depreciation	1	(4)
Taxes, other than income		(2)
Other income (expense) - net		3
Interest expense		(3)
Income taxes	(18)	(22)
Special items		(13)
Total	$ 29	$ 20

- See "Margins - Changes in Non-GAAP Financial Measures" for an explanation of Kentucky Gross Margins.

- Higher other operation and maintenance for the nine month period primarily due to $11 million of higher pension expense attributed to the change in mortality tables and lower discount rate in 2015 and $11 million of higher costs directly related to the Cane Run units' retirements consisting of an inventory write-down and separation benefits, partially offset by $7 million of lower storm expenses and $4 million of lower bad debt expense.

- Higher income taxes for the three and nine month periods primarily due to higher pre-tax income.

The following after-tax gains (losses), which management considers special items, also impacted the Kentucky Regulated segment's results during the periods ended September 30.

	Income Statement	Three Months		Nine Months	
	Line Item	2015	2014	2015	2014
EEI adjustments, net of tax of $0, $0, $0, $0 (a)	Other Income (Expense)-net		$ (1)		
LKE acquisition-related adjustment (b)	Other Income (Expense)-net	$ (1)		$ (5)	
Certain valuation allowances (c)	Income Taxes			(8)	
Total		$ (1)	$ (1)	$ (13)	

(a) Recorded by KU.
(b) Recorded at PPL and allocated to the Kentucky Regulated segment. The amount represents a settlement between E.ON AG (a German corporation and the indirect parent of E.ON US Investments Corp., the former parent of LKE) and PPL for a tax matter.
(c) Recorded at LKE and represents a valuation allowance against tax credits expiring in 2016 and 2017 that are more likely than not to expire before being utilized.

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric. The Pennsylvania Regulated segment represents 16% of PPL's Income from Continuing Operations After Income Taxes for the nine months ended September 30, 2015 and 21% of PPL's assets at September 30, 2015.

Net Income for the periods ended September 30 includes the following results.

	Three Months			Nine Months		
	2015	2014	$ Change	2015	2014	$ Change
Operating revenues	$ 519	$ 477	$ 42	$ 1,625	$ 1,518	$ 107
Energy purchases						
External	154	128	26	519	431	88
Intersegment		20	(20)	14	68	(54)
Other operation and maintenance	162	133	29	435	402	33
Depreciation	55	47	8	158	137	21
Taxes, other than income	27	25	2	87	80	7
Total operating expenses	398	353	45	1,213	1,118	95
Other Income (Expense) - net	1	3	(2)	5	6	(1)
Interest Expense	32	33	(1)	96	91	5
Income Taxes	35	37	(2)	130	121	9
Net Income	$ 55	$ 57	$ (2)	$ 191	$ 194	$ (3)

The changes in the components of the Pennsylvania Regulated segment's results between these periods were due to the factors set forth below, which reflect amounts classified as Pennsylvania Gross Delivery Margins and a certain item that management considers special on separate lines and not in their respective Statement of Income line items. See below for additional detail of the special items.

	Three Months	Nine Months
Pennsylvania Gross Delivery Margins	$ 30	$ 56
Other operation and maintenance	(19)	(25)
Depreciation	(8)	(21)
Interest expense	1	(5)
Taxes other than income	(2)	(1)
Other income (expense) - net	(3)	(1)
Income taxes	1	(8)
Special item, after-tax	(2)	2
Total	$ (2)	$ (3)

- See "Margins - Changes in Non-GAAP Financial Measures" for an explanation of Pennsylvania Gross Delivery Margins.
- Higher other operation and maintenance expense for the three month period primarily due to $10 million of higher corporate service costs and $5 million of higher bad debt expenses.
- Higher other operation and maintenance expense for the nine month period primarily due to $19 million of higher corporate service costs and $7 million of higher bad debt expenses, partially offset by $7 million of lower storm costs.
- Higher depreciation expense for the three and nine month periods primarily due to PP&E additions, net, related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure.

The following after-tax (loss), which management considers a special item, also impacted the Pennsylvania Regulated segment's results during the periods ended September 30.

	Income Statement Line Item	Three Months 2015	Three Months 2014	Nine Months 2015	Nine Months 2014
Separation benefits, net of tax of $0, ($1), $0, $1 (a)	Other operation and maintenance		$ 2		$ (2)

(a) In June 2014, PPL Electric's largest IBEW local ratified a new three-year labor agreement. In connection with the new agreement, bargaining unit one-time voluntary retirement benefits were recorded in the second quarter of 2014 and adjusted in the third quarter of 2014.

Margins

Non-GAAP Financial Measures

Management utilizes the following non-GAAP financial measures as indicators of performance for its businesses.

- "Kentucky Gross Margins" is a single financial performance measure of the electricity generation, transmission and distribution operations of the Kentucky Regulated segment, LKE, LG&E and KU, as well as the Kentucky Regulated segment's, LKE's and LG&E's distribution and sale of natural gas. In calculating this measure, fuel, energy purchases and certain variable costs of production (recorded as "Other operation and maintenance" on the Statements of Income) are deducted from revenues. In addition, certain other expenses, recorded as "Other operation and maintenance", "Depreciation" and "Taxes, other than income" on the Statements of Income, associated with approved cost recovery mechanisms are offset against the recovery of those expenses, which are included in revenues. These mechanisms allow for direct recovery of these expenses and, in some cases, returns on capital investments and performance incentives. As a result, this measure represents the net revenues from electricity and gas operations.
- "Pennsylvania Gross Delivery Margins" is a single financial performance measure of the electricity delivery operations of the Pennsylvania Regulated segment and PPL Electric, 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 "Energy purchases from affiliate" in the reconciliation tables. As a result of the spinoff of PPL Energy Supply and creation of Talen Energy on June 1, 2015, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are reflected in "Energy Purchases" in the reconciliation tables. This measure represents the net revenues from the Pennsylvania Regulated segment's and PPL Electric's electricity delivery operations.

These measures are not intended to replace "Operating Income," which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and report their results of operations. Management believes these measures provide additional useful criteria to make investment decisions. These performance measures are used, in conjunction with other information, by senior management and PPL's Board of Directors to manage the operations and analyze actual results compared with budget.

Reconciliation of Non-GAAP Financial Measures

The following table contains the components from the Statement of Income that are included in the non-GAAP financial measures and a reconciliation to PPL's "Operating Income" for the periods ended September 30.

	2015 Three Months				2014 Three Months			
	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 801	$ 519	$ 558 (c)	$ 1,878	$ 753	$ 477	$ 649 (c)	$ 1,879
Operating Expenses								
Fuel	228			228	240			240
Energy purchases	23	154		177	24	128	21	173
Energy purchases from affiliate						20	(20)	
Other operation and maintenance	28	31	423	482	27	25	415	467
Depreciation	11		215	226	2		231	233
Taxes, other than income	1	25	53	79		25	53	78
Total Operating Expenses	291	210	691	1,192	293	198	700	1,191
Total	$ 510	$ 309	$ (133)	$ 686	$ 460	$ 279	$ (51)	$ 688

	2015 Nine Months				2014 Nine Months			
	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 2,414	$ 1,625	$ 1,850 (c)	$ 5,889	$ 2,409	$ 1,518	$ 1,979 (c)	$ 5,906
Operating Expenses								
Fuel	695			695	748			748
Energy purchases	143	519	14	676	184	431	68	683
Energy purchases from affiliate		14	(14)			68	(68)	
Other operation and maintenance	77	84	1,244	1,405	75	74	1,233	1,382
Depreciation	26		632	658	6		682	688
Taxes, other than income	3	81	157	241	1	74	163	238
Total Operating Expenses	944	698	2,033	3,675	1,014	647	2,078	3,739
Total	$ 1,470	$ 927	$ (183)	$ 2,214	$ 1,395	$ 871	$ (99)	$ 2,167

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.
(c) Primarily represents WPD's operating revenue.

Changes in Non-GAAP Financial Measures

The following table shows the non-GAAP financial measures by PPL's reportable segment and by component, as applicable, for the periods ended September 30 as well as the change between periods. The factors that gave rise to the changes are described following the table.

	Three Months			Nine Months		
	2015	2014	$ Change	2015	2014	$ Change
Kentucky Regulated						
Kentucky Gross Margins						
LG&E	$ 225	$ 212	$ 13	$ 661	$ 633	$ 28
KU	285	248	37	809	762	47
LKE	$ 510	$ 460	$ 50	$ 1,470	$ 1,395	$ 75
Pennsylvania Regulated						
Pennsylvania Gross Delivery Margins						
Distribution	$ 207	$ 194	$ 13	$ 642	$ 631	$ 11
Transmission	102	85	17	285	240	45
Total	$ 309	$ 279	$ 30	$ 927	$ 871	$ 56

Kentucky Gross Margins

Kentucky Gross Margins increased for the three months ended September 30, 2015 compared with 2014 primarily due to higher base rates of $28 million ($27 million at KU and $1 million at LG&E) and returns on additional environmental capital investments of $14 million ($10 million at LG&E and $4 million at KU). The increase in base rates was the result of new rates approved by the KPSC effective July 1, 2015.

Kentucky Gross Margins increased for the nine months ended September 30, 2015 compared with 2014 primarily due to returns on additional environmental capital investments of $44 million ($29 million at LG&E and $15 million at KU) and higher base rates of $28 million ($27 million at KU and $1 million at LG&E). The increase in base rates was the result of new rates approved by the KPSC effective July 1, 2015.

Pennsylvania Gross Delivery Margins

Distribution

Distribution margins increased for the three months ended September 30, 2015 compared with 2014, primarily due to returns on additional distribution improvement capital investments of $5 million and a $4 million impact of favorable weather.

Distribution margins increased for the nine months ended September 30, 2015 compared with 2014, due to returns on additional distribution improvement capital investments of $13 million and an $11 million impact of favorable weather, partially offset by a $12 million benefit recorded in the first quarter of 2014 as a result of a change in estimate of a regulatory liability.

Transmission

Transmission margins increased for the three and nine month periods ended September 30, 2015 compared with 2014 primarily due to increased capital investments.

Statement of Income Analysis --

Operating Revenues

The increase (decrease) in operating revenues for the periods ended September 30, 2015 compared with 2014 was due to:

	Three Months	Nine Months
Domestic:		
PPL Electric (a)	$ 44	$ 109
LKE (b)	48	5
Other	(1)	(3)
Total Domestic	91	111
U.K.:		
Price (c)	(54)	(45)
Foreign currency exchange rates (d)	(48)	(158)
Volume	6	7
Line loss accrual adjustments (e)		65
Other	4	3
Total U.K.	(92)	(128)
Total	$ (1)	$ (17)

(a) See "Pennsylvania Gross Delivery Margins" for further information.
(b) See "Kentucky Gross Margins" for further information.
(c) The decrease for the three month period was primarily due to a price decrease effective April 1, 2015 resulting from the commencement of RIIO-ED1. The decrease for the nine month period was due to a price decrease effective April 1, 2015, partially offset by a price increase effective April 1, 2014.
(d) The offsetting impacts from foreign currency hedging instruments are recorded in "Other Income (Expense)-net."
(e) The increase for the nine month period was due to unfavorable accrual adjustments in 2014 based on Ofgem's final decision on the DPCR4 line loss incentives and penalties. See Note 6 to the Financial Statements for additional information.

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related increase (decrease) during the periods ended September 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Nine Months
Fuel	$ (12)	$ (53)
Energy purchases	4	(7)

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended September 30, 2015 compared with 2014 was due to:

	Three Months	Nine Months
Domestic:		
Cane Run retired units		$ 11
Pension	$ 2	11
Bad Debts	6	10
Act 129	5	8
Other	(1)	7
U.K.:		
Network maintenance		(15)
Foreign currency exchange rates (a)	(9)	(26)
National Grid exit charges	6	10
Pension	(3)	(10)
Engineering management	3	12
Other	6	5
Total	$ 15	$ 23

(a) The offsetting impacts from foreign currency hedging instruments are recorded in "Other Income (Expense)- net."

Depreciation

Depreciation decreased by $7 million and $30 million for the three and nine months ended September 30, 2015 compared with 2014, primarily due to a $22 million and $64 million reduction from an extension of the WPD network asset lives partially offset by additions to PP&E, net primarily at the domestic utilities. See Note 2 to the Financial Statements for additional information on the extension of WPD network asset lives.

Other Income (Expense) - net

Other income (expense) - net decreased by $61 million and increased by $28 million for the three and nine months ended September 30, 2015 compared with 2014, primarily due to changes in realized and unrealized gains on foreign currency contracts to economically hedge GBP denominated earnings from WPD.

Interest Expense

The increase (decrease) in interest expense for the periods ended September 30, 2015 compared with 2014 was due to:

	Three Months	Nine Months
Long-term debt interest expense (a)	$ 10	$ 38
Loss on extinguishment of debt (b)		(9)
Capitalized interest and debt component of AFUDC	6	4
Foreign currency exchange rates (c)	(8)	(25)
Total	$ 8	$ 8

(a) Both periods in 2015 include interest expense related to certain PPL Energy Funding debt that was previously associated with PPL's Supply segment and included in "Income (Loss) from Discontinued Operations (net of income taxes)" in 2014.
(b) In March 2014, PPL Capital Funding remarketed and exchanged junior subordinated notes that were originally issued in April 2011 as a component of PPL's 2011 Equity Units.
(c) The offsetting impacts from foreign currency hedging instruments are recorded in "Other Income (Expense) - net."

Income Taxes

The increase (decrease) in income taxes for the periods ended September 30, 2015 compared with 2014 was due to:

	Three Months	Nine Months
Change in pre-tax income at current period tax rates	$ (14)	$ 32
Valuation allowance adjustments (a)	(3)	(41)
Federal and state tax reserve adjustments (b)	(9)	(21)
U.S. income tax on foreign earnings net of foreign tax credit (c)	(26)	(48)
Foreign tax return adjustments		(4)
Intercompany interest on U.K. financing entities	(4)	(11)
Reduction in U.K. income tax rates	(2)	(8)
Other	1	(1)
Total	$ (57)	$ (102)

(a) As a result of the spinoff announcement, PPL recorded deferred income tax expense of $3 million and $49 million during the three and nine months ended September 30, 2014 to adjust valuation allowances on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the future earnings of PPL Energy Supply.

(b) During the three and nine months ended September 30, 2015, PPL recorded a $9 million tax benefit related to a planned amendment of a prior period tax return. During the nine months ended September 30, 2015, PPL recorded a $12 million tax benefit to adjust the settled refund amount approved by the Joint Committee on Taxation for the open audit years 1998-2011.

(c) During the three and nine months ended September 30, 2015, PPL recorded lower income tax expense due to a decrease in taxable dividends.

See Note 5 to the Financial Statements for additional information.

Income (Loss) from Discontinued Operations (net of income taxes)

Income (Loss) from Discontinued Operations (net of income taxes) includes the results of operations of PPL Energy Supply, which was spun off from PPL on June 1, 2015 and substantially represents PPL's former Supply segment. See "Discontinued Operations" in Note 8 to the Financial Statements for additional information.

PPL Electric: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Income	$ 55	$ 57	$ 191	$ 194
Special item, gains (losses), after-tax		2		(2)

Excluding a special item, earnings decreased for the nine month period in 2015 compared with 2014 primarily due to higher depreciation expense, higher operation and maintenance expense and higher income tax expense, partially offset by higher transmission and distribution margins.

The table below quantifies the changes in the components of Net Income between these periods, which reflects amounts classified as Pennsylvania Gross Delivery Margins and an item that management considers special on separate lines within the table and not in their respective Statement of Income line items.

	Three Months	Nine Months
Pennsylvania Gross Delivery Margins	$ 30	$ 56
Other operation and maintenance	(19)	(25)
Depreciation	(8)	(21)
Interest expense	1	(5)
Taxes other than income	(2)	(1)
Other income (expense) - net	(3)	(1)
Income taxes	1	(8)
Special item, after-tax (a)	(2)	2
Total	$ (2)	$ (3)

(a) See PPL's "Results of Operations - Segment Earnings - Pennsylvania Regulated Segment" for details of the special item.

Margins

"Pennsylvania Gross Delivery Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for information on why management believes this measure is useful and for explanations of the underlying drivers of the changes between periods.

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended September 30.

	2015 Three Months			2014 Three Months		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 519		$ 519	$ 477		$ 477
Operating Expenses						
Energy purchases	154		154	128		128
Energy purchases from affiliate				20		20
Other operation and maintenance	31	$ 131	162	25	$ 108	133
Depreciation		55	55		47	47
Taxes, other than income	25	2	27	25		25
Total Operating Expenses	210	188	398	198	155	353
Total	$ 309	$ (188)	$ 121	$ 279	$ (155)	$ 124

	2015 Nine Months			2014 Nine Months		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,625		$ 1,625	$ 1,518		$ 1,518
Operating Expenses						
Energy purchases	519		519	431		431
Energy purchases from affiliate	14		14	68		68
Other operation and maintenance	84	$ 351	435	74	$ 328	402
Depreciation		158	158		137	137
Taxes, other than income	81	6	87	74	6	80
Total Operating Expenses	698	515	1,213	647	471	1,118
Total	$ 927	$ (515)	$ 412	$ 871	$ (471)	$ 400

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related increase (decrease) during the periods ended September 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Nine Months
Operating revenues	$ 42	$ 107
Energy purchases	26	88
Energy purchases from affiliate	(20)	(54)

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended September 30, 2015 compared with 2014 was due to:

	Three Months	Nine Months
Vegetation management	$ 4	$ 2
Storm costs	(4)	(12)
Act 129	5	8
Bad debts	8	14
Corporate service costs	10	19
Bargaining unit one-time voluntary retirement benefits	3	(3)
Other	3	5
Total	$ 29	$ 33

Depreciation

Depreciation increased by $8 million and $21 million for the three and nine months ended September 30, 2015 compared with 2014, primarily due to PP&E additions, net related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure.

Taxes, Other Than Income

Taxes, other than income increased by $2 million and $7 million for the three and nine months ended September 30, 2015 compared with 2014, primarily due to higher Pennsylvania gross receipts tax expense as a result of an increase in retail electric revenues. This tax is included in "Pennsylvania Gross Delivery Margins."

Interest Expense

Interest expense increased by $5 million for the nine months ended September 30, 2015 compared with 2014, primarily due to the issuance of first mortgage bonds in June 2014.

Income Taxes

The increase in income taxes for the periods ended September 30, 2015 compared with 2014 was due to:

	Three Months	Nine Months
Change in pre-tax income at current period tax rates	$ (1)	$ 6
Federal and state tax reserve adjustments		3
Other	(1)	
Total	$ (2)	$ 9

See Note 5 to the Financial Statements for additional information.

LKE: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Income	$ 120	$ 91	$ 297	$ 271
Special items, gains (losses), after-tax		(1)	(8)	

Excluding special items, earnings increased for the three and nine month periods in 2015 compared with 2014 primarily due to higher returns on additional environmental capital investments and higher base electricity rates effective July 1, 2015, partially offset by higher other operation and maintenance expense.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins and certain items that management considers special on separate lines within the table and not in their respective Statement of Income line items.

	Three Months	Nine Months
Margins	$ 50	$ 75
Other operation and maintenance	(4)	(14)
Depreciation	1	(4)
Taxes, other than income		(2)
Other income (expense)- net		3
Interest expense	(1)	(3)
Income taxes	(18)	(21)
Special items, after-tax (a)	1	(8)
Total	$ 29	$ 26

(a) See PPL's "Results of Operations - Segment Earnings - Kentucky Regulated Segment" for details of special items.

Margins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for an explanation of why management believes this measure is useful and the underlying drivers of the changes between periods. Within PPL's discussion, LKE's Margins are referred to as "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended September 30.

	2015 Three Months			2014 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 801		$ 801	$ 753		$ 753
Operating Expenses						
Fuel	228		228	240		240
Energy purchases	23		23	24		24
Other operation and maintenance	28	$ 174	202	27	$ 170	197
Depreciation	11	86	97	2	87	89
Taxes, other than income	1	13	14		13	13
Total Operating Expenses	291	273	564	293	270	563
Total	$ 510	$ (273)	$ 237	$ 460	$ (270)	$ 190

	2015 Nine Months			2014 Nine Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 2,414		$ 2,414	$ 2,409		$ 2,409
Operating Expenses						
Fuel	695		695	748		748
Energy purchases	143		143	184		184
Other operation and maintenance	77	$ 548	625	75	$ 534	609
Depreciation	26	260	286	6	256	262
Taxes, other than income	3	40	43	1	38	39
Total Operating Expenses	944	848	1,792	1,014	828	1,842
Total	$ 1,470	$ (848)	$ 622	$ 1,395	$ (828)	$ 567

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses included in "Margins"

The following Statement of Income line items and their related increase (decrease) during the periods ended September 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Nine Months
Operating revenues	$ 48	$ 5
Fuel	(12)	(53)
Energy purchases	(1)	(41)

Other Operation and Maintenance

The increase in other operation and maintenance expense for the periods ended September 30, 2015 compared with 2014 was due to:

	Three Months	Nine Months
Cane Run retired units		$ 11
Pension	$ 2	11
Storm costs	3	(7)
Bad debts	(2)	(4)
Coal plant operations	(1)	(3)
Other	3	8
Total	$ 5	$ 16

Depreciation

Depreciation increased by $8 million and $24 million for the three and nine months ended September 30, 2015 compared with 2014 primarily due to additions to PP&E, net.

Income Taxes

The increase in income taxes for the periods ended September 30, 2015, compared with 2014, was due to:

	Three Months	Nine Months
Higher pre-tax book income at current period tax rates	$ 18	$ 21
Certain Valuation Allowances		8
Total	$ 18	$ 29

LG&E: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Income	$ 58	$ 46	$ 146	$ 133

Earnings increased for the three and nine month periods in 2015 compared with 2014 primarily due to higher returns on additional environmental capital investments.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins on a separate line within the table and not in their respective Statement of Income line items.

	Three Months	Nine Months
Margins	$ 13	$ 28
Other operation and maintenance	6	(4)
Depreciation	3	4
Other income (expense) - net	(1)	
Interest expense		(2)
Income taxes	(9)	(13)
Total	$ 12	$ 13

Margins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for an explanation of why management believes this measure is useful and the underlying drivers of the changes between periods. Within PPL's discussion, LG&E's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended September 30.

	2015 Three Months			2014 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 351		$ 351	$ 347		$ 347
Operating Expenses						
Fuel	82		82	99		99
Energy purchases, including affiliate	27		27	23		23
Other operation and maintenance	11	$ 76	87	12	$ 82	94
Depreciation	5	35	40	1	38	39
Taxes, other than income	1	6	7		6	6
Total Operating Expenses	126	117	243	135	126	261
Total	$ 225	$ (117)	$ 108	$ 212	$ (126)	$ 86

	2015 Nine Months			2014 Nine Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,121		$ 1,121	$ 1,170		$ 1,170
Operating Expenses						
Fuel	267		267	320		320
Energy purchases, including affiliate	146		146	178		178
Other operation and maintenance	33	$ 253	286	37	$ 249	286
Depreciation	12	110	122	2	114	116
Taxes, other than income	2	19	21		19	19
Total Operating Expenses	460	382	842	537	382	919
Total	$ 661	$ (382)	$ 279	$ 633	$ (382)	$ 251

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses included in "Margins"

The following Statement of Income line items and their related increase (decrease) during the periods ended September 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Nine Months
Retail and wholesale	$ 15	$ (7)
Electric revenue from affiliate	(11)	(42)
Fuel	(17)	(53)
Energy purchases	(2)	(38)
Energy purchases from affiliate	6	6

Other Operation and Maintenance

The decrease in other operation and maintenance expense for the periods ended September 30, 2015 compared with 2014 was due to:

	Three Months	Nine Months
Cane Run retired units		$ 11
Pension		5
Storm costs	$ 1	(4)
Coal plant operations	(2)	(5)
Bad debts	(1)	(2)
Other	(5)	(5)
Total	$ (7)	$

Depreciation

Depreciation increased by $6 million for the nine months ended September 30, 2015 compared with 2014 primarily due to additions to PP&E, net.

Income Taxes

Income taxes increased by $9 million and $13 million for the three and nine months ended September 30, 2015 compared with 2014 primarily due to the change in pre-tax income at current period tax rates.

KU: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net Income	$ 72	$ 56	$ 189	$ 173
Special item, gain (loss), after-tax		(1)		

Excluding a special item, earnings increased for the three and nine month periods in 2015 compared with 2014 primarily due to higher returns on additional environmental capital investments and higher base electricity rates effective July 1, 2015, partially offset by higher other operation and maintenance expense.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins and a certain item that management considers special on separate lines within the table and not in their respective Statement of Income line items.

	Three Months	Nine Months
Margins	$ 37	$ 47
Other operation and maintenance	(8)	(13)
Depreciation	(3)	(9)
Taxes, other than income		(2)
Other income (expense)- net		2
Interest expense	(1)	
Income taxes	(10)	(9)
Special item, after-tax	1	
Total	$ 16	$ 16

Margins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for an explanation of why management believes this measure is useful and the underlying drivers of the changes between periods. Within PPL's discussion, KU's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended September 30.

	2015 Three Months			2014 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 461		$ 461	$ 422		$ 422
Operating Expenses						
Fuel	146		146	141		141
Energy purchases, including affiliate	7		7	17		17
Other operation and maintenance	17	$ 91	108	14	$ 83	97
Depreciation	6	51	57	2	48	50
Taxes, other than income		7	7		7	7
Total Operating Expenses	176	149	325	174	138	312
Total	$ 285	$ (149)	$ 136	$ 248	$ (138)	$ 110

	2015 Nine Months			2014 Nine Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,342		$ 1,342	$ 1,324		$ 1,324
Operating Expenses						
Fuel	428		428	428		428
Energy purchases, including affiliate	46		46	91		91
Other operation and maintenance	44	$ 277	321	38	$ 264	302
Depreciation	14	150	164	4	141	145
Taxes, other than income	1	21	22	1	19	20
Total Operating Expenses	533	448	981	562	424	986
Total	$ 809	$ (448)	$ 361	$ 762	$ (424)	$ 338

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses included in "Margins"

The following Statement of Income line items and their related increase (decrease) during the periods ended September 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Nine Months
Retail and wholesale	$ 33	$ 12
Electric revenue from affiliate	6	6
Fuel	5	
Energy purchases	1	(3)
Energy purchases from affiliate	(11)	(42)

Other Operation and Maintenance

The increase in other operation and maintenance expense for the periods ended September 30, 2015 compared with 2014 was due to:

	Three Months	Nine Months
Pension	$ 3	$ 9
Cane Run 7 operations	2	3
Storm costs	2	(3)
Coal plant operations	1	2
Other	3	8
Total	$ 11	$ 19

Depreciation

Depreciation increased by $7 million and $19 million for the three and nine months ended September 30, 2015 compared with 2014 primarily due to additions to PP&E, net.

Income Taxes

Income taxes increased by $10 million and $9 million for the three and nine months ended September 30, 2015 compared with 2014 primarily due to the change in pre-tax income at current period tax rates.

Financial Condition

The remainder of this Item 2 in this Form 10-Q is presented on a combined basis, providing information, as applicable, for all Registrants.

Liquidity and Capital Resources

(All Registrants)

The Registrants expect to continue to have adequate liquidity available through operating cash flows, cash and cash equivalents, credit facilities and commercial paper issuances.

The Registrants had the following at:

	PPL (a)	PPL Electric	LKE	LG&E	KU
September 30, 2015					
Cash and cash equivalents	$ 981	$ 26	$ 455	$ 180	$ 275
Short-term debt	557	68	75		
Notes payable with affiliates			62		
December 31, 2014					
Cash and cash equivalents	$ 1,399	$ 214	$ 21	$ 10	$ 11
Short-term investments	120				
Short-term debt	836		575	264	236
Notes payable with affiliates			41		

(a) At September 30, 2015, $199 million of cash and cash equivalents were denominated in GBP. If these amounts would be remitted as dividends, PPL would not anticipate a material incremental U.S. tax cost. Historically, dividends paid by foreign subsidiaries have been limited to distributions of the current year's earnings. See Note 5 to the Financial Statements in PPL's 2014 Form 10-K for additional information on undistributed earnings of WPD.

Net cash provided by (used in) operating, investing and financing activities from continuing operations for the nine month period ended September 30, and the changes between periods, were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
2015					
Operating activities	$ 1,688	$ 373	$ 895	$ 469	$ 510
Investing activities	(2,463)	(764)	(921)	(519)	(400)
Financing activities	231	203	460	220	154
2014					
Operating activities	$ 2,163	$ 412	$ 851	$ 327	$ 486
Investing activities	(2,630)	(562)	(773)	(422)	(418)
Financing activities	137	236	(66)	112	(67)
Change - Cash Provided (Used)					
Operating activities	$ (475)	$ (39)	$ 44	$ 142	$ 24
Investing activities	167	(202)	(148)	(97)	18
Financing activities	94	(33)	526	108	221

Operating Activities

The components of the change in cash provided by (used in) operating activities from continuing operations for the nine months ended September 30, 2015 compared with 2014 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Net income	$ 169	$ (3)	$ 26	$ 13	$ 16
Non-cash components	(56)	103	1	98	20
Working capital	(368)	(121)	129	76	59
Defined benefit plan funding	(106)	(13)	(23)	(13)	(16)
Other operating activities	(114)	(5)	(89)	(32)	(55)
Total	$ (475)	$ (39)	$ 44	$ 142	$ 24

(PPL)

PPL had a $475 million decrease in cash provided by operating activities from continuing operations in 2015 compared with 2014.

- Income from continuing operations improved by $169 million between the periods. This was offset by $56 million less net non-cash expenses. The net $113 million increase from net income and non-cash components in 2015 compared with 2014 reflects higher margins in the Pennsylvania and Kentucky regulated segments and lower income taxes.
- The $368 million decrease in cash from changes in working capital was primarily due to a decrease in taxes payable, primarily due to higher income tax payments in 2015 and a decrease in accounts payable due to timing of payments.
- Defined benefit plan funding was $106 million higher in 2015.
- The decrease in cash from other operating activities was primarily due to payments of $88 million for the settlement of interest rate swaps.

(PPL Electric)

PPL Electric had a $39 million decrease in cash provided by operating activities in 2015 compared with 2014.

- The net increase in non-cash components of $103 million in 2015 compared with 2014 is primarily due to an increase in deferred income taxes, primarily due to a decrease in taxable income for bonus depreciation and higher depreciation expense due to PP&E additions, net related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure.
- The $121 million decline in cash from changes in working capital was primarily due to a decrease in accounts payable, primarily due to timing of payments and a decrease in taxes payable, primarily due to higher income tax payments in 2015, partially offset by a decrease in accounts receivable.
- Defined benefit plan funding was $13 million higher in 2015.

(LKE)

LKE had a $44 million increase in cash provided by operating activities in 2015 compared with 2014.

- LKE's non-cash components of net income included a $24 million increase in depreciation expense due to additional assets in service since the third quarter of 2014, and a $15 million increase associated with current regulatory assets net of current regulatory liabilities due to the timing of rate recovery mechanisms, partially offset by a $52 million decrease in deferred income taxes. The decrease in deferred income taxes was primarily due to recording Federal net operating losses, partially offset by an increase in accelerated tax depreciation over book depreciation.
- The increase in cash from working capital was driven primarily by a decrease in income tax receivable as a result of receiving payment from PPL for the use of excess tax depreciation deductions in 2014, a decrease in coal purchases as a result of plant retirements and Cane Run Unit 7 going in service, and a decrease in natural gas stored underground due to lower gas prices, partially offset by a decrease in accounts payable due to the timing of fuel purchases and payments, a decrease in unbilled revenue due to colder winter weather in 2014, and a decrease in taxes payable due to timing of payments.
- The decrease in cash from other operating activities was driven primarily by $88 million in payments for the settlement of interest rate swaps.

(LG&E)

LG&E had a $142 million increase in cash provided by operating activities in 2015 compared with 2014.

- LG&E's non-cash components of net income included a $62 million increase in deferred income taxes, a $21 million increase associated with current regulatory assets net of current regulatory liabilities due to the timing of rate recovery mechanisms, and a $6 million increase in depreciation expense due to additional assets in service since the third quarter of 2014. The increase in deferred income taxes was primarily due to an increase in accelerated tax depreciation over book depreciation of $80 million, partially offset by an increase of $16 million of net operating loss carryforwards.

- The increase in cash from working capital was driven primarily by a decrease in income tax receivable as a result of receiving payment from LKE for the use of excess tax depreciation deductions in 2014, a decrease in coal purchases as a result of plant retirements and Cane Run Unit 7 going in service, a decrease in natural gas stored underground due to lower gas prices, and a decrease in accounts receivable from affiliates due to timing of intercompany settlements associated with capital expenditures, partially offset by a decrease in accounts payable due to the timing of fuel purchases and payments, a decrease in unbilled revenue due to colder winter weather in 2014, and a decrease in taxes payable due to timing of payments.

- The decrease in cash from other operating activities was driven primarily by $44 million in payments for the settlement of interest rate swaps.

(KU)

KU had a $24 million increase in cash provided by operating activities in 2015 compared with 2014.

- KU's non-cash components of net income included a $19 million increase in depreciation expense due to additional assets in service since the third quarter of 2014, partially offset by a $6 million decrease associated with current regulatory assets net of current regulatory liabilities due to the timing of rate recovery mechanisms.

- The increase in cash from working capital was driven primarily by a decrease in income tax receivable as a result of receiving payments from LKE for the use of excess tax depreciation deductions in 2014, a decrease in coal purchases as a result of plant retirements and Cane Run Unit 7 going in service, and an increase in taxes payable due to timing of payments, partially offset by a decrease in accounts payable due to the timing of fuel purchases and payments, a decrease in unbilled revenue due to colder winter weather in 2014, and a decrease in accounts payable to affiliates due to timing of intercompany settlements associated with capital expenditures.

- The decrease in cash from other operating activities was driven primarily by $44 million in payments for the settlement of interest rate swaps.

Investing Activities

(All Registrants)

Expenditures for Property, Plant and Equipment

Investment in PP&E is the primary investing activity of the registrants. The change in expenditures for PP&E for the nine months ended September 30, 2015 compared with 2014 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
(Increase) Decrease	$ 42	$ (58)	$ (85)	$ (97)	$ 11

For PPL, lower project expenditures at WPD and KU were partially offset by higher project expenditures at PPL Electric and LG&E. The decrease in expenditures for WPD was primarily due to changes in foreign currency exchange rates. The decrease in expenditures for KU was related to lower expenditures for the construction of Cane Run Unit 7 which was put into commercial operation in June 2015, environmental air projects and CCR projects at KU's Ghent and E.W. Brown plants. The increase in expenditures for PPL Electric was primarily due to the Northeast Pocono reliability project, smart grid projects and other various projects, partially offset by the completion of the Susquehanna-Roseland transmission project. The increase in expenditures for LG&E was primarily due to environmental air projects at LG&E's Mill Creek plant, partially offset by lower expenditures for the construction of Cane Run Unit 7.

Other Significant Changes in Components of Investing Activities

(PPL)

PPL received $136 million during the nine months ended September 30, 2015 from the sale of short-term investments.

(PPL Electric)

PPL Electric received $150 million during the nine months ended September 30, 2014 on notes receivable from affiliates.

Financing Activities

(All Registrants)

The components of the change in cash provided by (used in) financing activities from continuing operations for the nine months ended September 30, 2015 compared with 2014 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Long-term debt issuances/retirements, net	$ 1,078	$ (286)	$ 1,050	$ 550	$ 500
Stock issuances/redemptions, net	(892)				
Dividends	(32)	(19)		2	6
Capital contributions/distributions, net		180	86	(53)	(66)
Change in short-term debt, net	(79)	88	(603)	(387)	(216)
Other financing activities	19	4	(7)	(4)	(3)
Total	$ 94	$ (33)	$ 526	$ 108	$ 221

For the nine months ended September 30, 2015, PPL received $94 million more cash from financing activities primarily due to the LG&E and KU long-term debt issuances in September 2015, partially offset by lower common stock issuances in 2015. The proceeds of the long-term debt issuances were used to repay short-term debt and additionally will be used for repayment of First Mortgage Bonds maturing in November 2015, and for general corporate purposes

See Note 7 to the Financial Statements in this Form 10-Q for information on 2015 short and long-term debt activity, equity transactions and PPL dividends. See the Registrants' 2014 Form 10-K for information on 2014 activity.

Credit Facilities

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. Amounts borrowed under these credit facilities are reflected in "Short-term debt" on the Balance Sheets. At September 30, 2015, the total committed borrowing capacity and the use of that capacity under these credit facilities was as follows:

External (All Registrants)

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	$ 750		$ 20	$ 730
PPL Electric Credit Facility	300		69	231
LKE Credit Facility	75	$ 75		
LG&E Credit Facility	500			500
KU Credit Facilities	598		198	400
Total LKE	1,173	75	198	900
Total U.S. Credit Facilities (a)	$ 2,223	$ 75	$ 287	$ 1,861
Total U.K. Credit Facilities (b)	£ 1,055	£ 266		£ 789

(a) The commitments under the U.S. credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than the following percentages of the total committed capacity: PPL - 13%, PPL Electric - 12%, LKE - 21%, LG&E - 12% and KU - 37%.
(b) The amounts borrowed at September 30, 2015 were USD-denominated borrowings of $200 million and GPB-denominated borrowings which equated to $214 million. At September 30, 2015, the USD equivalent of unused capacity under the U.K. committed credit facilities was $1.2 billion.

The commitments under the U.K. credit facilities are provided by a diverse bank group, with no one bank providing more than 14% of the total committed capacity.

See Note 7 to the Financial Statements for further discussion of the Registrants' credit facilities.

Intercompany (LKE, LG&E and KU)

	Committed Capacity	Borrowed	Other Used Capacity	Unused Capacity
LKE Credit Facility	$ 225	$ 62		$ 163
LG&E Money Pool (a)	500			500
KU Money Pool (a)	500			500

(a) LG&E and KU participate in an intercompany money pool agreement whereby LKE, LG&E and/or KU make available funds up to $500 million at an interest rate based on a market index of commercial paper issues. However, the FERC has issued a maximum short-term debt limit for each utility at $500 million from any source.

See Note 11 to the Financial Statements for further discussion of intercompany credit facilities.

Commercial Paper *(All Registrants)*

PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's Syndicated Credit Facility. The following commercial paper programs were in place at September 30, 2015:

	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Electric	$ 300	$ 68	$ 232
LG&E	350		350
KU	350		350
Total LKE	700		700
Total PPL	$ 1,000	$ 68	$ 932

In October 2015, PPL Capital Funding established a commercial paper program for up to $600 million to provide an additional financing source to fund its short-term liquidity needs from time to time. Commercial paper issuances will be supported by PPL Capital Funding's Syndicated Credit Facilities. PPL guarantees PPL Capital Funding's payment obligations on the commercial paper notes.

Long-term Debt

(PPL, LKE and LG&E)

In September 2015, LG&E issued $300 million of 3.30% First Mortgage Bonds due 2025 and $250 million of 4.375% First Mortgage Bonds due 2045. LG&E received proceeds of $298 million and $248 million, net of discounts and underwriting fees, which were used to repay short-term debt and additionally will be used for the repayment of First Mortgage Bonds maturing in November 2015, and for general corporate purposes.

(PPL, LKE and KU)

In September 2015, KU issued $250 million of 3.30% First Mortgage Bonds due 2025 and $250 million of 4.375% First Mortgage Bonds due 2045. KU received proceeds of $248 million for each issuance, net of discounts and underwriting fees, which were used to repay short-term debt and additionally will be used for the repayment of First Mortgage Bonds maturing in November 2015, and for general corporate purposes.

(PPL and PPL Electric)

In October 2015, PPL Electric issued $350 million of 4.150% First Mortgage Bonds due 2045. PPL Electric received proceeds of $345 million, net of a discount and underwriting fees, which will be used to repay short-term debt and for general corporate purposes.

(PPL)

ATM Program

For the periods ended September 30, 2015, PPL issued the following:

	Three Months	Nine Months
Number of shares	435,800	857,500
Average share price	$ 32.95	$ 33.33
Net proceeds	14	28

See Note 7 to the Financial Statements for additional information.

Common Stock Dividends

In August 2015, PPL declared its increased quarterly common stock dividend, payable October 1, 2015, at 37.75 cents per share (equivalent to $1.51 per annum). Future dividends, declared at the discretion of the Board of Directors, will be dependent upon future earnings, cash flows, financial and legal requirements and other factors.

Rating Agency Actions

(All Registrants)

Moody's, S&P and Fitch have periodically reviewed the credit ratings of the debt of the Registrants and their subsidiaries. Based on their respective independent reviews, the rating agencies may make certain ratings revisions or ratings affirmations.

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of the Registrants and their subsidiaries are based on information provided by the Registrants and other sources. The ratings of Moody's, S&P and Fitch are not a recommendation to buy, sell or hold any securities of the Registrants or their subsidiaries. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities. The credit ratings of the Registrants and their subsidiaries affect their liquidity, access to capital markets and cost of borrowing under their credit facilities.

The rating agencies have taken the following actions related to the Registrants and their subsidiaries during 2015.

In January 2015, Fitch withdrew its ratings for PPL, PPL Capital Funding, PPL Electric, LKE, LG&E, and KU.

(PPL)

In May 2015, Moody's upgraded the following ratings with a stable outlook:
- the long-term issuer rating from Baa3 to Baa2 for PPL;
- the senior unsecured rating from Baa3 to Baa2 for PPL Capital Funding; and
- the junior subordinated rating from Ba1 to Baa3 for PPL Capital Funding.

In May 2015, Fitch affirmed and withdrew its ratings for PPL UK Distribution Holdings Limited (formerly known as PPL WW), WPD (South Wales) and WPD (South West).

In June 2015, S&P upgraded the following ratings with a stable outlook:
- the long-term issuer rating from BBB to A- for PPL;

- the senior unsecured rating from BBB- to BBB+ for PPL Capital Funding; and
- the junior subordinated rating from BB+ to BBB for PPL Capital Funding.

In June 2015, S&P affirmed the short-term issuer ratings for WPD plc, WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West). S&P also upgraded the following ratings with a stable outlook:

- the long-term issuer rating from BBB to A- for WPD plc, WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West);
- the senior unsecured rating from BBB- to BBB+ for WPD plc; and
- the senior unsecured rating from BBB to A- for WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West).

In August 2015, S&P affirmed its ratings with a stable outlook for WPD plc, WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West).

In October 2015, Moody's and S&P assigned ratings of P-2 and A-2, respectively, to PPL Capital Funding's $600 million commercial paper program. S&P also assigned a short-term issuer rating of A-2 to PPL.

(PPL and PPL Electric)

In May 2015, Moody's affirmed its ratings and revised its outlook to positive for PPL Electric.

In June 2015, S&P affirmed its commercial paper rating and upgraded the following ratings with a stable outlook for PPL Electric:

- the long-term issuer rating from BBB to A-; and
- the senior secured rating from A- to A.

In September 2015, Moody's affirmed its commercial paper rating and upgraded the following ratings with a stable outlook for PPL Electric:

- the long-term issuer rating from Baa1 to A3; and
- the senior secured rating from A2 to A1.

In September 2015, Moody's and S&P assigned ratings of A1 and A to PPL Electric's $350 million 4.15% First Mortgage Bonds due 2045.

(PPL, LKE, LG&E and KU)

In May 2015, Moody's upgraded the following ratings with a stable outlook for LKE:

- the long-term issuer rating from Baa2 to Baa1; and
- the senior unsecured rating from Baa2 to Baa1.

In June 2015, S&P affirmed its commercial paper ratings for LG&E and KU. S&P also upgraded the following ratings with a stable outlook:

- the long-term issuer ratings from BBB to A- for LKE, LG&E and KU;
- the senior secured ratings from A- to A for LG&E and KU; and
- the senior unsecured rating from BBB- to BBB+ for LKE.

In June 2015, S&P upgraded its ratings from AA+ to AAA for KU's 2000 Series A Solid Waste Disposal Facility Revenue Bonds, KU's 2004 Series A and 2008 Series A Environmental Facilities Revenue Bonds and KU's 2006 Series B Environmental Facilities Revenue Refunding Bonds and removed them from CreditWatch with positive implications.

In September 2015, Moody's and S&P assigned ratings of A1 and A to LG&E's $300 million 3.3% First Mortgage Bonds due 2025, LG&E's $250 million 4.375% First Mortgage Bonds due 2045, KU's $250 million 3.3% First Mortgage Bonds due 2025 and KU's $250 million 4.375% First Mortgage Bonds due 2045.

Ratings Triggers

(PPL, LKE, LG&E and KU)

Various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, interest rate and foreign currency instruments (for PPL), contain provisions that require the posting of additional collateral or permit the counterparty to terminate the contract, if PPL's, LKE's, LG&E's or KU's or their subsidiaries' credit rating, as applicable, were to fall below investment grade. See Note 14 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral requirements for PPL, LKE and LG&E for derivative contracts in a net liability position at September 30, 2015.

(All Registrants)

For additional information on the Registrants' liquidity and capital resources, see "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Registrants' 2014 Form 10-K.

Risk Management

Market Risk

(All Registrants)

See Notes 13 and 14 to the Financial Statements for information about the Registrants' risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These disclosures are not precise indicators of expected future losses, but only indicators of possible losses under normal market conditions at a given confidence level.

Interest Rate Risk

The Registrants and their subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. The Registrants and their subsidiaries utilize various financial derivative instruments to adjust the mix of fixed and floating interest rates in their debt portfolios, adjust the duration of their debt portfolios and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under the risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolios due to changes in the absolute level of interest rates.

The following interest rate hedges were outstanding at September 30, 2015.

	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through
PPL				
Cash flow hedges				
Interest rate swaps (c)	$ 792	$ (31)	$ (12)	2026
Cross-currency swaps (d)	1,262	61	(158)	2028
Economic hedges				
Interest rate swaps (e)	179	(51)	(2)	2033
LKE				
Economic hedges				
Interest rate swaps (e)	179	(51)	(2)	2033
LG&E				
Economic hedges				
Interest rate swaps (e)	179	(51)	(2)	2033

(a) Includes accrued interest, if applicable.

(b) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability. Sensitivities represent a 10% adverse movement in interest rates, except for cross-currency swaps which also includes a 10% adverse movement in foreign currency exchange rates.
(c) Changes in the fair value of such cash flow hedges are recorded in equity or as regulatory assets or regulatory liabilities, if recoverable through regulated rates, and reclassified into earnings in the same period during which the item being hedged affects earnings.
(d) Cross-currency swaps are utilized to hedge the principal and interest payments of WPD's U.S. dollar-denominated senior notes. Changes in the fair value of these instruments are recorded in equity and reclassified into earnings in the same period during which the item being hedged affects earnings.
(e) Realized changes in the fair value of such economic hedges are recoverable through regulated rates and any subsequent changes in the fair value of these derivatives are included in regulatory assets or regulatory liabilities.

The Registrants are exposed to a potential increase in interest expense and to changes in the fair value of their debt portfolios. The estimated impact of a 10% adverse movement in interest rates on interest expense at September 30, 2015 was insignificant for PPL, PPL Electric, LKE, LG&E and KU. The estimated impact of a 10% adverse movement in interest rates on the fair value of debt at September 30, 2015 is shown below.

	10% Adverse Movement in Rates
PPL	$ 685
PPL Electric	129
LKE	185
LG&E	69
KU	105

Foreign Currency Risk (PPL)

PPL is exposed to foreign currency risk primarily through investments in U.K. affiliates. Under its risk management program, PPL may enter into financial instruments to hedge certain foreign currency exposures, including translation risk of expected earnings, firm commitments, recognized assets or liabilities, anticipated transactions and net investments.

The following foreign currency hedges were outstanding at September 30, 2015.

	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Maturities Ranging Through
Net investment hedges (b)	£ 134	$ 19	$ (20)	2016
Economic hedges (c)	1,676	143	(235)	2017

(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.
(c) To economically hedge the translation risk of expected earnings denominated in GBP.

Commodity Price Risk (Non-trading)

(PPL, LKE, LG&E and KU)

LG&E's and KU's retail electric rates, LG&E's natural gas rates and KU's municipal wholesale electric 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 their business operations. LG&E and KU sell 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 14 to the Financial Statements for additional information.

(PPL and PPL Electric)

PPL Electric is exposed to market price and volumetric risks from its obligation as a 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.

Credit Risk *(All Registrants)*

See Notes 13 and 14 to the Financial Statements in this Form 10-Q and "Risk Management - Credit Risk" in the Registrants' 2014 Form 10-K for additional information.

Foreign Currency Translation *(PPL)*

The value of the British pound sterling fluctuates in relation to the U.S. dollar. Changes in this exchange rate resulted in a foreign currency translation loss of $101 million for the nine months ended September 30, 2015, which primarily reflected a $263 million decrease to PP&E and goodwill offset by a decrease of $162 million to net liabilities. Changes in this exchange rate resulted in a foreign currency translation gain of $75 million for the nine months ended September 30, 2014, which primarily reflected a $193 million increase to PP&E and goodwill offset by an increase of $118 million to net liabilities. The impact of foreign currency translation is recorded in AOCI.

Related Party Transactions *(All Registrants)*

The Registrants are not aware of any material ownership interests or operating responsibility by senior management in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with the Registrants. See Note 11 to the Financial Statements for additional information on related party transactions for PPL Electric, LKE, LG&E and KU.

Acquisitions, Development and Divestitures

(All Registrants)

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with, modify or terminate the projects. Any resulting transactions may impact future financial results. See Note 8 to the Financial Statements for information on the more significant activities.

(PPL)

See Note 8 to the Financial Statements for information on the spinoff of PPL Energy Supply.

Environmental Matters

(All Registrants)

Extensive federal, state and local environmental laws and regulations are applicable to PPL's, LKE's, LG&E's and KU's air emissions, water discharges and the management of hazardous and solid waste, as well as other aspects of the Registrants' businesses. The cost of compliance or alleged non-compliance cannot be predicted with certainty but could be significant. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed. Costs may take the form of increased capital expenditures or operating and maintenance expenses, monetary fines, penalties or other restrictions. Many of these environmental law considerations are also applicable to the operations of key suppliers, or customers, such as coal producers and industrial power users, and may impact the cost for their products or their demand for the Registrants' services. Increased capital and operating costs are subject to rate recovery. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

See Note 10 to the Financial Statements for a discussion of the more significant environmental matters including:

- Climate Change,
- Waters of the United States,
- Coal Combustion Residuals,
- Effluent Limitations Guidelines,

- Mercury and Air Toxics Standards, and
- National Ambient Air Quality Standards.

Additionally, see Note 13 to the Financial Statements and "Item 1. Business - Environmental Matters" in the Registrants' 2014 Form 10-K for additional information on environmental matters.

(PPL, LKE, LG&E and KU)

Coal Combustion Residuals (CCRs)

On October 19, 2015, the EPA's final rule regulating CCRs became effective. In connection with the final CCR rule, LG&E and KU recorded increases to existing AROs of $57 million and $219 million during the three and nine months ended September 30, 2015**.** See Note 16 to the Financial Statements for additional information. Further increases to AROs or changes to current capital plans or to operating costs may be required as estimates are refined based on closure developments, groundwater monitoring results and regulatory or legal proceedings. Costs relating to this rule are subject to rate recovery.

New Accounting Guidance *(All Registrants)*

See Notes 2 and 18 to the Financial Statements for a discussion of new accounting guidance adopted and pending adoption.

Application of Critical Accounting Policies *(All Registrants)*

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following table summarizes the accounting policies by Registrant that are particularly important to an understanding of the reported financial condition or results of operations, and require management to make estimates or other judgments of matters that are inherently uncertain. See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Registrants' 2014 Form 10-K for a discussion of each critical accounting policy.

	PPL	PPL Electric	LKE	LG&E	KU
Defined Benefits	X	X	X	X	X
Loss Accruals	X	X	X	X	X
Income Taxes	X	X	X	X	X
Asset Impairments (Excluding Investments)	X		X	X	X
AROs	X		X	X	X
Price Risk Management	X		X	X	X
Regulatory Assets and Liabilities	X	X	X	X	X
Revenue Recognition - unbilled revenue		X	X	X	X

PPL Corporation
PPL Electric Utilities Corporation
LG&E and KU Energy LLC
Louisville Gas and Electric Company
Kentucky Utilities Company

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Reference is made to "Risk Management" in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The Registrants' principal executive officers and principal financial officers, based on their evaluation of the Registrants' disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) have concluded that, as of September 30, 2015, the Registrants' disclosure controls and procedures are effective to ensure that material information relating to the Registrants and their consolidated subsidiaries is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, particularly during the period for which this quarterly report has been prepared. The aforementioned principal officers have concluded that the disclosure controls and procedures are also effective to ensure that information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive and principal financial officers, to allow for timely decisions regarding required disclosure.

(b) Change in internal controls over financial reporting.

The Registrants' principal executive officers and principal financial officers have concluded that there were no changes in the Registrants' internal control over financial reporting during the Registrants' third fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrants' internal control over financial reporting.

PPL Corporation

Following the announcement of the transaction to spin off PPL Energy Supply, LLC to form Talen Energy, management determined the appropriate staffing for Talen Energy and for PPL and its subsidiaries. During the nine months ended September 30, 2015, staffing changes, including the consolidation of certain positions and transition of responsibilities, resulted in changes in certain individuals responsible for executing internal controls. However, changes to system applications, business processes and the associated internal controls were not significant. Management has taken steps to minimize the risk from the changes in individuals executing internal controls.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding pending administrative and judicial proceedings involving regulatory, environmental and other matters, which information is incorporated by reference into this Part II, see:

- "Item 3. Legal Proceedings" in each Registrant's 2014 Form 10-K; and
- Notes 6 and 10 to the Financial Statements.

Item 1A. Risk Factors

There have been no material changes in the Registrants' risk factors from those disclosed in "Item 1A. Risk Factors" of the Registrants' 2014 Form 10-K, except that as a result of the June 1, 2015 spinoff by PPL of PPL Energy Supply, the risk factors disclosed under the heading "Risks Related to Supply Segment" at pages 26 through 31 of the Registrants' 2014 Form 10-K are no longer applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

PPL Electric Utilities Corporation

On October 27, 2015, PPL Electric amended and restated its By-laws to provide that the number of directors constituting the Company's board of directors shall be as determined from time to time by the directors.

Item 6. Exhibits

The following Exhibits indicated by an asterisk preceding the Exhibit number are filed herewith. The balance of the Exhibits has heretofore been filed with the Commission and pursuant to Rule 12(b)-32 are incorporated herein by reference. Exhibits indicated by a [_] are filed or listed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

*3(a)	- Bylaws of PPL Electric Utilities Corporation, effective as of October 27, 2015
4(a)	- Supplemental Indenture No. 4, dated as of September 1, 2015, of Louisville Gas and Electric Company to The Bank of New York Mellon, as Trustee (Exhibit 4(a) to Louisville Gas and Electric Company Form 8-K Report (File No. 1-2893) dated September 28, 2015)
4(b)	- Supplemental Indenture No. 4, dated as of September 1, 2015, of Kentucky Utilities Company to The Bank of New York Mellon, as Trustee (Exhibit 4(b) to Kentucky Utilities Company Form 8-K Report (File No. 1-3464) dated September 28, 2015)
4(c)	- Supplemental Indenture No. 17, dated as of October 1, 2015, of PPL Electric Utilities Corporation to The Bank of New York Mellon, as Trustee (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated October 1, 2015)
*12(a)	- PPL Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(b)	- PPL Electric Utilities Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(c)	- LG&E and KU Energy LLC and Subsidiaries Computation of Ratio of Earnings to Fixed Charges
*12(d)	- Louisville Gas and Electric Company Computation of Ratio of Earnings to Fixed Charges
*12(e)	- Kentucky Utilities Company Computation of Ratio of Earnings to Fixed Charges

Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended September 30, 2015, filed by the following officers for the following companies:

*31(a)	- PPL Corporation's principal executive officer
*31(b)	- PPL Corporation's principal financial officer
*31(c)	- PPL Electric Utilities Corporation's principal executive officer
*31(d)	- PPL Electric Utilities Corporation's principal financial officer
*31(e)	- LG&E and KU Energy LLC's principal executive officer
*31(f)	- LG&E and KU Energy LLC's principal financial officer
*31(g)	- Louisville Gas and Electric Company's principal executive officer
*31(h)	- Louisville Gas and Electric Company's principal financial officer
*31(i)	- Kentucky Utilities Company's principal executive officer
*31(j)	- Kentucky Utilities Company's principal financial officer

Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended September 30, 2015, furnished by the following officers for the following companies:

*32(a)	- PPL Corporation's principal executive officer and principal financial officer
*32(b)	- PPL Electric Utilities Corporation's principal executive officer and principal financial officer
*32(c)	- LG&E and KU Energy LLC's principal executive officer and principal financial officer
*32(d)	- Louisville Gas and Electric Company's principal executive officer and principal financial officer
*32(e)	- Kentucky Utilities Company's principal executive officer and principal financial officer

101.INS	- XBRL Instance Document
101.SCH	- XBRL Taxonomy Extension Schema
101.CAL	- XBRL Taxonomy Extension Calculation Linkbase
101.DEF	- XBRL Taxonomy Extension Definition Linkbase
101.LAB	- XBRL Taxonomy Extension Label Linkbase
101.PRE	- XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiaries.

PPL Corporation
(Registrant)

Date: October 30, 2015

/s/ Stephen K. Breininger
Stephen K. Breininger
Vice President and Controller
(Principal Accounting Officer)

PPL Electric Utilities Corporation
(Registrant)

Date: October 30, 2015

/s/ Stephen K. Breininger
Stephen K. Breininger
Vice President and Controller
(Principal Financial Officer and Principal Accounting Officer)

LG&E and KU Energy LLC
(Registrant)

Louisville Gas and Electric Company
(Registrant)

Kentucky Utilities Company
(Registrant)

Date: October 30, 2015

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Bylaws of
PPL Electric Utilities Corporation

10/27/15

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Table of Contents

BYLAWS
OF
PPL ELECTRIC UTILITIES CORPORATION
(a Pennsylvania Corporation)

ARTICLE I

Offices and Fiscal Year

Section 1.01. *Registered Office.* The registered office of the corporation in the Commonwealth of Pennsylvania shall be at Two North Ninth Street, Allentown, Pennsylvania 18101.

Section 1.02. *Fiscal Year*. The fiscal year of the corporation shall begin on the first day of January in each year.

Section 1.03. *Corporate Seal*. The corporation shall have a corporate seal in the form of a circle containing the name of the corporation, the year of incorporation and such other details, if any, as approved by the board of directors.

ARTICLE II

Meetings of Shareholders

Section 2.01. *Place of Meeting*. All meetings of the shareholders of the corporation shall be held at the registered office of the corporation unless another place is designated by the board of directors in the notice of such meeting.

Section 2.02. *Annual Meeting*. The board of directors may fix the date and time of the annual meeting of the shareholders, but if no such date and time is fixed by the board the meeting for any calendar year shall be held on the third Thursday in May in such year, at 2 o'clock P.M., and at said meeting the shareholders then entitled to vote shall elect directors and shall transact such other business as may properly be brought before the meeting.

Section 2.03. *Special Meetings*. Special meetings of the shareholders of the corporation for any purpose or purposes may be called at any time by the Chairman of the Board, if there be one, or, in the case of a vacancy in the office, the President; or by the board of directors.

Section 2.04. *Notice of Meetings*. Written notice of every meeting of the shareholders, whether annual or special, shall be given to each shareholder of record entitled to vote at the meeting, at least five days prior to the day named for the meeting; *provided*, *however*, that at least ten days written notice prior to the day of the meeting shall be given in the case of any annual or special meeting at which there is to be considered any amendment to the Articles of Incorporation of the corporation, the sale of all or substantially all of its assets, or its merger with or consolidation into any other corporation. Such notice shall specify the place, day and hour of the meeting and, in the case of a special meeting of shareholders, the general nature of the business to be transacted.

Section 2.05. _Quorum, Manner of Acting, and Adjournment_.

(a) _Quorum._ The presence in person or by proxy of shareholders entitled to cast a majority of the votes which all shareholders are entitled to cast on the particular matter shall constitute a quorum for the purposes of consideration and action on the matter. Shares of the corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the board of directors, as such, shall not be counted in determining the total number of outstanding shares for quorum purposes at any given time. The shareholders present at a duly organized meeting can continue to do business until adjournment notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

(b) _Adjournments_. Any regular or special meeting of the shareholders, including one at which directors are to be elected and one which cannot be organized because a quorum has not attended, may be adjourned for such period and to such place as the shareholders present and entitled to vote shall direct.

Except as otherwise provided in the Articles of Incorporation, those shareholders entitled to vote who attend a meeting called for the election of directors that has been previously adjourned for lack of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of electing directors. Also, except as otherwise provided in the Articles of Incorporation, those shareholders entitled to vote who attend a meeting of shareholders that has been previously adjourned for one or more periods aggregating at least 15 days because of an absence of a quorum, although less than a quorum, shall nevertheless constitute a quorum for the purpose of acting upon any matter set forth in the notice of the meeting if the notice states that those shareholders who attend the adjourned meeting shall nevertheless constitute a quorum for the purpose of acting upon the matter.

(c) _Action by Shareholders_. Except as otherwise provided in the Articles of Incorporation, a section of these bylaws adopted by the shareholders or the Business Corporation Law, whenever any corporate action is to be taken by vote of the shareholders, it shall be authorized upon receiving the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon and, if any shareholders are entitled to vote thereon as a class, upon receiving the affirmative vote of a majority of the votes cast by the shareholders entitled to vote as a class.

Section 2.06. _Organization_. At every meeting of the shareholders, the Chairman of the Board, or, in the case of vacancy in the office or absence of the Chairman of the Board, one of the following directors or officers: a director designated by the Chairman, the president, an executive vice president, a senior vice president, any vice president, or a Chairman chosen by the shareholders entitled to cast a majority of the votes which all shareholders present in person or by proxy are entitled to cast, shall act as Chairman; and the secretary or a person appointed by the Chairman shall act as secretary.

Section 2.07 _Voting and Proxies_. Except as otherwise provided by statute or in the Articles of Incorporation, every shareholder of record shall have the right to one vote for every share standing in his name on the books of the corporation.

In all elections for directors, every shareholder entitled to vote shall have the right to multiply the number of votes to which he may be entitled by the total number of directors to be elected in the same election by the holders of the class of shares of which his shares are a part, and he may cast the whole number of such votes for one candidate or he may distribute them among any two or more candidates. The candidates receiving the highest number of votes from each class or group of classes entitled to elect directors separately up to the number of directors to be elected in the same election by such class or group of classes shall be elected.

Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy. Every proxy shall be executed in writing by the shareholder or by his duly authorized attorney in fact and filed with the secretary of the corporation. A proxy, unless coupled with an interest, shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not be effective until notice thereof has been given to the secretary of the corporation. No unrevoked proxy shall be valid after eleven months from the date of its execution, unless a longer time is expressly provided therein, but in no event shall any proxy, unless coupled with an interest, be voted on after three years from the date of its execution. A proxy shall not be revoked by the death or incapacity of the maker unless, before the vote is counted or the authority is exercised, written notice of such death or incapacity is given to the secretary of the corporation. A proxy coupled with an interest shall include an unrevoked proxy in favor of a creditor of a shareholder and such a proxy shall be valid as long as the debt owed by him to the creditor remains unpaid.

Section 2.08. *Voting Lists*. The officer or agent of the corporation having charge of the transfer books for shares of the corporation shall make a complete list of the shareholders entitled to vote at any meeting of shareholders, arranged in alphabetical order, with the address of and the number of shares held by each. The list shall be produced and kept open at the time and place of the meeting, and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof. In lieu of the making of such list, the corporation may make the information therein available at the meeting by any other means. The original share register or transfer book or a duplicate thereof, kept in Pennsylvania, shall be prima facie evidence as to who are the shareholders entitled to examine such list or share register or transfer book, or to vote, in person or by proxy, at any meeting of shareholders.

Section 2.09. *Judges of Election*. In advance of any meeting of shareholders, the board of directors may appoint one or three judges of election, who need not be shareholders. If judges of election be not so appointed, the chairman of the meeting may, and on the request of any shareholder or his proxy shall, appoint judges of election at the meeting. The judges of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum and the authenticity, validity and effect of proxies, receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with nominations by shareholders or the right to vote, count and tabulate all votes, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all shareholders. If there are three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

On request of the chairman of the meeting or of any shareholder, the judges shall make a report in writing of any challenge or question or matter determined by them, and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated therein.

Section 2.10. *Determination of Shareholders of Record*. The board of directors may fix a date as a record date for the determination of the shareholders entitled to notice of, or to vote at, any meeting of shareholders, which date, except in the case of an adjourned meeting, shall be not more than 90 days prior to the date of the meeting. Only shareholders of record on the date so fixed, and no others, shall be entitled to notice of, or to vote at, such meeting, notwithstanding any transfer of any shares on the books of the corporation after any such record date so fixed. When a determination of shareholders of record has been made for purposes of a meeting, the determination shall apply to any adjournment thereof unless the board of directors fixes a new record date for the adjourned meeting. The board of directors may similarly fix a record date for the determination of shareholders of record for any other purpose. If a record date is not fixed by the board of directors, the record date shall be as determined in the Business Corporation Law.

ARTICLE III

Board of Directors

Section 3.01. *Authority, Number and Qualifications*. The business and affairs of the corporation shall be managed under the direction of a board of directors. The number of directors shall be fixed from time to time by resolution of the board of directors. In addition, the board of directors may designate from among its number a Chairman of the Board. All directors of the corporation shall be natural persons of full age, but need not be residents of Pennsylvania. A director may also be an officer or employee of the corporation.

Section 3.01.1 *Term of Office*. Each director shall hold office until the expiration of the term for which he or she was selected and until a successor shall have been elected and qualified or until his or her earlier death, resignation or removal.

Section 3.02. *Organization*. At every meeting of the Board of Directors, the Chairman of the Board, if there be one, or, in the case of a vacancy in the office or absence of the Chairman of the Board, the Vice Chairman, or a Chairman chosen by a majority of the directors present, shall preside, and the secretary, or any person appointed by the Chairman of the meeting, shall act as secretary.

Section 3.03. *Resignations*. Any director of the corporation may resign at any time by giving written notice to the Chairman of the Board, if there be one, or the President, or the secretary of the corporation. Such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.04. *Vacancies*. The board of directors may declare vacant the office of a director if he be declared of unsound mind by an order of court, or convicted of felony, or for any other proper cause.

Except as otherwise provided in the Articles of Incorporation, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the board of directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled solely by the majority vote of the directors then in office, although less than a quorum. Each director so chosen shall hold office until the next election of the class for which such director has been chosen, and until his or her successor has been selected and qualified or until his or her earlier death, resignation or removal.

If one or more directors shall resign from the board effective as of a future date, the directors then in office, including those who have so resigned, shall have power by the applicable vote to fill the vacancies, the vote thereon to take effect when the resignations become effective.

Section 3.05. *Removal by Shareholders*. Any director may be removed from office by vote of shareholders only upon the affirmative vote of the shareholders entitled to cast at least two-thirds of the votes which all shareholders would be entitled to cast at any annual election of directors and upon any additional vote of shareholders that may be required by law.

Section 3.06. *Place of Meeting*. The board of directors may hold its meetings at such place or places within Pennsylvania, or elsewhere, as the board of directors may from time to time appoint, or as may be designated in the notice calling the meeting.

Section 3.07. *Organization Meeting*. Immediately after each annual election of directors or other meeting at which the entire board of directors is elected, the newly elected board of directors shall meet for the purpose of organization, election of officers, and the transaction of other business, at the place where said election of directors was held. Notice of such meeting need not be given. Such organization meeting may be held at any other time or place which shall be specified in a notice given as hereinafter provided for special meetings of the board of directors.

Section 3.08. *Regular Meetings*. Regular meetings of the board of directors shall be held at such time as shall be designated from time to time by the board of directors. At such meetings, the directors shall transact such business as may properly be brought before the meeting. Notice need not be given of regular meetings held at the registered office of the corporation. If held elsewhere, the notice requirements of Section 3.06 shall apply.

Section 3.09. *Special Meetings*. Special meetings of the board of directors shall be held whenever called by two or more of the directors or by the Chairman of the Board, if there be one, or, in the case of vacancy in the office or absence of the Chairman of the Board, the president. Notice of every special meeting of the board of directors shall be given to each director by telephone or in writing at least 24 hours (in the case of notice by telephone, telex, TWX or facsimile transmission) or 48 hours (in the case of notice by telegraph, courier service or express mail) or five days (in the case of notice by United States mail) before the time at which the meeting is to be held. Every such notice shall state the time and place of the meeting. Neither the business to be transacted at nor the purpose of any special meeting need be specified in a notice of the meeting.

Section 3.10. *Quorum, Manner of Acting, and Adjournment*. A majority of the directors in office shall be present at each meeting in order to constitute a quorum for the transaction of business. Except as otherwise provided in the Articles of Incorporation or by statute, the acts of a majority of the directors present at a meeting at which a quorum is present shall be the acts of the board of directors. In the absence of a quorum, a majority of the directors present may adjourn the meeting from time to time until a quorum be present, provided that the notice, if any, required by Sections 3.08 or 3.09 of this Article has been given. The directors shall act only as a board and the individual directors shall have no power as such, *provided*, *however*, that any action which may be taken at a meeting of the board may be taken without a meeting if a consent or consents in writing setting forth the action so taken shall be signed by all of the directors and shall be filed with the secretary of the corporation.

Section 3.11. _Executive and Other Committees_. The board of directors may, by resolution adopted by a majority of the directors in office, establish an Executive Committee and one or more other committees. Any committee, to the extent provided in such resolution, shall have and may exercise all of the powers and authority of the board of directors, except that no committee shall have any power or authority as to the following:

(1) The submission to shareholders of any action requiring approval of shareholders under the Business Corporation Law.

(2) The creation or filling of vacancies in the board of directors.

(3) The adoption, amendment or repeal of these bylaws.

(4) The amendment or repeal of any resolution of the board of directors that by its terms is amendable or repealable only by the board.

(5) Action on matters committed by a resolution of the board of directors exclusively to another committee of the board.

A majority of the directors in office designated to a committee shall be present at each meeting in order to constitute a quorum for the transaction of business. The acts of a majority of the committee members present at a meeting at which a quorum is present shall be the acts of the committee. Any action which may be taken at a meeting of a committee may be taken without a meeting if a consent or consents in writing setting forth the action so taken shall be signed by all of the committee members and shall be filed with the secretary of the corporation.

Each committee shall keep records of its proceedings.

Section 3.12. _Compensation_. The board of directors shall have the authority to fix the compensation of directors for their services as directors. A director may be a salaried officer of the corporation, but no employee shall receive a salary for serving as a director.

Section 3.13. _Nominations for Election of Directors and Proposed Business to be Transacted._

(a) *Director Nominations*. Except as otherwise provided in or fixed by or pursuant to the provisions of Article VI of the Articles of Incorporation, nominations for the election of directors may be made by the board of directors or a committee appointed by the board of directors or by any shareholder entitled to vote in the election of directors generally. However, any shareholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice (meeting the requirements hereinafter set forth) of such shareholder's intent to make such nomination or nominations has been given by the shareholder and received by the secretary of the corporation in the manner and within the time specified by this Subsection. The notice shall be delivered to the secretary of the corporation not later than (i) with respect to an election to be held at an annual meeting of shareholders, 75 days in advance of the date of such meeting; *provided*, _however_, that in the event that less than 85 days' notice or prior public disclosure of the date of the annual meeting is given, notice from the shareholders to be timely must be received not later than the tenth day following the date on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs, and (ii) with respect to an election to be held at a special meeting of shareholders for the election of directors, the close of business on the earlier of (A) the seventh day following the date on which notice of such meeting is first given to shareholders or (B) the fourth day prior to the meeting. In lieu of delivery to the secretary, the notice may be mailed to the secretary by certified mail, return receipt requested, but shall be deemed to have been given only upon actual receipt by the secretary. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the shareholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had proxies been solicited with respect to such nominee by the management or board of directors of the corporation; and (e) the consent of each nominee to serve as a director of the corporation if so elected. If a judge or judges of election shall not have been appointed pursuant to these bylaws, the presiding officer of the meeting may, if the facts warrant, determine and declare to the meeting that any nomination made at the meeting was not made in accordance with the procedures of this Subsection and, in such event, the nomination shall be disregarded. Any decision by the presiding officer of the meeting made in good faith shall be conclusive and binding upon all shareholders of the corporation for any purpose.

(b) *Proposed Business to be Transacted*. Except as otherwise provided in Section 3.13(a) of these bylaws, at any annual meeting or special meeting of shareholders, only such business as is properly brought before the meeting in accordance with this Subsection may be transacted. To be properly brought before any meeting, any proposed business that is to be brought pursuant to this Subsection must be either (i) specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the board of directors, (ii) otherwise properly brought before the meeting by or at the direction of the board of directors, or (iii) in the case of an annual meeting of shareholders, otherwise properly brought before the meeting by a shareholder (x) who is a shareholder of record on the date of giving notice provided for in these bylaws and on the record date for the determination of shareholders entitled to vote at such annual meeting, and (y) who complies with the notice provisions set forth in this Subsection. For business to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, a shareholder's notice must be delivered to the secretary of the corporation not later than 75 days in advance of the date of such meeting; *provided*, *however*, that in the event that less than 85 days' notice or prior public disclosure of the date of the annual meeting is given, notice from the shareholders to be timely must be received not later than the tenth day following the date on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs. In lieu of delivery to the secretary, the notice may be mailed to the secretary by certified mail, return receipt requested, but shall be deemed to have been given only upon actual receipt by the secretary. A shareholder's notice to the secretary of the corporation, as required by this Subsection, shall set forth as to each matter the shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the shareholder proposing such business, (iii) the class, series and number of shares of the corporation's stock which are beneficially owned by the shareholder, (iv) a description of all arrangements or understandings between such shareholder and any other person or persons (including their names) in connection with the proposal of such business by such shareholder in such business, (v) all other information which would be required to be included in a proxy statement or other filing required to be filed with the Securities and Exchange Commission if, with respect to any such item of business, such shareholder were a participant in a solicitation subject to Regulation 14A under the Securities Exchange Act of 1934, as amended, and (vi) a representation that such shareholder intends to appear in person or by proxy at the annual meeting of shareholders to bring such business before the meeting. Except as provided in Section 3.13(a) of these bylaws, notwithstanding anything in the bylaws to the contrary, no business shall be conducted at any meeting of shareholders except in accordance with the procedures set forth in this Subsection, *provided*, *however*, that nothing in this Subsection shall be deemed to preclude discussion by any shareholders of any business properly brought before any such meeting. The presiding officer of a meeting may, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Subsection, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Any decision by the presiding officer of the meeting made in good faith shall be conclusive and binding upon all shareholders of the corporation for any purpose.

ARTICLE IV

Notice—Waivers—Meetings

Section 4.01 *Manner of Giving Notice*.

(a) *General Rule*. Whenever written notice is required to be given to any person under the provisions of the Articles of Incorporation, these bylaws, or the Business Corporation Law, it may be given to the person, either personally or by sending a copy thereof by first-class or express mail, postage prepaid, or by telegram (with messenger service specified), telex or TWX (with answerback received) or courier service, charges prepaid, or by facsimile transmission, to the address (or to the telex, TWX or facsimile transmission telephone number) of the person appearing on the books of the corporation or, in the case of directors, supplied by the director to the corporation for the purpose of notice. Notice of any regular or special meeting of the shareholders (or any other notice required by the Articles of Incorporation, these bylaws, or the Business Corporation Law to be given to all shareholders or to all holders of a class or series of shares) may be given by any class of mail, postage prepaid, if the notice is deposited in the United States mail at least 20 days prior to the day named for the meeting or any corporate or shareholder action specified in the notice.

If the notice is sent by mail, telegraph or courier service, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a telegraph office or courier service for delivery to that person or, in the case of telex or TWX, when dispatched or, in the case of facsimile transmission, when received. A notice of meeting shall specify the place, day and hour of the meeting and any other information required by any other provision of the Articles of Incorporation, these bylaws, or the Business Corporation Law.

(b) *Adjourned Shareholder Meetings*. When a meeting of shareholders is adjourned, it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which the adjournment is taken, unless the board fixes a new record date for the adjourned meeting or the Business Corporation Law requires notice of the business to be transacted and such notice has not previously been given.

Section 4.02. *Waivers of Notice*. Whenever any written notice is required to be given under the provisions of the Articles of Incorporation, these bylaws, or the Business Corporation Law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Except in the case of a special meeting of shareholders, neither the business to be transacted at, nor the purpose of, the meeting need be specified in the waiver of notice of such meeting.

Attendance of a person, either in person or by proxy, at any meeting, shall constitute a waiver of notice of such meeting, except where a person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

Section 4.03. *Conference Telephone Meetings*. One or more directors may participate in a meeting of the board, or of a committee of the board, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

ARTICLE V

Officers

Section 5.01. *Number, Qualifications and Designation*. The officers of the corporation shall be a president, a secretary, a treasurer, one or more vice presidents (including executive vice presidents and senior vice presidents) and such other officers as the business of the corporation may require, including one or more assistant officers. One person may hold more than one office. Officers may but need not be directors or shareholders of the corporation.

Section 5.02. *Election and Term of Office*. The officers of the corporation shall be elected by the board of directors, and each such officer shall hold his office until the next annual organization meeting of the directors (which is held immediately following the annual meeting of shareholders), or until his death, resignation, or removal.

Section 5.03. *Resignations*. Any officer may resign at any time by giving written notice to the board of directors, or to the Chairman of the Board, if there be one, or the President, or the secretary of the corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5.04. *Removal*. Any officer may be removed, either for or without cause, by the board of directors whenever in the judgment of the board of directors the best interests of the corporation will be served thereby.

Section 5.05. _Vacancies_. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause, may be filled by the board of directors.

Section 5.06. _General Powers_. All officers of the corporation as between themselves and the corporation, shall, respectively have such authority and perform such duties in the management of the property and affairs of the corporation as may be determined by resolution of the board of directors.

Section 5.07. _Compensation_. The salaries or other compensation of the officers elected by the board of directors shall be fixed from time to time by the board of directors or in such manner as the board of directors shall from time to time provide.

Section 5.08. _Standard of Care_. In lieu of the standards of conduct otherwise provided by law, officers of the corporation shall be subject to the same standards of conduct, including standards of care and loyalty and rights of justifiable reliance, as shall at the time be applicable to directors of the corporation.

ARTICLE VI

Capital Stock

Section 6.01. _Share Certificates_.

(a) _Form of Certificates_. To the extent that certificates for shares of the corporation are issued, such certificates shall be in such form as approved by the board of directors, and shall state that the corporation is incorporated under the laws of the Commonwealth of Pennsylvania, the name of the person to whom issued, and the number and class of shares and the designation of the series (if any) that the certificate represents. If the corporation is authorized to issue shares of more than one class or series, certificates for shares of the corporation shall set forth upon the face or back of the certificate (or shall state on the face or back of the certificate that the corporation will furnish to any shareholder upon request and without charge), a full or summary statement of the designations, voting rights, preferences, limitations and special rights of the shares of each class or series authorized to be issued so far as they have been fixed and determined and the authority of the board of directors to fix and determine the designations, voting rights, preferences, limitations and special rights of the classes and series of shares of the corporation.

(b) _Share Register_. The share register or transfer books and blank share certificates shall be kept by the secretary or by any transfer agent or registrar designated by the board of directors for that purpose.

(c) _Issuance_. The share certificates of the corporation shall be numbered and registered in the share register or transfer books of the corporation as they are issued. They shall be executed in such manner as the board of directors shall determine.

Section 6.02. _Transfer_. Transfers of shares shall be made on the share register or transfer books of the corporation only by the record holder of such shares, or by attorney lawfully constituted in writing, and, in the case of shares represented by a certificate, upon surrender of the certificate therefor, endorsed by the person named in the certificate or by an attorney lawfully constituted in writing.

Section 6.03. *Record Holder of Shares*. The corporation shall be entitled to treat the person in whose name any share or shares of the corporation stand on the books of the corporation as the absolute owner thereof, and shall not be bound to recognize any equitable or other claim to, or interest in, such share or shares on the part of any other person.

Section 6.04. *Lost, Destroyed or Mutilated Certificates*. The holder of any shares of the corporation shall immediately notify the corporation of any loss, destruction or mutilation of the certificate therefor, and the board of directors may, in its discretion, cause a new certificate or certificates to be issued to such holder, in case of mutilation of the certificate, upon the surrender of the mutilated certificate or, in case of loss or destruction of the certificate, upon satisfactory proof of such loss or destruction and, if the board of directors shall so determine, the deposit of a bond in such form and in such sum, and with such surety or sureties, as it may direct.

ARTICLE VII

Indemnification of Directors, Officers, Etc.

Section 7.01. *Personal Liability of Directors*.

(a) To the fullest extent that the laws of the Commonwealth of Pennsylvania, as now in effect or as hereafter amended, permit elimination or limitation of the liability of directors, no director of the corporation shall be personally liable for monetary damages as such for any action taken, or any failure to take any action, as a director.

(b) Any amendment or repeal of this Section 7.01 which has the effect of increasing directors' liability shall operate prospectively only, and shall not affect any action taken, or any failure to act, prior to its adoption.

Section 7.02. *Indemnification of Directors and Officers*.

(a) *Right to Indemnification*. Except as prohibited by law, every director and officer of the corporation shall be entitled as of right to be indemnified by the corporation against reasonable expense and any liability paid or incurred by such person in connection with any actual or threatened claim, action, suit or proceeding, civil, criminal, administrative, investigative or other, whether brought by or in the right of the corporation or otherwise, in which he or she may be involved, as a party or otherwise, by reason of such person being or having been a director or officer of the corporation or by reason of the fact that such person is or was serving at the request of the corporation as a director, officer, employee, fiduciary or other representative of another corporation, partnership, joint venture, trust, employee benefit plan or other entity (such claim, action, suit or proceeding hereinafter being referred to as "action"). Such indemnification shall include the right to have expenses incurred by such person in connection with an action paid in advance by the corporation prior to final disposition of such action, subject to such conditions as may be prescribed by law. Persons who are not directors or officers of the corporation may be similarly indemnified in respect of service to the corporation or to another such entity at the request of the corporation to the extent the Board of Directors at any time denominates such person as entitled to the benefits of this Section 7.02. As used herein, "expense" shall include fees and expenses of counsel selected by such person; and "liability" shall include amounts of judgments, excise taxes, fines and penalties, and amounts paid in settlement.

(b) *Right of Claimant to Bring Suit*. If a claim under paragraph (a) of this Section 7.02 is not paid in full by the corporation within thirty days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim, and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim. It shall be a defense to any such action that the conduct of the claimant was such that under Pennsylvania law the corporation would be prohibited from indemnifying the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its Board of Directors, independent legal counsel and its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because the conduct of the claimant was not such that indemnification would be prohibited by law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its shareholders) that the conduct of the claimant was such that indemnification would be prohibited by law, shall be a defense to the action or create a presumption that the conduct of the claimant was such that indemnification would be prohibited by law.

(c) *Insurance and Funding*. The corporation may purchase and maintain insurance to protect itself and any person eligible to be indemnified hereunder against any liability or expense asserted or incurred by such person in connection with any action, whether or not the corporation would have the power to indemnify such person against such liability or expense by law or under the provisions of this Section 7.02. The corporation may create a trust fund, grant a security interest, cause a letter of credit to be issued or use other means (whether or not similar to the foregoing) to ensure the payment of such sums as may become necessary to effect indemnification as provided herein.

(d) *Non-Exclusivity; Nature and Extent of Rights*. The right of indemnification provided for herein (l) shall not be deemed exclusive of any other rights, whether now existing or hereafter created, to which those seeking indemnification hereunder may be entitled under any agreement, bylaw or charter provision, vote of shareholders or directors or otherwise, (2) shall be deemed to create contractual rights in favor of persons entitled to indemnification hereunder, (3) shall continue as to persons who have ceased to have the status pursuant to which they were entitled or were denominated as entitled to indemnification hereunder and shall inure to the benefit of the heirs and legal representatives of persons entitled to indemnification hereunder and (4) shall be applicable to actions, suits or proceedings commenced after the adoption hereof, whether arising from acts or omissions occurring before or after the adoption hereof. The right of indemnification provided for herein may not be amended, modified or repealed so as to limit in any way the indemnification provided for herein with respect to any acts or omissions occurring prior to the effective date of any such amendment, modification or repeal.

Section 7.03. *Indemnification of Persons Not Indemnified under Section 7.02.*

(a) *Scope*. The provisions of this Section 7.03 are applicable only to employees and other authorized representatives of the corporation who are not entitled to the benefits of Section 7.02 pursuant to either the terms of Section 7.02 or a resolution of the Board of Directors of this corporation.

(b) _Employees; Third Party Actions_. The corporation shall indemnify any employee of the corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was an authorized representative of the corporation (which, for the purposes of this Section 7.03, shall mean an employee or agent of the corporation, or a person who is or was serving at the request of the corporation as a director, officer, employee, fiduciary or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise) against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which that person reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(c) _Employees; Derivative Actions_. The corporation shall indemnify any employee of the corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person is or was an authorized representative of the corporation, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the corporation unless and only to the extent that the court of common pleas of the county in which the registered office of the corporation is located or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court of common pleas or such other court shall deem proper.

(d) _Other Authorized Representatives_. To the extent that an authorized representative of the corporation who is not an employee of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (b) and (c) of this Section 7.03 or in defense of any claim, issue or matter therein, such person shall be indemnified by the corporation against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith. Such an authorized representative may, at the discretion of the corporation, be indemnified by the corporation in any other circumstances and to any extent if the corporation would be required by subsections (b) and (c) of this Section 7.03 to indemnify such person in such circumstances and to such extent if such person were or had been an employee of the corporation.

(e) _Procedure for Effecting Indemnification_. Indemnification under subsections (b), (c) or (d) of this Section 7.03 shall be made when ordered by a court (in which case the expenses, including attorneys' fees, of the authorized representative in enforcing such right of indemnification shall be added to and be included in the final judgment against the corporation) or shall be made upon a determination that indemnification of the authorized representative is required or proper in the circumstances because such person has met the applicable standard of conduct set forth in subsections (b) and (c) of this Section 7.03. Such determination shall be made:

(1) By the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or

(2) If such a quorum is not obtainable, or, even if obtainable, a majority vote of a quorum of disinterested directors so direct, by independent legal counsel in a written opinion, or

(3) By the shareholders.

(f) *Advancing Expenses*. Expenses (including attorneys' fees) incurred in defending a civil or criminal action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of an employee to repay such amount unless it shall ultimately be determined that such person is entitled to be indemnified by the corporation as required in this Section 7.03 or as authorized by law and may be paid by the corporation in advance on behalf of any other authorized representative when authorized by the board of directors upon receipt of a similar undertaking.

(g) *Non-Exclusivity; Nature and Extent of Rights*. Each person who shall act as an authorized representative of the corporation and who is not entitled to the benefits of Section 7.02, shall be deemed to be doing so in reliance upon such rights of indemnification as are provided in this Section 7.03.

The indemnification provided by this Section 7.03 shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any agreement, vote of shareholders or disinterested directors, statute or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office or position, and shall continue as to a person who has ceased to be an authorized representative of the corporation and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE VIII

Amendments

Section 8.01. *Amendment of Bylaws*. The directors may make, amend, alter or repeal these bylaws by a vote of the majority of the members of the board of directors at any regular or special meeting duly convened after notice of that purpose; subject, however, to the power of the shareholders to make, amend, and repeal these bylaws at any annual or special meeting duly convened after notice of that purpose.

ARTICLE IX

[RESERVED]

Exhibit 12(a)

PPL CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	9 Months Ended Sep. 30, 2015(a)	Years Ended December 31, (a) 2014	2013	2012	2011	2010
Earnings, as defined:						
Income from Continuing Operations Before Income Taxes	**$ 1,630**	$ 2,129	$ 1,728	$ 1,406	$ 922	$ 321
Adjustment to reflect earnings from equity method investments on a cash basis (b)	**(2)**			34		
	1,628	2,129	1,728	1,440	922	321
Total fixed charges as below	**816**	1,095	1,096	1,065	1,022	698
Less:						
Capitalized interest	**10**	11	11	6	4	
Preferred security distributions of subsidiaries on a pre-tax basis				5	23	21
Interest expense and fixed charges related to discontinued operations	**150**	186	235	235	231	255
Total fixed charges included in Income from Continuing Operations Before Income Taxes	**656**	898	850	819	764	422
Total earnings	**$ 2,284**	$ 3,027	$ 2,578	$ 2,259	$ 1,686	$ 743
Fixed charges, as defined:						
Interest charges (c)	**$ 810**	$ 1,073	$ 1,058	$ 1,019	$ 955	$ 637
Estimated interest component of operating rentals	**6**	22	38	41	44	39
Preferred security distributions of subsidiaries on a pre-tax basis				5	23	21
Fixed charges of majority-owned share of 50% or less-owned persons						1
Total fixed charges (d)	**$ 816**	$ 1,095	$ 1,096	$ 1,065	$ 1,022	$ 698
Ratio of earnings to fixed charges	**2.8**	2.8	2.4	2.1	1.7	1.1
Ratio of earnings to combined fixed charges and preferred stock dividends (e)	**2.8**	2.8	2.4	2.1	1.7	1.1

(a) All periods reflect PPL's former Supply segment as Discontinued Operations. See Note 8 to the Financial Statements for additional information.
(b) Includes other-than-temporary impairment loss of $25 million in 2012.
(c) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.
(d) Interest on unrecognized tax benefits is not included in fixed charges.
(e) PPL, the parent holding company, does not have any preferred stock outstanding; therefore, the ratio of earnings to combined fixed charges and preferred stock dividends is the same as the ratio of earnings to fixed charges.

PPL ELECTRIC UTILITIES CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	9 Months Ended September 30, 2015	Years Ended December 31, 2014	2013	2012	2011	2010
Earnings, as defined:						
Income Before Income Taxes	**$ 321**	$ 423	$ 317	$ 204	$ 257	$ 192
Total fixed charges as below	**103**	131	117	107	105	102
Total earnings	**$ 424**	$ 554	$ 434	$ 311	$ 362	$ 294
Fixed charges, as defined:						
Interest charges (a)	**$ 100**	$ 127	$ 113	$ 104	$ 102	$ 101
Estimated interest component of operating rentals	**3**	4	4	3	3	1
Total fixed charges (b)	**$ 103**	$ 131	$ 117	$ 107	$ 105	$ 102
Ratio of earnings to fixed charges	**4.1**	4.2	3.7	2.9	3.4	2.9
Preferred stock dividend requirements on a pre-tax basis				$ 6	$ 21	$ 23
Fixed charges, as above	**$ 103**	$ 131	$ 117	107	105	102
Total fixed charges and preferred stock dividends	**$ 103**	$ 131	$ 117	$ 113	$ 126	$ 125
Ratio of earnings to combined fixed charges and preferred stock dividends	**4.1**	4.2	3.7	2.8	2.9	2.4

(a) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.
(b) Interest on unrecognized tax benefits is not included in fixed charges.

Exhibit 12(c)

LG&E AND KU ENERGY LLC AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

		Successor (a)					Predecessor (b)
	9 Months Ended Sep. 30, 2015	**Year Ended Dec. 31, 2014**	**Year Ended Dec. 31, 2013**	**Year Ended Dec. 31, 2012**	**Year Ended Dec. 31, 2011**	**2 Months Ended Dec. 31, 2010**	**10 Months Ended Oct. 31, 2010**
Earnings, as defined:							
Income from Continuing Operations Before Income Taxes	**$ 491**	$ 553	$ 551	$ 331	$ 419	$ 70	$ 300
Adjustment to reflect earnings from equity method investments on a cash basis (c)	**(2)**	(1)	(1)	33	(1)		(4)
Mark to market impact of derivative instruments						2	(20)
	489	552	550	364	418	72	276
Total fixed charges as below	**134**	173	151	157	153	25	158
Total earnings	**$ 623**	$ 725	$ 701	$ 521	$ 571	$ 97	$ 434
Fixed charges, as defined:							
Interest charges (d) (e)	**$ 128**	$ 167	$ 145	$ 151	$ 147	$ 24	$ 153
Estimated interest component of operating rentals	**6**	6	6	6	6	1	5
Total fixed charges	**$ 134**	$ 173	$ 151	$ 157	$ 153	$ 25	$ 158
Ratio of earnings to fixed charges	**4.6**	4.2	4.6	3.3	3.7	3.9	2.7

(a) Post-acquisition activity covering the time period after October 31, 2010.
(b) Pre-acquisition activity covering the time period prior to November 1, 2010.
(c) Includes other-than-temporary impairment loss of $25 million in 2012.
(d) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.
(e) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(d)

LOUISVILLE GAS AND ELECTRIC COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Successor (a)						Predecessor (b)
	9 Months Ended Sept. 30, 2015	**Year Ended Dec. 31, 2014**	**Year Ended Dec. 31, 2013**	**Year Ended Dec. 31, 2012**	**Year Ended Dec. 31, 2011**	**2 Months Ended Dec. 31, 2010**	**10 Months Ended Oct. 31, 2010**
Earnings, as defined:							
Income Before Income Taxes	**$ 237**	**$ 272**	$ 257	$ 192	$ 195	$ 29	$ 167
Mark to market impact of derivative instruments						1	(20)
	237	**272**	257	192	195	30	147
Total fixed charges as below	**42**	**51**	36	44	46	8	40
Total earnings	**$ 279**	**$ 323**	$ 293	$ 236	$ 241	$ 38	$ 187
Fixed charges, as defined:							
Interest charges (c) (d)	**$ 39**	**$ 49**	$ 34	$ 42	$ 44	$ 8	$ 38
Estimated interest component of operating rentals	**3**	**2**	2	2	2		2
Total fixed charges	**$ 42**	**$ 51**	$ 36	$ 44	$ 46	$ 8	$ 40
Ratio of earnings fixed charges	**6.6**	**6.3**	8.1	5.4	5.2	4.8	4.7

(a) Post-acquisition activity covering the time period after October 31, 2010.
(b) Pre-acquisition activity covering the time period prior to November 1, 2010.
(c) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.
(d) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(e)

KENTUCKY UTILITIES COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

		Successor (a)					Predecessor (b)
	9 Months Ended Sep. 30, 2015	Year Ended Dec. 31, 2014	Year Ended Dec. 31, 2013	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	2 Months Ended Dec. 31, 2010	10 Months Ended Oct. 31, 2010
Earnings, as defined:							
Income Before Income Taxes	**$ 304**	**$ 355**	$ 360	$ 215	$ 282	$ 55	$ 218
Adjustment to reflect earnings from equity method investments on a cash basis (c)	**(2)**	**(1)**	(1)	33	(1)		(4)
	302	**354**	359	248	281	55	214
Total fixed charges as below	**61**	**80**	73	72	73	11	71
Total earnings	**$ 363**	**$ 434**	$ 432	$ 320	$ 354	$ 66	$ 285
Fixed charges, as defined:							
Interest charges (d)	**$ 58**	**$ 77**	$ 70	$ 69	$ 70	$ 10	$ 69
Estimated interest component of operating rentals	**3**	**3**	3	3	3	1	2
Total fixed charges	**$ 61**	**$ 80**	$ 73	$ 72	$ 73	$ 11	$ 71
Ratio of earnings to fixed charges	**6.0**	**5.4**	5.9	4.4	4.8	6.0	4.0

(a) Post-acquisition activity covering the time period after October 31, 2010.
(b) Pre-acquisition activity covering the time period prior to November 1, 2010.
(c) Includes other-than-temporary impairment loss of $25 million in 2012.
(d) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

Exhibit 31(a)

CERTIFICATION

I, WILLIAM H. SPENCE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2015

/s/ William H. Spence
William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

CERTIFICATION

I, VINCENT SORGI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2015

/s/ Vincent Sorgi
Vincent Sorgi
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

Exhibit 31(c)

CERTIFICATION

I, GREGORY N. DUDKIN, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2015

/s/ Gregory N. Dudkin
Gregory N. Dudkin
President
(Principal Executive Officer)
PPL Electric Utilities Corporation

Exhibit 31(d)

CERTIFICATION

I, STEPHEN K. BREININGER, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2015

/s/ Stephen K. Breininger
Stephen K. Breininger
Vice President and Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2015

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
LG&E and KU Energy LLC

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2015

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
LG&E and KU Energy LLC

Exhibit 31(g)

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2015

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Louisville Gas and Electric Company

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2015

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Louisville Gas and Electric Company

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kentucky Utilities Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2015

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Kentucky Utilities Company

Exhibit 31(j)

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kentucky Utilities Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2015

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Kentucky Utilities Company

Exhibit 32(a)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2015

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, William H. Spence, the Principal Executive Officer of the Company, and Vincent Sorgi, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2015

/s/ William H. Spence
William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

/s/ Vincent Sorgi
Vincent Sorgi
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(b)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ELECTRIC UTILITIES CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2015

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Gregory N. Dudkin, the Principal Executive Officer of the Company, and Dennis A. Urban, Jr., the Principal Financial Officer and Principal Accounting Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2015

/s/ Gregory N. Dudkin
Gregory N. Dudkin
President
(Principal Executive Officer)
PPL Electric Utilities Corporation

/s/ Stephen K. Breininger
Stephen K. Breininger
Vice President and Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(c)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LG&E AND KU ENERGY LLC'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2015

In connection with the quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "Company") for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2015

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
LG&E and KU Energy LLC

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
LG&E and KU Energy LLC

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(d)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LOUISVILLE GAS AND ELECTRIC COMPANY'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2015

In connection with the quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "Company") for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2015

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Louisville Gas and Electric Company

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Louisville Gas and Electric Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR KENTUCKY UTILITIES COMPANY'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2015

In connection with the quarterly report on Form 10-Q of Kentucky Utilities Company (the "Company") for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2015

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Kentucky Utilities Company

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Kentucky Utilities Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

FORM 10-K

PPL CORP - PPL

Filed: February 19, 2016 (period: December 31, 2015)

Annual report with a comprehensive overview of the company

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, 2015

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _________ to ___________

Commission File Number	Registrant; State of Incorporation; Address and Telephone Number	IRS Employer Identification No.
1-11459	**PPL Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-2758192
1-905	**PPL Electric Utilities Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-0959590
333-173665	**LG&E and KU Energy LLC** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, 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
Junior Subordinated Notes of PPL Capital Funding, Inc.	
2007 Series A due 2067	New York Stock Exchange
2013 Series B due 2073	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 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 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 Electric Utilities Corporation	Yes _X_	No ___
LG&E and KU Energy LLC	Yes _X_	No ___
Louisville Gas and Electric Company	Yes _X_	No ___
Kentucky Utilities Company	Yes _X_	No ___

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files).

PPL Corporation	Yes _X_	No ___
PPL Electric Utilities Corporation	Yes _X_	No ___
LG&E and KU Energy LLC	Yes _X_	No ___
Louisville Gas and Electric Company	Yes _X_	No ___
Kentucky Utilities Company	Yes _X_	No ___

Indicate by check mark 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 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 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 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 30, 2015, PPL Corporation had 669,514,249 shares of its $0.01 par value Common Stock outstanding. The aggregate market value of these common shares (based upon the closing price of these shares on the New York Stock Exchange on that date) held by non-affiliates was $19,730,584,918. As of January 31, 2016, PPL Corporation had 675,190,188 shares of its $0.01 par value Common Stock outstanding.

As of January 31, 2016, PPL Corporation held all 66,368,056 outstanding common shares, no par value, of PPL Electric Utilities Corporation.

PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC.

As of January 31, 2016, 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, 2016, LG&E and KU Energy LLC held all 37,817,878 outstanding common shares, no par value, of Kentucky Utilities Company.

PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K and are therefore filing this form with the reduced disclosure format.

Documents incorporated by reference:

PPL Corporation has incorporated herein by reference certain sections of PPL Corporation's 2016 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, 2015. Such Statements will provide the information required by Part III of this Report.

PPL CORPORATION
PPL ELECTRIC UTILITIES CORPORATION
LG&E AND KU ENERGY LLC
LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

FORM 10-K ANNUAL REPORT TO
THE SECURITIES AND EXCHANGE COMMISSION
FOR THE YEAR ENDED DECEMBER 31, 2015

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This combined Form 10-K is separately filed by the following Registrants in their individual capacity: PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf and no Registrant makes any representation as to information relating to any other Registrant, except that information under "Forward-Looking Information" relating to subsidiaries of PPL Corporation is also attributed to PPL Corporation and information relating to the subsidiaries of LG&E and KU Energy LLC is also attributed to LG&E and KU Energy LLC.

Unless otherwise specified, references in this Report, individually, to PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company are references to such entities directly or to one or more of their subsidiaries, as the case may be, the financial results of which subsidiaries are consolidated into such Registrants' financial statements in accordance with GAAP. This presentation has been applied where identification of particular subsidiaries is not material to the matter being disclosed, and to conform narrative disclosures to the presentation of financial information on a consolidated basis.

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GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its subsidiaries

KU - Kentucky Utilities Company, a public utility subsidiary of LKE engaged in the regulated generation, transmission, distribution and sale of electricity, primarily in Kentucky.

LG&E - Louisville Gas and Electric Company, a public utility subsidiary of LKE engaged in the regulated generation, transmission, distribution and sale of electricity and the distribution and sale of natural gas in Kentucky.

LKE - LG&E and KU Energy LLC, a subsidiary of PPL and the parent of LG&E, KU and other subsidiaries.

LKS - LG&E and KU Services Company, a subsidiary of LKE that provides services to LKE and its subsidiaries.

PPL - PPL Corporation, the parent holding company of PPL Electric, PPL Energy Funding, PPL Capital Funding, LKE and other subsidiaries.

PPL Capital Funding - PPL Capital Funding, Inc., a financing subsidiary of PPL that provides financing for the operations of PPL and certain subsidiaries. Debt issued by PPL Capital Funding is guaranteed as to payment by PPL.

PPL Electric - PPL Electric Utilities Corporation, a public utility subsidiary of PPL engaged in the regulated transmission and distribution of electricity in its Pennsylvania service area and that provides electricity supply to its retail customers in this area as a PLR.

PPL Energy Funding - PPL Energy Funding Corporation, a subsidiary of PPL and the parent holding company of PPL Global and other subsidiaries.

PPL EU Services - PPL EU Services Corporation, a subsidiary of PPL that, beginning in 2015, provides support services and corporate functions such as financial, supply chain, human resources and facilities management services primarily to PPL Electric and its affiliates.

PPL Global - PPL Global, LLC, a subsidiary of PPL Energy Funding that primarily through its subsidiaries, owns and operates WPD, PPL's regulated electricity distribution businesses in the U.K.

PPL Services - PPL Services Corporation, a subsidiary of PPL that provides administrative, management and support services to PPL and its subsidiaries.

PPL WEM Limited - also referred to as PPL WEM is an indirect UK subsidiary of PPL Global which during a reorganization in October 2014 transferred WPD (East Midlands) and WPD (West Midlands) to a subsidiary of WPD plc.

PPL WPD Limited - an indirect U.K. subsidiary of PPL Global. PPL WPD Limited holds a liability for a closed defined benefit pension plan and a receivable with WPD plc. Following a reorganization in October 2015, PPL WPD Limited is now parent to WPD plc having previously been a sister company.

Registrant(s) - refers to the Registrants named on the cover of this Report (each a "Registrant" and collectively, the "Registrants").

Subsidiary Registrant(s) - Registrants that are direct or indirect wholly owned subsidiaries of PPL: PPL Electric, LKE, LG&E and KU.

WPD - refers to PPL WPD Limited and its subsidiaries.

WPD (East Midlands) - Western Power Distribution (East Midlands) plc, a British regional electricity distribution utility company.

WPD plc - Western Power Distribution plc, formerly known as Western Power Distribution Limited, a direct U.K. subsidiary of PPL WPD Limited. Its principal indirectly owned subsidiaries are WPD (East Midlands), WPD (South Wales), WPD (South West) and WPD (West Midlands).

WPD Midlands - refers to WPD (East Midlands) and WPD (West Midlands), collectively.

WPD (South Wales) - Western Power Distribution (South Wales) plc, a British regional electricity distribution utility company.

WPD (South West) - Western Power Distribution (South West) plc, a British regional electricity distribution utility company.

WPD (West Midlands) - Western Power Distribution (West Midlands) plc, a British regional electricity distribution utility company.

WKE - Western Kentucky Energy Corp., a subsidiary of LKE that leased certain non-utility generating plants in western Kentucky until July 2009.

Other terms and abbreviations

£ - British pound sterling.

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 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 requiring holders to purchase shares of PPL common stock on or prior to July 1, 2013.

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 requiring holders to purchase shares of PPL common stock on or prior to May 1, 2014.

401(h) account(s) - A sub account established within a qualified pension trust to provide for the payment of retiree medical costs.

Act 11 - Act 11 of 2012 that became effective on April 16, 2012. The Pennsylvania legislation authorizes the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, a DSIC.

Act 129 - Act 129 of 2008 that became effective in October 2008. The law amends the Pennsylvania Public Utility Code and creates an energy efficiency and conservation program and smart metering technology requirements, adopts new PLR electricity supply procurement rules, provides remedies for market misconduct and changes to the Alternative Energy Portfolio Standard (AEPS).

AFUDC - Allowance for Funds Used During Construction. The cost of equity and debt funds used to finance construction projects of regulated businesses, which is capitalized as part of construction costs.

AOCI - accumulated other comprehensive income or loss.

ARO - asset retirement obligation.

ATM Program - At-the-Market stock offering program.

BSER - Best System of Emission Reduction. The degree of emission reduction that EPA determines has been adequately demonstrated when taking into account the cost of achieving such reduction and any non-air quality health and environmental impact and energy requirements.

Cane Run Unit 7 - a natural gas combined-cycle generating unit in Kentucky, jointly owned by LG&E and KU, with a capacity of 642 MW (141 MW and 501 MW to LG&E and KU).

CCR(s) - Coal Combustion Residual(s). CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes.

Clean Air Act - federal legislation enacted to address certain environmental issues related to air emissions, including acid rain, ozone and toxic air emissions.

Clean Water Act - federal legislation enacted to address certain environmental issues relating to water quality including effluent discharges, cooling water intake, and dredge and fill activities.

COBRA - Consolidated Omnibus Budget Reconciliation Act, which provides individuals the option to temporarily continue employer group health insurance coverage after termination of employment.

CPCN - Certificate of Public Convenience and Necessity. Authority granted by the KPSC pursuant to Kentucky Revised Statute 278.020 to provide utility service to or for the public or the construction of certain plant, equipment, property or facility for furnishing of utility service to the public.

Customer Choice Act - the Pennsylvania Electricity Generation Customer Choice and Competition Act, legislation enacted to restructure the state's electric utility industry to create retail access to a competitive market for generation of electricity.

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 in the U.K.

DOJ - U.S. Department of Justice.

DPCR4 - Distribution Price Control Review 4, the U.K. five-year rate review period applicable to WPD that commenced April 1, 2005.

DPCR5 - Distribution Price Control Review 5, the U.K. five-year rate review period applicable to WPD that commenced April 1, 2010.

DRIP - PPL Amended and Restated Dividend Reinvestment and Direct Stock Purchase Plan.

DSIC - the Distribution System Improvement Charge authorized under Act 11, which is an alternative ratemaking mechanism providing more-timely cost recovery of qualifying distribution system capital expenditures.

DSM - Demand Side Management. Pursuant to Kentucky Revised Statute 278.285, the KPSC may determine the reasonableness of DSM plans proposed by any utility under its jurisdiction. Proposed DSM mechanisms may seek full recovery of costs and revenues lost by implementing DSM programs and/or incentives designed to provide financial rewards to the utility for implementing cost-effective DSM programs. The cost of such programs shall be assigned only to the class or classes of customers which benefit from the programs.

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.

Earnings from Ongoing Operations - A non-GAAP financial measure of earnings adjusted for the impact of special items and used in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A). See "Non-GAAP Financial Measures" within the MD&A for additional details.

EBPB - Employee Benefit Plan Board. The administrator of PPL's U.S. qualified retirement plans, which is charged with the fiduciary responsibility to oversee and manage those plans and the investments associated with those plans.

ECR - Environmental Cost Recovery. Pursuant to Kentucky Revised Statute 278.183, Kentucky electric utilities are entitled to the current recovery of costs of complying with the Clean Air Act, as amended, and those federal, state or local environmental requirements that apply to coal combustion wastes and by-products from the production of energy from coal.

ELG(s) - Effluent Limitation Guidelines, regulations promulgated by the EPA.

EPA - Environmental Protection Agency, a U.S. government agency.

EPS - earnings per share.

Equity Unit(s) - refers collectively to the 2011 and 2010 Equity Units.

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.

GBP - British pound sterling.

GHG - greenhouse gas(es).

GLT - Gas Line Tracker. The KPSC approved mechanism for LG&E's recovery of costs associated with gas service lines, gas risers, leak mitigation, and gas main replacements. Rate recovery became effective January 1, 2013.

Gross Margins - A non-GAAP financial measure of performance used in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A). See "Non-GAAP Financial Measures" within the MD&A, for additional details.

GWh - gigawatt-hour, one million kilowatt hours.

Holdco - Talen Energy Holdings, Inc., a Delaware corporation, which was formed for the purposes of the June 1, 2015 spinoff of PPL Energy Supply, LLC.

IBEW - International Brotherhood of Electrical Workers.

ICP - The PPL Incentive Compensation Plan. This plan provides for incentive compensation to PPL's executive officers and certain other senior executives. New awards under the ICP were suspended in 2012 upon adoption of the 2012 PPL Stock Incentive Plan.

ICPKE - The PPL Incentive Compensation Plan for Key Employees. The ICPKE provides for incentive compensation to certain employees below the level of senior executive.

If-Converted Method - A method applied to calculate diluted EPS for a company with outstanding convertible debt. The method is applied as follows: Interest charges (after-tax) applicable to the convertible debt are added back to net income and the convertible debt is assumed to have been converted to equity at the beginning of the period, and the resulting common shares are treated as outstanding shares. Both adjustments are made only for purposes of calculating diluted EPS. This method was applied to PPL's Equity Units prior to settlement.

IRS - Internal Revenue Service, a U.S. government agency.

KPSC - Kentucky Public Service Commission, the state agency that has jurisdiction over the regulation of rates and service of utilities in Kentucky.

KU 2010 Mortgage Indenture - KU's Indenture, dated as of October 1, 2010, to The Bank of New York Mellon, as supplemented.

kV - kilovolt.

kVA - kilovolt ampere.

kWh - kilowatt hour, basic unit of electrical energy.

LCIDA - Lehigh County Industrial Development Authority.

LG&E 2010 Mortgage Indenture - LG&E's Indenture, dated as of October 1, 2010, to The Bank of New York Mellon, as supplemented.

LIBOR - London Interbank Offered Rate.

LTIIP - Long Term Infrastructure Improvement Plan. A plan that must be approved by the PUC prior to requesting the DSIC mechanism. The plan must include identification of the types and age of property for which the company is requesting recovery, a schedule of replacement, general description of location and quantity, projected annual expenditures and the manner in which replacement will ensure and maintain adequate, efficient, safe, reliable and reasonable service.

MATS - Mercury and Air Toxics Standards, regulations promulgated by the EPA.

MMBtu - One million British Thermal Units.

MOD - A mechanism applied in the U.K. to adjust allowed base demand revenue in future periods for differences in prior periods between actual values and those in the agreed business plan.

Moody's - Moody's Investors Service, Inc., a credit rating agency.

MW - megawatt, one thousand kilowatts.

NAAQS - National Ambient Air Quality Standards periodically adopted pursuant to the Clean Air Act.

NERC - North American Electric Reliability Corporation.

NGCC - Natural gas-fired combined-cycle generating plant.

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.

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.

NRC - Nuclear Regulatory Commission, the U.S. federal agency that regulates nuclear power facilities.

NSR - The new source review provisions of the Clean Air Act that impose stringent emission control requirements on new and modified sources of air emissions that result in emission increases beyond thresholds allowed by the Clean Air Act.

OCI - other comprehensive income or loss.

Ofgem - Office of Gas and Electricity Markets, the British agency that regulates transmission, distribution and wholesale sales of electricity and related matters.

OVEC - Ohio Valley Electric Corporation, located in Piketon, Ohio, an entity in which LKE indirectly owns an 8.13% interest (consists of LG&E's 5.63% and KU's 2.50% interests), which is accounted for as a cost-method investment. OVEC owns and operates two coal-fired power plants, the Kyger Creek plant in Ohio and the Clifty Creek plant in Indiana, with combined summer rating capacities of 2,120 MW.

PEDFA - Pennsylvania Economic Development Financing Authority.

PJM - PJM Interconnection, L.L.C., operator of the electricity transmission network and electricity energy market in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.

PLR - Provider of Last Resort, the role of PPL Electric in providing default electricity supply within its delivery area to retail customers who have not chosen to select an alternative electricity supplier under the Customer Choice Act.

PP&E - property, plant and equipment.

PPL EnergyPlus - prior to the June 1, 2015 spinoff of PPL Energy Supply, PPL EnergyPlus, LLC, a subsidiary of PPL Energy Supply that marketed and traded wholesale and retail electricity and gas, and supplied energy and energy services in competitive markets.

PPL Energy Supply - prior to the June 1, 2015 spinoff, PPL Energy Supply, LLC, a subsidiary of PPL Energy Funding and the parent company of PPL EnergyPlus and other subsidiaries.

PPL Montana - prior to the June 1, 2015 spinoff of PPL Energy Supply, PPL Montana, LLC, an indirect subsidiary of PPL Energy Supply, LLC that generated electricity for wholesale sales in Montana and the Pacific Northwest.

PUC - Pennsylvania Public Utility Commission, the state agency that regulates certain ratemaking, services, accounting and operations of Pennsylvania utilities.

Purchase Contract(s) - refers collectively to the 2010 and 2011 Purchase Contracts, which are components of the 2010 and 2011 Equity Units.

RAV - regulatory asset value. This term, used within the U.K. regulatory environment, is also commonly known as RAB or regulatory asset base. RAV is based on historical investment costs at time of privatization, plus subsequent allowed additions less annual regulatory depreciation, and represents the value on which DNOs earn a return in accordance with the regulatory cost of capital. RAV is indexed to Retail Price Index (RPI) in order to allow for the effects of inflation. Since the beginning of DPCR5 in April 2010, RAV additions have been based on a percentage of annual total expenditures which have continued from April 2015 under RIIO-ED1. RAV is intended to represent expenditures that have a long-term benefit to WPD (similar to capital projects for the U.S. regulated businesses that are generally included in rate base).

RCRA - Resource Conservation and Recovery Act of 1976.

RECs - Renewable Energy Credits.

Regional Transmission Expansion Plan - PJM conducts a long-range Regional Transmission Expansion Planning process that identifies changes and additions to the PJM grid necessary 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 assigned to them by the PJM Board.

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.

RIIO-ED1 - RIIO represents "Revenues = Incentive + Innovation + Outputs." RIIO-ED1 refers to the initial eight-year rate review period applicable to WPD which commenced April 1, 2015.

Riverstone - Riverstone Holdings LLC, a Delaware limited liability company and ultimate parent company of the entities that own the competitive power generation business contributed to Talen Energy other than the competitive power generation business contributed by virtue of the spinoff of a newly formed parent of PPL Energy Supply.

RJS Power - RJS Generation Holdings LLC, a Delaware limited liability company controlled by Riverstone, that owns the competitive power generation business contributed by its owners to Talen Energy other than the competitive power generation business contributed by virtue of the spinoff of a newly formed parent of PPL Energy Supply.

RPI - Retail Price Index, is a measure of inflation in the United Kingdom published monthly by the Office for National Statistics.

SCRs - selective catalytic reduction, a pollution control process for the removal of nitrogen oxide from exhaust gas.

SIP - PPL Corporation's 2012 Stock Incentive Plan.

S&P - Standard & Poor's Ratings Services, a credit rating agency.

Sarbanes-Oxley - Sarbanes-Oxley Act of 2002, which sets requirements for management's assessment of internal controls for financial reporting. It also requires an independent auditor to make its own assessment.

Scrubber - an air pollution control device that can remove particulates and/or gases (primarily sulfur dioxide) from exhaust gases.

SEC - the U.S. Securities and Exchange Commission, a U.S. government agency primarily responsible to protect investors and maintain the integrity of the securities markets.

SERC - SERC Reliability Corporation, one of eight regional entities with delegated authority from NERC that work to safeguard the reliability of the bulk power systems throughout North America.

Smart meter - an electric meter that utilizes smart metering technology.

Smart metering technology - technology that can measure, among other things, time of electricity consumption to permit offering rate incentives for usage during lower cost or demand intervals. The use of this technology also has the potential to strengthen network reliability.

Superfund - federal environmental statute that addresses remediation of contaminated sites; states also have similar statutes.

Talen Energy - Talen Energy Corporation, the Delaware corporation formed to be the publicly traded company and owner of the competitive generation assets of PPL Energy Supply and certain affiliates of Riverstone.

Talen Energy Marketing - PPL EnergyPlus' new name subsequent to the spinoff of PPL Energy Supply.

Total shareowner return - the change in market value of a share of the Company's common stock plus the value of all dividends paid on a share of the common stock during the applicable performance period, divided by the price of the common stock as of the beginning of the performance period. The price used for purposes of this calculation is the average share price for the 20 trading days at the beginning and end of the applicable period.

Totex (total expenditures) - Totex generally consists of all the expenditures relating to WPD's regulated activities with the exception of certain specified expenditure items (Ofgem fees, National Grid transmission charges, property and corporate income taxes, pension deficit funding and cost of capital). The annual net additions to RAV are calculated as a percentage of Totex. Totex can be viewed as the aggregate net network investment, net network operating costs and indirect costs, less any cash proceeds from the sale of assets and scrap.

TRA - Tennessee Regulatory Authority, the state agency that has jurisdiction over the regulation of rates and service of utilities in Tennessee.

Treasury Stock Method - a method applied to calculate diluted EPS that assumes any proceeds that could be obtained upon exercise of options and warrants (and their equivalents) would be used to purchase common stock at the average market price during the relevant period.

TRU - a mechanism applied in the U.K. to true-up inflation estimates used in determining base demand revenue.

VEBA - Voluntary Employee Benefit Association Trust, accounts for health and welfare plans for future benefit payments for employees, retirees or their beneficiaries.

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.

FORWARD-LOOKING INFORMATION

Statements contained in this Annual Report concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in "Item 1A. Risk Factors" and in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements.

- challenges by intervenors to the return on equity granted in existing rate structures;
- 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, transmission and distribution operations and customer energy use;
- availability and operating costs of existing generation facilities;
- the duration of and cost associated with scheduled and unscheduled outages at our generating facilities;
- generation, transmission and distribution system conditions and operating costs;
- expansion of alternative and distributed sources of electricity generation and storage;
- collective labor bargaining negotiations;
- laws or regulations to reduce emissions of "greenhouse" gases or the physical effects of climate change;
- the outcome of litigation against the Registrants and their subsidiaries;
- potential effects of threatened or actual terrorism, war or other hostilities, cyber-based intrusions or natural disasters;
- the commitments and liabilities of the Registrants and their subsidiaries;
- the effectiveness of our risk management programs, including foreign currency and interest rate hedging;
- our ability to attract and retain qualified employees;
- volatility in demand for electricity;
- market prices of commodity inputs for ongoing capital expenditures or key operational needs;
- capital market conditions, including the availability of capital or credit, changes in interest rates and certain economic indices, and decisions regarding capital structure;
- stock price performance of PPL;
- defaults by counterparties or suppliers for energy, capacity, coal, natural gas or key commodities, goods or services;
- volatility in the fair value of debt and equity securities and its impact on the value of assets in defined benefit plans, and the potential cash funding requirements if fair value declines;
- interest rates and their effect on pension and retiree medical liabilities and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial markets and economic conditions;
- new accounting requirements or new interpretations or applications of existing requirements;
- changes in securities and credit ratings;
- changes in foreign currency exchange rates for British pound sterling;
- the effect of changes in RPI on WPD's revenues;
- current and future environmental conditions, regulations and other requirements and the related costs of compliance, including environmental capital expenditures, emission allowance costs and other expenses;
- changes in political, regulatory or economic conditions in states, regions or countries where the Registrants or their subsidiaries conduct business;
- receipt of necessary governmental permits, approvals and rate relief;
- new state, federal or foreign legislation or regulatory developments;
- the outcome of any rate cases or other cost recovery or revenue filings by PPL Electric, LG&E, KU or WPD;
- the achievement of performance targets set by regulators;
- the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures; and
- business dispositions or acquisitions and our ability to realize expected benefits from such business transactions.

Any such forward-looking statements should be considered in light of such important factors and in conjunction with other documents of the Registrants on file with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for the Registrants to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and the Registrants undertake no obligation to update the information contained in such statement to reflect subsequent developments or information.

PART I

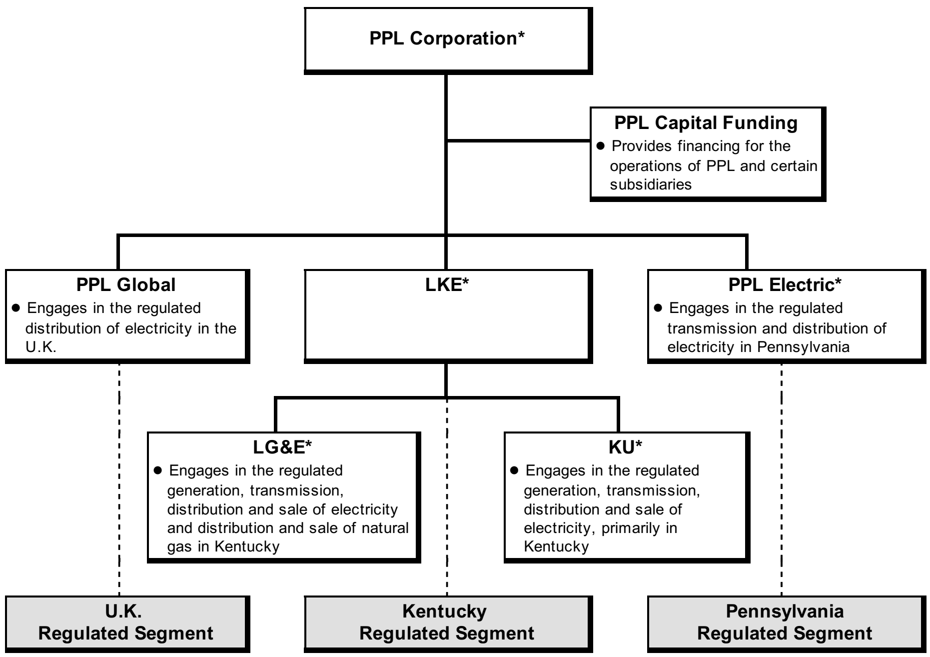
ITEM 1. BUSINESS

General

(All Registrants)

PPL Corporation, headquartered in Allentown, Pennsylvania, is a utility holding company that was incorporated in 1994. PPL, through its regulated utility subsidiaries, delivers electricity to customers in the U.K., Pennsylvania, Kentucky, Virginia and Tennessee; delivers natural gas to customers in Kentucky; and generates electricity from power plants in Kentucky. In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy. The transaction was completed on June 1, 2015. See "Spinoff of PPL Energy Supply" below for more information.

PPL's principal subsidiaries at December 31, 2015 are shown below (* denotes a Registrant).



In addition to PPL, the other Registrants included in this filing are as follows.

PPL Electric Utilities Corporation, headquartered in Allentown, Pennsylvania, is a direct wholly owned subsidiary of PPL incorporated in Pennsylvania in 1920 and a regulated public utility that is an electricity transmission and distribution service provider in eastern and central Pennsylvania. PPL Electric is subject to regulation as a public utility by the PUC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act. PPL Electric delivers electricity in its Pennsylvania service area and provides electricity supply to retail customers in that area as a PLR under the Customer Choice Act.

LG&E and KU Energy LLC, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of PPL and a holding company that owns regulated utility operations through its subsidiaries, LG&E and KU, which constitute substantially all of LKE's assets. LG&E and KU are engaged in the generation, transmission, distribution and sale of electricity. LG&E also engages in the distribution and sale of natural gas. LG&E and KU maintain separate corporate identities and serve customers in Kentucky under their respective names. KU also serves customers in Virginia under the Old Dominion Power name and in Tennessee under the KU name. LKE, formed in 2003, is the successor to a Kentucky entity incorporated in 1989.

Louisville Gas and Electric Company, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity and distribution and sale of natural gas in Kentucky. LG&E is subject to regulation as a public utility by the KPSC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act. LG&E was incorporated in 1913.

Kentucky Utilities Company, headquartered in Lexington, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity in Kentucky, Virginia and Tennessee. KU is subject to regulation as a public utility by the KPSC, the VSCC and the TRA, and certain of its transmission and wholesale power activities are subject to the jurisdiction of the FERC under the Federal Power Act. KU serves its Virginia customers under the Old Dominion Power name and its Kentucky and Tennessee customers under the KU name. KU was incorporated in Kentucky in 1912 and in Virginia in 1991.

(PPL)

Spinoff of PPL Energy Supply

In recognition of the changes in recent years in the wholesale power markets, PPL performed an in-depth analysis of its business mix to determine the best available opportunities to maximize the value to shareowners of its competitive generation business. As a result, in June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to spin off PPL Energy Supply and immediately combine it with Riverstone's competitive power generation businesses to form a new, stand-alone, publicly traded company named Talen Energy. The transaction was subject to customary closing conditions, including receipt of regulatory approvals from the NRC, FERC, DOJ and PUC, all of which were received by mid-April 2015. On April 29, 2015, PPL's Board of Directors declared the June 1, 2015 distribution to PPL's shareowners of record on May 20, 2015 of a newly formed entity, Holdco, which at closing owned all of the membership interests of PPL Energy Supply and all of the common stock of Talen Energy.

Immediately following the spinoff on June 1, 2015, Holdco merged with a special purpose subsidiary of Talen Energy, with Holdco continuing as the surviving company to the merger and as a wholly owned subsidiary of Talen Energy and the sole owner of PPL Energy Supply. Substantially contemporaneous with the spinoff and merger, RJS Power was contributed by its owners to become a subsidiary of Talen Energy. PPL's shareowners received approximately 0.1249 shares of Talen Energy common stock for each share of PPL common stock they owned on May 20, 2015. Following completion of these transactions, PPL shareowners owned 65% of Talen Energy and affiliates of Riverstone owned 35%. The spinoff had no effect on the number of PPL common shares owned by PPL shareowners or the number of shares of PPL common stock outstanding. The transaction is intended to be tax-free to PPL and its shareowners for U.S. federal income tax purposes.

PPL has no continuing ownership interest in, control of, or affiliation with Talen Energy and Talen Energy Supply (formerly PPL Energy Supply).

See Note 8 to the Financial Statements for additional information.

Acquisitions

On April 1, 2011, PPL, through an indirect, wholly owned subsidiary, PPL WEM Limited, acquired 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 defined herein as WPD Midlands), from subsidiaries of E.ON AG. WPD Midlands operates two regulated distribution networks in the Midlands area of England and is included in the U.K. Regulated segment.

Segment Information

(PPL)

PPL is organized into three reportable segments as depicted in the chart above: U.K. Regulated, Kentucky Regulated, and Pennsylvania Regulated. The U.K. Regulated segment has no related Subsidiary Registrants. PPL's other reportable segments primarily reflect the activities of its related Subsidiary Registrants, except that the reportable segments are also allocated certain corporate level financing and other costs that are not included in the results of the applicable Subsidiary Registrants. As a result of the June 1, 2015 spinoff of PPL Energy Supply, PPL no longer has a Supply segment.

A comparison of PPL's three regulated segments is shown below:

	U.K. Regulated	Kentucky Regulated	Pennsylvania Regulated
For the year ended December 31, 2015:			
Operating Revenues (in billions)	$ 2.4	$ 3.1	$ 2.1
Net Income (in millions)	$ 1,121	$ 326	$ 252
Electricity delivered (GWh)	75,907	30,814	36,984
At December 31, 2015:			
Regulatory Asset Base (in billions) (a)	$ 9.7	$ 8.7	$ 5.2
Service area (in square miles)	21,600	9,400	10,000
End-users (in millions)	7.8	1.3	1.4

(a) Represents RAV for U.K. Regulated, capitalization for Kentucky Regulated and rate base for Pennsylvania Regulated.

See Note 2 to the Financial Statements for additional financial information about the segments.

(PPL Electric, LKE, LG&E and KU)

PPL Electric has two operating segments that are aggregated into a single reportable segment. LKE, LG&E and KU each operate within a single operating segment.

- ***U.K. Regulated Segment*** *(PPL)*

  Consists of PPL Global which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from British pound sterling into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs and allocated financing costs.

WPD, through indirect wholly owned subsidiaries, operates four of the 15 regulated distribution networks providing electricity service in the U.K. The number of network customers (end-users) served by WPD totals 7.8 million across 21,600 square miles in south Wales and southwest and central England.

Revenues for the years ended December 31 are shown below.

	2015	2014	2013
Operating Revenues	$ 2,410	$ 2,621	$ 2,403

The majority of WPD's operating revenue is known as DUoS and is generated by providing regulated electricity distribution services to licensed third party energy suppliers who pay WPD for the use of WPD's distribution network to transfer electricity to the suppliers' customers, the end-users. Throughout the following discussion, the use of the term "customers" refers to the end-users of WPD's regulated distribution networks.

Franchise and Licenses

The operations of WPD's principal subsidiaries, 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 framework of electricity companies and established licenses that require each of the DNOs to develop, maintain and operate efficient distribution networks. WPD operates under a regulatory year that begins April 1 and ends March 31 of each year.

WPD is authorized by Ofgem to provide electricity distribution services within its concession areas and service territories, subject to certain conditions and obligations. For instance, WPD is subject to Ofgem regulation with respect to 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.

Ofgem has formal powers to propose modifications to each distribution license. In January 2014, Ofgem and WPD agreed to a reduction of £5 per residential end-user in the 2014/15 regulatory year to be recovered in the 2016/2017 regulatory year. See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview - Distribution Revenue Reduction" for additional information. Ofgem has made license changes as part of the RIIO-ED1 process discussed below.

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 are, therefore, regulated monopolies which operate under regulatory price controls.

Revenue and Regulation

Ofgem has adopted a price control mechanism that establishes the amount of base demand revenue WPD can earn, subject to certain true-ups, and provides for an increase or reduction in revenues based on incentives or penalties for exceeding or underperforming relative to pre-established targets. WPD's allowed revenue primarily includes base demand revenue, incentive adjustments, adjustments for over or under-recovery and adjustments related to the DPCR4 line loss close out.

WPD is currently operating under the eight-year price control period of RIIO-ED1, which commenced on April 1, 2015. The RIIO framework is intended to:

- encourage DNOs to deliver safe, reliable and sustainable network service at long-term value to customers;
- enable DNOs to finance the required investment in a timely and efficient way;
- remunerate DNOs according to their delivery for customers;
- increase emphasis on outputs and incentives;
- enhance stakeholder engagement including network customers;
- provide a stronger incentive framework to encourage more efficient investment and innovation; and
- replace the current Low Carbon Network Fund to continue to stimulate innovation.

Additionally, from a financial perspective the RIIO framework:

- regulates revenues for the DNOs in real terms using 2012/2013 prices;
- inflates RAV (therefore allowed revenues) and other revenue components using the RPI since March 31, 2013;
- splits the recovery of Totex between immediate recovery (called "fast pot") and deferred recovery as an addition to the RAV (called "slow pot");
- provides DNOs with a pass-through for costs the DNOs have no control over (i.e., Ofgem fees, National Grid transmission charges, property taxes and corporate income taxes);
- extends the recovery period of depreciation of RAV additions after April 1, 2015 from a 20 year life as used under DPCR5 to 45 years, with a transitional arrangement that will gradually increase the asset life for new additions over the price control period resulting in an average life of approximately 35 years for RAV additions during RIIO-ED1. The RAV as of March 31, 2015 will continue to be depreciated over 20 years. The asset lives used to determine depreciation expense for U.S. GAAP purposes are not the same as those used for the depreciation of the RAV in setting revenues, and as such vary by asset type and are based on the expected useful lives of the assets;
- provides the DNOs the ability to be fast-tracked through the regulatory approval process, providing a fast-track incentive of 2.5% of Totex during the 8-year price control period for successful DNOs; and
- maintains an incentive scheme for DNOs to be rewarded or penalized for performance in the areas of reliability and customer satisfaction, but places a maximum cap on the amount of incentive revenues that can be earned by a DNO.

The key components of WPD's four RIIO-ED1 business plans accepted by Ofgem are:

- all four DNO business plans were accepted for fast-track status (fast-track incentive is worth approximately $43 million annually for WPD assuming a $1.60/£ foreign currency exchange rate);
- WPD received a higher level of cost savings retention, which was established at 70% for WPD compared to approximately 55% for slow-tracked DNOs;
- a cost of debt recovery comprised of a 10-year trailing average debt allowance, to be adjusted annually, compared to a transition to a 20-year trailing average for the slow tracked DNOs applied to 65% of RAV;
- a return on regulatory equity (RORE) allowance with an equity ratio of 35% of RAV and a cost of equity rate of 6.4% compared to 6.0% for slow-tracked DNOs;
- a Totex split of 80% slow pot and 20% fast pot;
- recovery of approximately 80% of pension deficit funding for certain of WPD's defined benefit pension plans; and
- incentive targets that are significantly more stringent than those set under DPCR5, thus reducing the expected incentive revenues WPD can earn in RIIO-ED1 compared to DPCR5.

WPD's combined business plans include funding for total expenditures of approximately $20.4 billion over the eight-year period (assuming a $1.60/£ foreign currency exchange rate), broken down as follows:

- Totex - $13.5 billion ($10.8 billion additions to RAV; $2.7 billion fast pot);
- Pension deficit funding - $2.0 billion;
- Cost of debt recovery - $1.6 billion;
- Property taxes, Ofgem fees and National Grid transmissions charges - $2.6 billion; and
- Corporate income taxes recovery - $700 million.

The U.K. regulatory structure is an incentive-based structure in contrast to the typical U.S. regulatory structure which operates on a cost-recovery model. The base demand revenue that a DNO can earn in each year of the current price control period is the sum of:

- a return on capital from RAV;
- a return of capital from RAV (i.e. depreciation);
- the fast pot recovery;
- pension deficit funding;
- an allowance for cash taxes paid less a potential reduction for tax benefits from excess leverage if a DNO is levered more than 65% Debt/RAV;
- certain pass-through costs over which the DNO has no control;
- certain legacy price control adjustments from preceding price control periods, including the information quality incentive (also known as the rolling RAV incentive);
- fast track incentive - as WPD's four DNOs were fast-tracked through the price control review process for RIIO-ED1, their base demand revenue also includes the fast-track incentive discussed above;
- profiling adjustments - these adjustments do not affect the total base demand revenue in real terms over the eight-year price control period, but change the year in which the revenue is earned;
- adjustments from the Annual Iteration Process (AIP), discussed further below; and
- adjustments for inflation true-ups, discussed further below.

In addition to base demand revenue, WPD's allowed revenue primarily includes:

- an increase or reduction in revenues based on incentives or penalties for actual performance against pre-established targets;
- adjustments for over- or under-recovery of allowed revenue; and
- a reduction in revenue related to the DPCR4 line loss close out.

During DPCR5, the prior price control review period, WPD's total base demand revenue for the five-year period was profiled in a manner that resulted in a weighted-average increase of about 5.5% per year for all four DNOs. In the first year of RIIO-ED1, base demand revenue decreased by about 11.8% primarily due to a change in the profiling approach and a lower weighted-average cost of capital. For each regulatory year thereafter for the remainder of RIIO-ED1, base demand revenue will increase by approximately 1% per annum before inflation.

As the regulatory model is incentive based rather than a cost recovery model, WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP. Therefore, the accounting treatment of adjustments to base demand revenue and/or allowed revenue is evaluated based on revenue recognition and contingency accounting guidance.

Base Demand Revenue True-up Mechanisms

Unlike prior price control reviews, base demand revenue under RIIO-ED1 will be adjusted during the price control period. The most significant of those adjustments are:

- Inflation True-Up - The base demand revenue for the RIIO-ED1 period was set in 2012/13 prices. Therefore an inflation factor as determined by forecasted RPI, provided by HM Treasury, is applied to base demand revenue. Forecasted RPI is trued up to actuals and affects future base demand revenue two regulatory years later. This revenue change is called the "TRU" adjustment. The projected TRU for the 2015/16 regulatory year is a $45 million reduction to revenue and will reduce base demand revenue in calendar years 2017 and 2018 by $30 million and $15 million, respectively.

- Annual Iteration Process - The RIIO-ED1 price control period also includes an Annual Iteration Process (AIP). This will allow future base demand revenues agreed with the regulator as part of the price control review to be updated during the price control period for financial adjustments including tax, pensions and cost of debt, legacy price control adjustments from preceding price control periods and adjustments relating to actual and allowed total expenditure together with the Totex Incentive Mechanism (TIM). Under the TIM, WPD's DNOs are able to retain 70% of any amounts not spent against the RIIO-ED1 plan and bear 70% of any over-spends. The AIP calculates an incremental change to base demand revenue, known as the "MOD" adjustment. The MOD provided by Ofgem in November 2016 will include the TIM for the 2015/16 regulatory year as well as the cost of debt calculation based on the 10-year trailing average to October 2016. This projected MOD of $11 million will reduce base demand revenue for calendar years 2017 and 2018 by $5 million and $6 million, respectively.

As both MOD and TRU are changes to future base demand revenues as determined by Ofgem, under applicable GAAP, liabilities for these adjustments have not been recorded. PPL's projected earnings per share growth rate through 2017 includes both the estimated TRU for regulatory year 2015/16 and MOD.

Allowed Revenue Components
In addition to base demand revenue, certain other items are added or subtracted to arrive at allowed revenue. The most significant of these are discussed below.

Incentives - 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 which may affect allowed revenue include:

- Interruptions Incentive Scheme (IIS) - This incentive has two major components: (1) Customer interruptions (CIs) and (2) Customer minutes lost (CMLs), and both are designed to incentivize the DNOs to invest and operate their networks to manage and reduce both the frequency and duration of power outages. The IIS target under RIIO-ED1 is divided into interruptions caused by planned and unplanned work. The target for planned work will be calculated as the annual average level of planned interruptions and minutes lost over a previous three year period. The target for unplanned interruptions for the first year of RIIO-ED1 is specified in the DNOs license and targets for both the CIs and CMLs become more demanding each year.

- In addition to the IIS, the broad measure of customer service is enhanced in RIIO-ED1. This broad measure encompasses:
  - customer satisfaction in supply interruptions, connections and general inquiries;
  - complaints;
  - stakeholder engagement; and
  - delivery of social obligations.

The following table shows the amount of incentive revenue, primarily from IIS, which WPD has earned during DPCR5:

Regulatory Year Ended	Incentive Earned (in millions)		Regulatory Year Ended Incentive Included in Revenue
March 2011	$	30	March 2013
March 2012		83	March 2014
March 2013		104	March 2015
March 2014		125	March 2016
March 2015		136	March 2017

Based on applicable GAAP, incentive revenues are not recorded as assets and are included in revenues when they are billed to customers.

DPCR4 Line Loss Adjustment
For regulatory years 2015/16 through 2018/19 allowed revenue will also be reduced to reflect Ofgem's final decision on the DPCR4 line loss incentives and penalties mechanism. WPD has a liability recorded related to this future revenue reduction and, therefore, this will not impact future earnings. See Note 6 to the Financial Statements for additional information.

Correction Factor
During the price control period, WPD's revenue is decoupled from volume and WPD sets its tariffs to recover allowed revenue. However, in any fiscal period, WPD's revenue could be negatively affected if its tariffs and the volume delivered do not fully recover the allowed revenue for a particular period. Conversely, WPD could also over-recover revenue. Over and under-recoveries are subtracted from or added to allowed revenue in future years, known as the "Correction Factor" or "K-factor." Over and under-recovered amounts arising from 2014/15 onwards and refunded/recovered under RIIO-ED1 will be refunded/recovered on a two year lag (previously one year). Therefore the 2014/15 over/under-recovery adjustment will occur in 2016/17. In 2016/17 under this mechanism, WPD will recover the £5 per residential network customer reduction

given through reduced tariffs in 2014/15 (approximately $56 million) as that amount is currently considered an under-recovery.

Historically, tariffs have been set a minimum of three months prior to the beginning of the regulatory year (April 1). In February 2015, Ofgem determined that, beginning for the 2017/18 regulatory year, tariffs would be established a minimum of fifteen months in advance. Therefore, in December 2015, WPD was required to establish tariffs for 2016/17 and 2017/18. This change will potentially increase volatility in future revenue forecasts due to the need to forecast components of allowed revenue including MOD, TRU, K-factor and incentive revenues.

Under applicable GAAP, WPD does not record a receivable for under-recoveries, but does record a liability for over-recoveries. K-factor is measured as of the end of the regulatory year, March 31. While WPD estimates over-recoveries and records a liability when it is probable that there will be an over-recovered position at the end of the regulatory-year, weather-related volume changes and other factors such as sales mix can affect the over or under-recovery between the end of PPL's calendar year and the end of the regulatory year.

See "Item 1A. Risk Factors - Risks Related to U.K. Regulated Segment" for additional information on the risks associated with the U.K. Regulated Segment.

Customers

WPD provides regulated electricity distribution services to licensed third party energy suppliers (its customers) who use WPD's networks to transfer electricity to their customers, the end-users. WPD bills the energy supplier for this service and the supplier is responsible for billing the end-users. Ofgem requires that all licensed electricity distributors and suppliers become parties to the Distribution Connection and Use of System Agreement. This agreement specifies how creditworthiness will be determined and, as a result, whether the supplier needs to collateralize its payment obligations.

- ***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 distribution and sale of natural gas, representing primarily the activities of LG&E and KU. In addition, certain financing costs are allocated to the Kentucky Regulated segment.

(PPL, LKE, LG&E and KU)

LG&E and KU, direct subsidiaries of LKE, are engaged in the regulated generation, transmission, distribution and sale of electricity in Kentucky and, in KU's case, Virginia and Tennessee. LG&E also engages in the distribution and sale of natural gas in Kentucky. LG&E provides electric service to approximately 403,000 customers in Louisville and adjacent areas in Kentucky, covering approximately 700 square miles in nine counties and provides natural gas service to approximately 322,000 customers in its electric service area and eight additional counties in Kentucky. KU provides electric service to approximately 518,000 customers in 77 counties in central, southeastern and western Kentucky, approximately 28,000 customers in five counties in southwestern Virginia, and fewer than ten customers in Tennessee, covering approximately 4,800 non-contiguous square miles. KU also sells wholesale electricity to 11 municipalities in Kentucky under load following contracts. In Virginia, KU operates under the name Old Dominion Power Company.

Details of operating revenues by customer class for the years ended December 31 are shown below.

	2015		2014		2013	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
LKE						
Commercial	$ 816	26	$ 815	26	$ 770	26
Industrial	628	20	627	20	587	20
Residential	1,245	40	1,281	40	1,205	40
Retail - other	267	9	279	9	260	9
Wholesale - municipal	114	4	109	3	110	4
Wholesale - other (a)	45	1	57	2	44	1
Total	$ 3,115	100	$ 3,168	100	$ 2,976	100

	2015		2014		2013	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
LG&E						
Commercial	$ 436	30	$ 433	28	$ 405	29
Industrial	199	14	194	13	186	13
Residential	633	44	650	43	614	44
Retail - other	117	8	130	8	119	8
Wholesale - other (a) (b)	59	4	126	8	86	6
Total	$ 1,444	100	$ 1,533	100	$ 1,410	100
KU						
Commercial	$ 380	22	$ 382	22	$ 365	22
Industrial	429	25	433	25	401	25
Residential	612	35	631	36	591	36
Retail - other	150	9	149	9	141	9
Wholesale - municipal	114	7	109	6	110	7
Wholesale - other (a) (b)	43	2	33	2	27	1
Total	$ 1,728	100	$ 1,737	100	$ 1,635	100

(a) Includes wholesale power and transmission revenues.
(b) Includes intercompany power sales and transmission revenues, which are eliminated upon consolidation at LKE.

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 legislative or regulatory actions, if any, regarding industry restructuring and their impact on LKE, which may be significant, cannot currently be predicted. Virginia, formerly a deregulated jurisdiction, has enacted legislation that implemented a hybrid model of cost-based regulation. KU's operations in Virginia have been and remain regulated.

Alternative energy sources such as electricity, oil, propane and other fuels 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.

Power Supply

At December 31, 2015, LKE owned, controlled or had a minority ownership interest in generating capacity (summer rating) of 7,997 MW, of which 2,919 MW related to LG&E and 5,078 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 2015, LKE's Kentucky power plants generated the following amounts of electricity.

	GWh		
Fuel Source	LKE	LG&E	KU
Coal (a)	29,609	12,049	17,560
Oil / Gas	4,792	1,258	3,534
Hydro	372	274	98
Total (b)	34,773	13,581	21,192

(a) Includes 762 GWh of power generated by and purchased from OVEC for LKE, 527 GWh for LG&E and 235 GWh for KU.
(b) This generation represents a 2.4% decrease for LKE, a 13.7% decrease for LG&E and a 6.6% increase for KU from 2014 output.

A majority 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 and municipal 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 and municipal customers 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 construction of a solar generating facility at the E.W. Brown generating site. As a result of environmental requirements, KU retired two coal-fired units, with a combined summer capacity rating of 161 MW, at the Green River plant in September 2015. LG&E retired a 240 MW coal-fired unit in March 2015 and two additional coal-fired units, with a combined summer capacity rating of 323 MW, in June 2015 at the Cane Run plant. KU retired a 71 MW coal-fired unit at the Tyrone plant in 2013.

Fuel Supply

Coal is expected to be the predominant fuel used by LG&E and KU for generation for the foreseeable future. Due to Cane Run Unit 7 being placed into operation during 2015, natural gas will play a more significant role going forward. The natural gas for this generating unit is purchased using contractual arrangements separate from LG&E's natural gas distribution operations. 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.

LG&E and KU have entered into coal supply agreements with various suppliers for coal deliveries through 2022 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 and southern Illinois. LG&E and KU continue to purchase certain quantities of ultra-low sulfur content coal from Wyoming for blending at Trimble County Unit 2. Coal is delivered to the generating plants by barge, truck and rail.

To enhance the reliability of natural gas supply, LG&E and KU have secured, firm long-term pipeline capacity on the interstate pipeline serving Cane Run Unit 7 and six simple cycle combustion turbine units located at the Trimble County site through 2024. LG&E has also secured long-term firm pipeline capacity on an interstate pipeline for an additional simple cycle gas turbine under a power purchase agreement for the summer months through October 2018. For the seven simple cycle combustion turbines at Brown, no firm long-term pipeline capacity has been purchased due to the facility being interconnected to multiple pipelines and some of the units having dual fuel capability.

Natural gas purchases for these units currently take place as needed from pipelines but LG&E and KU may seek to augment these purchases with longer term agreements.

(PPL, LKE and LG&E)

Natural Gas Distribution Supply

Five underground natural gas storage fields, with a current working natural gas capacity of approximately 15 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, 2015, LG&E had 12 Bcf 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 2018 and 2021. Total winter season capacity under these contracts is 184,900 MMBtu/day and summer season capacity is 60,000 MMBtu/day. With this same pipeline, LG&E has two contracts with a total capacity of 10,000 MMBtu/day, during the winter season and 28,000 MMBtu/day, during the summer season; both contracts have been terminated effective October 31, 2016. With this same pipeline, LG&E also has a new contract for pipeline capacity commencing June 2016 through October 31, 2026, in the amount of 60,000 MMBtu/day. Additionally, LG&E has a contract with the same pipeline for the month of January 2016 with a total capacity of 30,000 MMBtu/day. LG&E has a single contract with a second pipeline with a total capacity of 20,000 MMBtu/day during both the winter and summer seasons that expires October 31, 2018.

LG&E expects to purchase natural gas supplies for its gas distribution operations from onshore producing regions in South Texas, East Texas, North Louisiana and Arkansas, as well as gas originating in the Rockies, Marcellus and Utica production areas.

(PPL, LKE, LG&E and KU)

Transmission

LG&E and KU contract with the Tennessee Valley Authority to act as their transmission reliability coordinator and contract with TranServ International, Inc. to act as their independent transmission operator.

During 2013 through 2015, LG&E and KU have submitted various compliance filings to the FERC reflecting their participation with other utilities in the Southeastern Regional Transmission Planning group 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. FERC approvals have been received for all but one remaining of such compliance filings.

Rates

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 (OATT).

LG&E's and KU's Kentucky base rates are calculated based on a return on capitalization (common equity, long-term debt and short-term debt) including adjustments for certain net investments and costs recovered separately through other means. As such, LG&E and KU generally earn a return on regulatory assets in Kentucky.

KU's Virginia base rates are calculated based on a return on rate base (net utility plant plus working capital less 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 Tennessee base rates are established through approval of the TRA and generally will follow the cost of providing service in Kentucky.

KU's rates to 11 municipal customers for wholesale power requirements are calculated based on annual updates to a formula rate that utilizes a return on rate base (net utility plant plus working capital less 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. In April 2014, nine municipalities submitted notices of termination, under the original notice period provisions, to cease taking power under the wholesale requirements contracts. Such terminations are to be effective in 2019, except in the case of one municipality with a 2017 effective date.

See Note 6 to the Financial Statements for additional information on cost recovery mechanisms.

- ***Pennsylvania Regulated Segment*** *(PPL)*

Consists of PPL Electric, a regulated public utility engaged in the distribution and transmission of electricity.

(PPL and PPL Electric)

PPL Electric delivers electricity to approximately 1.4 million customers in a 10,000-square mile territory in 29 counties of eastern and central Pennsylvania. PPL Electric also provides electricity supply to retail customers in this area as a PLR under the Customer Choice Act.

Details of revenues by customer class for the years ended December 31 are shown below.

	2015		2014		2013	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
Distribution						
Residential	$ 1,338	63	$ 1,285	63	$ 1,215	65
Industrial	58	3	52	3	52	3
Commercial	377	18	367	18	363	19
Other (a)	(44)	(2)	5		(11)	
Transmission	395	18	335	16	251	13
Total	$ 2,124	100	$ 2,044	100	$ 1,870	100

(a) Includes regulatory over- or under-recovery reconciliation mechanisms, pole attachment revenues and street lighting, offset by contra revenue associated with the network integration transmission service expense.

Franchise, Licenses and Other Regulations

PPL Electric is authorized to provide electric public utility service throughout its service area as a result of grants by the Commonwealth of Pennsylvania in corporate charters to PPL Electric and companies which it has succeeded and as a result of certification by the PUC. PPL Electric is granted the right to enter the streets and highways by the Commonwealth subject to certain conditions. In general, such conditions have been met by ordinance, resolution, permit, acquiescence or other action by an appropriate local political subdivision or agency of the Commonwealth.

Competition

Pursuant to authorizations from the Commonwealth of Pennsylvania and the PUC, PPL Electric operates a regulated distribution monopoly in its service area. Accordingly, PPL Electric does not face competition in its electricity distribution business. Pursuant to the Customer Choice Act, generation of electricity is a competitive business in Pennsylvania, and PPL Electric does not own or operate any generation facilities.

The PPL Electric transmission business, operating under a FERC-approved PJM Open Access Transmission Tariff, is subject to competition pursuant to FERC Order 1000 from entities that are not incumbent PJM transmission owners with respect to the construction and ownership of transmission facilities within PJM.

Rates and Regulation

Transmission

PPL Electric's transmission facilities are within PJM, which operates the electricity transmission network and electric energy market in the Mid-Atlantic and Midwest regions of the U.S.

PJM serves as a FERC-approved Regional Transmission Operator (RTO) to promote greater participation and competition in the region it serves. In addition to operating the electricity transmission network, PJM also administers regional markets for energy, capacity and ancillary services. A primary objective of any RTO is to separate the operation of, and access to, the transmission grid from market participants that buy or sell electricity in the same markets. Electric utilities continue to own the transmission assets and to receive their share of transmission revenues, but the RTO directs the control and operation of the transmission facilities. Certain types of transmission investment are subject to competitive processes outlined in the PJM tariff.

As a transmission owner, PPL Electric's transmission revenues are recovered through PJM in accordance with a FERC approved tariff that allows recovery of incurred transmission costs, a return on transmission-related plant and an automatic annual update based on a formula rate mechanism. As a PLR, PPL Electric also purchases transmission services from PJM. See "PLR" below.

See Note 6 to the Financial Statements for additional information on rate mechanisms.

Distribution

PPL Electric's distribution base rates are calculated based on a return on rate base (net utility plant plus a cash working capital allowance less plant-related deferred taxes and other miscellaneous additions and deductions). All regulatory assets and liabilities are excluded from the return on rate base; therefore, no return is earned on the related assets unless specifically provided for by the PUC. Currently, PPL Electric's Smart Meter rider and the DSIC are the only riders earning a return. Certain operating expenses are also included in PPL Electric's distribution base rates including wages and benefits, other operation and maintenance expenses, depreciation and taxes.

Pennsylvania's Alternative Energy Portfolio Standard (AEPS) requires electricity distribution companies and electricity generation suppliers to obtain from alternative energy resources a portion of the electricity sold to retail customers in Pennsylvania. Under the default service procurement plans approved by the PUC, PPL Electric purchases all of the alternative energy generation supply it needs to comply with the AEPS.

Act 129 created an energy efficiency and conservation program, a demand side management program, smart metering technology requirements, new PLR generation supply procurement rules, remedies for market misconduct and changes to the existing AEPS.

Act 11 authorizes the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, the use of a DSIC. Such alternative ratemaking procedures and mechanisms provide opportunity for accelerated cost-recovery and, therefore, are important to PPL Electric as it is in a period of significant capital investment to maintain and enhance the reliability of its delivery system, including the replacement of aging assets. In January 2013, PPL Electric filed a petition requesting permission to establish a DSIC. In May 2013, the PUC approved PPL Electric's proposed DSIC with an initial rate effective July 1, 2013, subject to refund after hearings. The PUC also assigned four technical recovery calculation issues to the Office of Administrative Law Judge for hearing and preparation of a recommended decision. In November 2015, the PUC issued an opinion and order approving PPL Electric's Petition with minor modifications.

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, or an alternative supplier approved by the PUC to act as a PLR of electricity supply for customers who do not choose to shop for supply with a competitive supplier and provides that electricity supply costs will be recovered by the PLR pursuant to PUC regulations. As of December 31, 2015, the following percentages of PPL Electric's customer load were provided by competitive suppliers: 50% of residential, 85% 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 - Act 129" 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 June 2015 through May 2017, which includes 4 solicitations for electricity supply held in April and October, annually. 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 6- and 12-month fixed-price load-following contracts for residential, small commercial and small industrial customers, and 12-month real-time pricing contracts for large commercial and large industrial customers to fulfill PPL Electric's obligation to provide customer electricity supply as a PLR.

Numerous alternative suppliers have offered to provide generation supply in PPL Electric's service territory. Since the cost of generation supply is a pass-through cost for PPL Electric, its financial results are not impacted if its customers purchase electricity supply from these alternative suppliers. See "Energy Purchase Commitments" in Note 13 to the Financial Statements for additional information regarding PPL Electric's solicitations.

See "Regulatory Matters - Pennsylvania Activities - Rate Case Proceedings" in Note 6 to the Financial Statements for information regarding PPL Electric's 2015 rate case proceedings.

- ***Other Corporate Functions** (PPL)*

PPL Services provides PPL subsidiaries with administrative, management and support services.

PPL EU Services, formed in 2015, is included within the Pennsylvania Regulated Segment and provides the majority of financial, supply chain, human resources and facilities management services to PPL Electric. Significant portions of the various corporate functions previously within PPL Services were transferred to PPL EU Services in 2015. Certain other functions are to be transferred to PPL EU Services as the transition services agreements with Talen Energy expire. PPL Services will continue to provide certain limited corporate functions. For both service companies, the costs of these services are charged directly to the respective recipients for the services provided or indirectly charged to applicable recipients based on an average of the recipients' relative invested capital, operation and maintenance expenses and number of employees.

PPL Capital Funding, PPL's financing subsidiary, provides financing for the operations of PPL and certain subsidiaries. PPL's growth in rate-regulated businesses provides the organization with an enhanced corporate level financing alternative, through PPL Capital Funding, that enables PPL to cost effectively support targeted credit profiles across all of PPL's rated companies. As a result, PPL plans to further utilize PPL Capital Funding in future financings, in addition to continued direct financing by the operating companies.

Unlike PPL Services and PPL EU Services, PPL Capital Funding's costs are not generally charged to PPL subsidiaries. Costs are charged directly to PPL. However, PPL Capital Funding participated significantly in the financing for the acquisitions of LKE and WPD Midlands and certain associated financing costs were allocated to the Kentucky Regulated and U.K. Regulated segments. The associated financing costs, as well as the financing costs associated with prior issuances of certain other PPL Capital Funding securities, have been assigned to the appropriate segments for purposes of PPL management's assessment of segment performance. The financing costs associated primarily with PPL Capital Funding's securities issuances in 2013 and beyond, with certain exceptions, have not been directly assigned or allocated to any segment.

(All Registrants)

SEASONALITY

The demand for and market prices of electricity and natural gas are affected by weather. As a result, the Registrants' operating results in the future may fluctuate substantially on a seasonal basis, especially when 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. See "Financial Condition - Environmental Matters" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information regarding climate change.

FINANCIAL CONDITION

See "Financial Condition" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for this information.

CAPITAL EXPENDITURE REQUIREMENTS

See "Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash - Capital Expenditures" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for information concerning projected capital expenditure requirements for 2016 through 2020. See Note 13 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 has recently issued or is in the process of proposing and finalizing numerous environmental regulations relating to air, water and waste that will directly affect the electricity industry. See "Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash - Capital Expenditures" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" on projected environmental capital expenditures for the years 2016-2020. Also, see "Environmental Matters" in Note 13 to the Financial Statements for additional information. To comply with environmental requirements, PPL's forecast for environmental capital expenditures reflects a best estimate projection of expenditures that may be required within the next five years. Such projections are $1.9 billion for PPL and LKE ($1 billion for KU and $0.9 billion for LG&E). Actual costs (including capital, emission allowance purchases and operational modifications) may be significantly lower or higher depending on the final compliance requirements and market conditions. PPL's and LKE's subsidiaries may also incur capital expenditures and operating expenses, which are not now determinable, but could be significant. 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.

EMPLOYEE RELATIONS

At December 31, 2015, PPL and its subsidiaries had the following full-time employees and employees represented by labor unions.

	Total Full-Time Employees	Number of Union Employees	Percentage of Total Workforce
PPL (a)	12,799	6,376	50%
PPL Electric	1,935	1,227	63%
LKE	3,484	812	23%
LG&E	1,001	688	69%
KU	926	124	13%

(a) Includes 4,085 employees of WPD who are members of labor unions (or 62% of PPL's U.K. workforce). WPD recognizes four unions, the largest of which represents 41% of its union workforce. WPD's Electricity Business Agreement, which covers 4,015 union employees, may be amended by agreement between WPD and the unions and can be terminated with 12 months' notice by either side.

AVAILABLE INFORMATION

PPL's Internet website is www.pplweb.com. Under the Investors heading 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. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 13 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 the former PPL Energy Supply and its consolidated subsidiaries taken as a whole, or PPL Electric and its consolidated subsidiaries taken as a whole within the Pennsylvania Regulated segment discussion, or LKE and its consolidated subsidiaries taken as a whole within the Kentucky Regulated segment discussion.

(PPL)

Risks Relating to the Spinoff of PPL Energy Supply and Formation of Talen Energy Corporation

If the spinoff of PPL Energy Supply does not qualify as a tax-free distribution under Sections 355 and 368 of the Internal Revenue Code of 1986, as amended (the "Code"), including as a result of subsequent acquisitions of stock of PPL or Talen Energy, then PPL and/or its shareowners may be required to pay substantial U.S. federal income taxes.

Among other requirements, the completion of the June 1, 2015 spinoff of PPL Energy Supply and subsequent combination with RJS Power was conditioned upon PPL's receipt of a legal opinion of tax counsel to the effect that the spinoff will qualify as a reorganization pursuant to Section 368(a)(1)(D) and a tax-free distribution pursuant to Section 355 of the Code. Although receipt of such legal opinion was a condition to completion of the spinoff and subsequent combination, that legal opinion is not binding on the IRS. Accordingly, the IRS could reach conclusions that are different from those in the tax opinion. If, notwithstanding the receipt of such opinion, the IRS were to determine the distribution to be taxable, PPL would, and its shareowners could, depending on their individual circumstances, recognize a tax liability that could be substantial. In addition, notwithstanding the receipt of such opinion, if the IRS were to determine the merger to be taxable, PPL shareowners may, depending on their individual circumstances, recognize a tax liability that could be material.

In addition, the spinoff will be taxable to PPL pursuant to Section 355(e) of the Code if there is a 50% or greater change in ownership (by vote or value) of either PPL or Talen Energy, directly or indirectly, as part of a plan or series of related transactions that include the spinoff. Because PPL's shareowners collectively owned more than 50% of Talen Energy's common stock following the spinoff and subsequent combination, the combination alone will not cause the spinoff to be taxable to PPL under Section 355(e) of the Code. However, Section 355(e) of the Code might apply if acquisitions of stock of PPL before or after the spinoff, or of Talen Energy after the combination, were considered to be part of a plan or series of related transactions that include the spinoff. PPL is not aware of any such plan or series of transactions that include the spinoff.

Risks related to our U.K. Segment

Our U.K. distribution business contributes a significant amount of PPL's earnings and exposes us to the following additional risks related to operating outside the U.S., including risks associated with changes in U.K. laws and regulations, taxes, economic conditions and political conditions and policies of the U.K. government and the European Union. These risks may reduce the results of operations from our U.K. distribution business or affect our ability to access U.K. revenues for payment of distributions or for other corporate purposes in the U.S.

- changes in laws or regulations relating to U.K. operations, including rate regulations, operational performance and tax laws and regulations;
- changes in government policies, personnel or approval requirements;
- changes in general economic conditions affecting the U.K.;
- regulatory reviews of tariffs for distribution companies;
- changes in labor relations;
- limitations on foreign investment or ownership of projects and returns or distributions to foreign investors;
- limitations on the ability of foreign companies to borrow money from foreign lenders and lack of local capital or loans;
- changes in U.S. tax law applicable to taxation of foreign earnings;

- compliance with U.S. foreign corrupt practices laws; and
- prolonged periods of low inflation or deflation.

We are subject to increased foreign currency exchange rate risks because a majority of our cash flows and reported earnings are currently generated by our U.K. business operations.

These risks relate primarily to changes in the relative value of the British pound sterling and the U.S. dollar between the time we initially invest U.S. dollars in our U.K. businesses, and our strategy to hedge against such changes, and the time that cash is repatriated to the U.S. from the U.K., including cash flows from our U.K. businesses that may be distributed to PPL or used for repayments of intercompany loans or other general corporate purposes. In addition, PPL's consolidated reported earnings on a GAAP basis may be subject to 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 GAAP requirements.

Our U.K. segment is subject to inflationary risks.

Our U.K. distribution business is subject to the risks associated with fluctuations in the RPI in the U.K., which is a measure of inflation.

In RIIO-ED1, WPD's base demand revenue was established by Ofgem in 2012/13 prices. Base demand revenue is then increased by RPI for each year to arrive at the amount of revenue WPD can collect in tariffs. The RPI is forecasted and subject to true-up in subsequent years. The fluctuations between forecasted and actual RPI can then result in variances in base demand revenue from the business plan accepted by Ofgem. While WPD also has debt that is indexed to RPI and certain components of operations and maintenance expense are affected by inflation, these may not offset changes in base demand revenue and offsets would likely affect different calendar years. Further, as RAV is also subject to increase in RPI, a reduction in RPI could adversely affect the debt/RAV ratio together with the level of subsequent RAV amortization which is an element of allowed revenue.

Our U.K. delivery business is subject to revenue variability based on operational performance.

Our U.K. delivery businesses operate under an incentive-based regulatory framework. Managing operational risk and delivering agreed-upon performance are critical to the U.K. Regulated segment's financial performance. Disruption to these distribution networks could reduce profitability both directly by incurring costs for network restoration and also through the system of penalties and rewards that Ofgem administers relating to customer service levels.

A failure by any of our U.K. regulated businesses to comply with the terms of a distribution license may lead to the issuance of an enforcement order by Ofgem that could have an adverse impact on PPL.

Ofgem has powers to levy fines of up to ten percent of revenue for any breach of a distribution license or, in certain circumstances, such as insolvency, the distribution license itself may be revoked. Ofgem also has formal powers to propose modifications to each distribution license and there can be no assurance that a restrictive modification will not be introduced in the future, which could have an adverse effect on the operations and financial condition of the U.K. regulated businesses and PPL.

(PPL and LKE)

Risk Related to Registrant Holding Companies

PPL and LKE are holding companies and their cash flows and ability to meet their obligations with respect to indebtedness and under guarantees, and PPL's ability to pay dividends, largely depends on the financial performance of their respective subsidiaries and, as a result, is effectively subordinated to all existing and future liabilities of those subsidiaries.

PPL and LKE are holding companies and conduct their operations primarily through subsidiaries. Substantially all of the consolidated assets of these Registrants are held by their subsidiaries. Accordingly, these Registrants' cash flows and ability to meet debt and guaranty obligations, as well as PPL's ability to pay dividends, are largely dependent upon the earnings of those subsidiaries and the distribution or other payment of such earnings in the form of dividends, distributions, loans, advances or repayment of loans and advances. The subsidiaries are separate legal entities and have no obligation to pay dividends or distributions to their parents or to make funds available for such a payment. The ability of the Registrants' subsidiaries to pay dividends or distributions in the future will depend on the subsidiaries' future earnings and cash flows and the needs of their businesses, and may be restricted by their obligations to holders of their outstanding debt and other creditors, as well as any contractual or legal restrictions in effect at such time, including the requirements of state corporate law applicable to payment of dividends and distributions, and regulatory requirements, including restrictions on the ability of PPL Electric, LG&E and KU to pay dividends under Section 305(a) of the Federal Power Act.

Because PPL and LKE are holding companies, their debt and guaranty obligations are effectively subordinated to all existing and future liabilities of their subsidiaries. Although certain agreements to which certain subsidiaries are parties limit their ability to incur additional indebtedness, PPL and LKE and their subsidiaries retain the ability to incur substantial additional indebtedness and other liabilities. Therefore, PPL's and LKE's rights and the rights of their creditors, including rights of debt holders, to participate in the assets of any of their subsidiaries, in the event that such a subsidiary is liquidated or reorganized, will be subject to the prior claims of such subsidiary's creditors. 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 Electric, 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 each of 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.

The operation of our businesses is subject to cyber-based security and integrity risks.

Numerous functions affecting the efficient operation of our businesses are dependent on the secure and reliable storage, processing and communication of electronic data and the use of sophisticated computer hardware and software systems. The operation of our generation plants, 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 sensitive customer information lost or stolen, causing us to incur significant losses of revenues, other substantial liabilities and damages, costs to replace or repair damaged equipment and damage to our reputation.

Our profitability is highly dependent on our ability to recover the costs of providing energy and utility services to our customers and earn an adequate return on our capital investments. Regulators may not approve the rates we request and existing rates may be challenged.

The rates we charge our utility customers must be approved by one or more federal or state regulatory commissions, including the FERC, KPSC, VSCC, TRA and PUC. Although rate regulation is generally premised on the recovery of prudently incurred costs and a reasonable rate of return on invested capital, there can be no assurance that regulatory authorities will consider all of our costs to have been prudently incurred or that the regulatory process by which rates are determined will always result in rates that achieve full or timely recovery of our costs or an adequate return on our capital investments. Federal or state agencies, intervenors and other permitted parties may challenge our current or future rate requests, structures or mechanisms, and ultimately reduce, alter or limit the rates we receive. Although our rates are generally regulated based on an analysis of our costs incurred in a base year or on future projected costs, the rates we are allowed to charge may or may not match our costs at any given time. Our domestic regulated utility businesses are subject to substantial capital expenditure requirements over the next several years, which will likely require rate increase requests to the regulators. If our costs are not adequately recovered through rates, it could have an adverse effect on our business, results of operations, cash flows and financial condition.

Our domestic utility businesses are subject to significant and complex governmental regulation.

In addition to regulating the rates we charge, various federal and state regulatory authorities regulate many aspects of our domestic utility operations, including:

- the terms and conditions of our service and operations;
- financial and capital structure matters;
- siting, construction and operation of facilities;
- mandatory reliability and safety standards under the Energy Policy Act of 2005 and other standards of conduct;

- accounting, depreciation and cost allocation methodologies;
- tax matters;
- affiliate transactions;
- acquisition and disposal of utility assets and issuance of securities; and
- various other matters, including energy efficiency.

Such regulations or changes thereto may subject us to higher operating costs or increased capital expenditures and failure to comply could result in sanctions or possible penalties which may not be recoverable from customers.

Our domestic regulated businesses undertake significant capital projects and these activities are subject to unforeseen costs, delays or failures, as well as risk of inadequate recovery of resulting costs.

The domestic regulated utility businesses are capital intensive and require significant investments in energy generation (in the case of LG&E and KU) and transmission, distribution and other infrastructure projects, such as projects for environmental compliance and system reliability. The completion of these projects without delays or cost overruns is subject to risks in many areas, including:

- approval, licensing and permitting;
- land acquisition and the availability of suitable land;
- skilled labor or equipment shortages;
- construction problems or delays, including disputes with third-party intervenors;
- increases in commodity prices or labor rates;
- contractor performance;

Failure to complete our capital projects on schedule or on budget, or at all, could adversely affect our financial performance, operations and future growth if such expenditures are not granted rate recovery by our regulators.

We are subject to the risk that our workforce and its knowledge base may become depleted in coming years.

We are experiencing an increase in attrition due primarily to the number of retiring employees, with the risk that critical knowledge will be lost and that it may be difficult to replace departed personnel, and to attract and retain new personnel, due to a declining trend in the number of available skilled workers and an increase in competition for such workers.

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 wastes, 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, operational changes, permit limitations or other restrictions. At some of our older generating facilities it may be uneconomic for us to install necessary pollution control equipment, which could cause us to retire those units. Market prices for energy and capacity also affect this cost-effectiveness analysis. Many of these environmental law considerations are also applicable to the operations of our key suppliers, or customers, such as coal producers 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 related compliance strategies 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 rulemaking and other regulatory developments, legislative activities and litigation, administrative or permit challenges. 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 new technologies or 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, delayed or incomplete rate recovery or increased costs of implementation.

We are subject to operational, regulatory and other risks regarding certain significant developments in environmental regulation affecting coal-fired generation facilities.

Certain regulatory initiatives have been implemented or are under development which could represent significant developments or changes in environmental regulation and compliance costs or risk associated with the combustion of coal as occurs at LG&E's and KU's coal-fired generation facilities. In particular, such developments include the federal Clean Power Plan regulations governing greenhouse gas emissions at existing or new power plants, the federal Coal Combustion Residuals regulations governing coal by-product storage activities and the federal Effluent Limitations Guidelines governing water discharge activities. Such initiatives have the potential to require significant changes in generation portfolio composition and in coal combustion byproduct handling and disposal or water treatment and release facilities and methods from those historically used or currently available. Consequently, such developments may involve increased risks relating to the uncertain cost, efficacy and reliability of new technologies, equipment or methods. Compliance with such regulations could result in significant changes to LG&E's and KU's operations or commercial practices and material additional capital or operating expenditures. Such circumstances could also involve higher risks of compliance violations or of variations in rate or regulatory treatment when compared to existing frameworks.

Risks Specific to Pennsylvania Regulated Segment

(*PPL and PPL Electric*)

We plan to selectively pursue growth of our transmission capacity, which involves a number of uncertainties and may not achieve the desired financial results.

We plan to pursue expansion of our transmission capacity over the next several years. We plan to do this through the potential construction or acquisition of transmission projects and capital investments to upgrade transmission infrastructure. These types of projects involve numerous risks. With respect to the construction or acquisition of transmission 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 construction 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.

We face competition for transmission projects, which could adversely affect our rate base growth.

FERC Order 1000, issued in July 2011, establishes certain procedural and substantive requirements relating to participation, cost allocation and non-incumbent developer aspects of regional and inter-regional electric transmission planning activities. The PPL Electric transmission business, operating under a FERC-approved PJM Open Access Transmission Tariff (OATT), is subject to competition pursuant to FERC Order 1000 from entities that are not incumbent PJM transmission owners with respect to the construction and ownership of transmission facilities within PJM. Increased competition can result in lower rate base growth.

We could be subject to higher costs and/or penalties related to Pennsylvania Conservation and Energy Efficiency Programs.

PPL Electric is subject to Act 129 which contains requirements for energy efficiency and conservation programs and for the use of smart metering technology, imposes PLR electricity supply procurement rules, provides remedies for market misconduct, and made changes to the existing Alternative Energy Portfolio Standard. The law also requires electric utilities to meet specified goals for reduction in customer electricity usage and peak demand. Utilities not meeting these Act 129 requirements are subject to significant penalties that cannot be recovered in rates. Numerous factors outside of our control could prevent compliance with these requirements and result in penalties to us.

We are or may be subject to costs of remediation of environmental contamination at facilities owned or operated by PPL Electric or its former subsidiaries.

We may be subject to liability for the costs of environmental remediation of property now or formerly owned by us with respect to substances that we may have generated regardless of whether the liabilities arose before, during or after the time we owned or operated the facilities. We also have current or previous ownership interests in sites associated with the production of manufactured gas for which we may be liable for additional costs related to investigation, remediation and monitoring of these sites. Remediation activities associated with our former manufactured gas plant operations are one source of such costs. Citizen groups or others may bring litigation regarding environmental issues including claims of various types, such as property damage, personal injury and citizen challenges to compliance decisions on the enforcement of environmental requirements, which could subject us to penalties, injunctive relief and the cost of litigation. We cannot predict the amount and timing of all future expenditures (including the potential or magnitude of fines or penalties) related to such environmental matters, although they could be material.

Risks Related to All Segments

(*All Registrants*)

Increases in electricity prices and/or a weak economy, can lead to changes in legislative and regulatory policy, including the promotion of energy efficiency, conservation and distributed generation or self-generation, which may adversely impact our business.

Energy consumption is significantly impacted by overall levels of economic activity and costs of energy supplies. Economic downturns or periods of high energy supply costs can lead to changes in or the development of legislative and regulatory policy designed to promote reductions in energy consumption and increased energy efficiency, alternative and renewable energy sources, and distributed or self-generation by customers. This focus on conservation, energy efficiency and self-generation may result in a decline in electricity demand, which could in turn adversely affect our business.

We could be negatively affected by rising interest rates, downgrades to our credit ratings, adverse credit market conditions or other negative developments in our ability to access capital markets.

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 rates, credit rating considerations, insurance, security or collateral requirements, market liquidity and credit availability and refinancing opportunities necessary or advisable to respond to credit market changes. Changes in these conditions could result in increased costs and decreased availability of credit.

A downgrade in our credit ratings could negatively affect our ability to access capital and increase the cost of maintaining our credit facilities and any new debt.

Credit ratings assigned by Moody's and S&P to our businesses and their financial obligations have a significant impact on the cost of capital incurred by our businesses. A ratings downgrade could increase our short-term borrowing costs and negatively affect our ability to fund liquidity needs and access new long-term debt at acceptable interest rates. See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition - Liquidity and Capital Resources - Ratings Triggers" for additional information on the financial impact of a downgrade in our credit ratings.

Disruption in financial markets could adversely affect our financial condition and results of operations.

Our businesses are heavily dependent on credit and access to capital, among other things, for financing capital expenditures. Regulations under the Dodd-Frank Act in the U.S. and Basel III in Europe may impose costly additional requirements on 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 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.

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 directly decrease revenues and increase expenses, due to reduced usage and restoration costs.

Our businesses are subject to physical, market and economic risks relating to potential effects of climate change.

Climate change may produce changes in weather or other environmental conditions, including temperature or precipitation levels, and thus may impact consumer demand for electricity. In addition, the potential physical effects of climate change, such as increased frequency and severity of storms, floods, and other climatic events, could disrupt our operations and cause us to incur significant costs to prepare for or respond to these effects. These or other meteorological changes could lead to increased operating costs, capital expenses or power purchase costs. Greenhouse gas regulation could increase the cost of electricity, particularly power generated by fossil fuels, and such increases could have a depressive effect on regional economies. Reduced economic and consumer activity in our service areas -- both generally and specific to certain industries and consumers accustomed to previously lower cost power -- could reduce demand for the power we generate, market and deliver. Also, demand for our energy-related services could be similarly lowered by consumers' preferences or market factors favoring energy efficiency, low-carbon power sources or reduced electricity usage.

We cannot predict the outcome of 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 "Federal Matters" in Note 6 and "Legal Matters," "Regulatory Issues" and "Environmental Matters - Domestic" in Note 13 to the Financial Statements. We cannot predict the ultimate outcome of these matters, nor can we reasonably estimate the costs or liabilities that could potentially result from a negative outcome in each case.

Significant increases in our operation and maintenance expenses, including health care and pension costs, could adversely affect our future earnings and liquidity.

We continually focus on limiting and reducing our operation and maintenance expenses. However, we expect to continue to face increased cost pressures in our operations. Increased costs of materials and labor may result from general inflation, increased regulatory requirements (especially in respect of environmental regulations), the need for higher-cost expertise in the workforce or other factors. In addition, pursuant to collective bargaining agreements, we are contractually committed to provide specified levels of health care and pension benefits to certain current employees and retirees. 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 and indefinite-lived intangible assets for impairment on an annual basis, or more frequently if events or circumstances indicate that these assets may be impaired. Although no impairments were recorded based on our annual review in the fourth quarter of 2015, we are unable to predict whether future impairment charges may be necessary.

We also review our long-lived tangible and finite-lived intangible assets, including equity investments, for impairment when events or circumstances indicate that the carrying value of these assets may not be recoverable. Although no impairment charges have been recorded related to the Company's continuing operations 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, and certain other transactions, we have indemnified or guaranteed parties against certain liabilities. These indemnities and guarantees relate, among other things, to liabilities which may arise with respect to the period during which we or our subsidiaries operated a divested business, and to certain ongoing contractual relationships and entitlements with respect to which we or our subsidiaries made commitments in connection with the divestiture. See "Guarantees and Other Assurances" in Note 13 to the Financial Statements.

We are subject to liability risks relating to our generation, transmission and distribution operations.

The conduct of our physical and commercial operations subjects us to many risks, including risks of potential physical injury, property damage or other financial liability, caused to or by employees, customers, contractors, vendors, contractual or financial counterparties and other third parties.

Our facilities may not operate as planned, which may increase our expenses and decrease our revenues and have an adverse effect on our financial performance.

Operation of power plants, transmission and distribution facilities, information technology systems and other assets and activities subjects us to a variety of risks, including the breakdown or failure of equipment, accidents, security breaches, viruses or outages affecting information technology systems, labor disputes, obsolescence, delivery/transportation problems and disruptions of fuel supply and performance below expected levels. These events may impact our ability to conduct our businesses efficiently and lead to increased costs, expenses or losses. Operation of our delivery systems below our expectations may result in lost revenue and increased expense, including higher maintenance costs which may not be recoverable from customers. Planned and unplanned outages at our power plants may require us to purchase power at then-current market prices to satisfy our commitments or, in the alternative, pay penalties and damages for failure to satisfy them.

Although we maintain customary insurance coverage for certain of these risks, no assurance can be given that such insurance coverage will be sufficient to compensate us in the event losses occur.

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, gross receipts and franchise, 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 required to obtain, and to comply with, government permits and approvals.

We are required to obtain, and to comply with, numerous permits, approvals, licenses and certificates from governmental agencies. The process of obtaining and renewing necessary permits can be lengthy and complex and can sometimes result in the establishment of permit conditions that make the project or activity for which the permit was sought unprofitable or otherwise unattractive. In addition, such permits or approvals may be subject to denial, revocation or modification under various circumstances. Failure to obtain or comply with the conditions of permits or approvals, or failure to comply with any applicable laws or regulations, may result in the delay or temporary suspension of our operations and electricity sales or the curtailment of our power delivery and may subject us to penalties and other sanctions. Although various regulators routinely renew existing licenses, renewal could be denied or jeopardized by various factors, including failure to provide adequate financial assurance for closure; failure to comply with environmental, health and safety laws and regulations or permit conditions; local community, political or other opposition; and executive, legislative or regulatory action.

Our cost or inability to obtain and comply with the permits and approvals required for our operations could have a material adverse effect on our operations and cash flows. In addition, new environmental legislation or regulations, if enacted, or changed interpretations of existing laws may elicit claims that historical routine modification activities at our facilities violated applicable laws and regulations. In addition to the possible imposition of fines in such cases, we may be required to undertake significant capital investments in pollution control technology and obtain additional operating permits or approvals, which could have an adverse impact on our business, results of operations, cash flows and financial condition.

War, other armed conflicts or terrorist attacks could have a material adverse effect on our business.

War, terrorist attacks and unrest have caused and may continue to cause instability in the world's financial and commercial markets and have contributed to high levels of volatility in prices for oil and gas. In addition, unrest in the Middle East could lead to acts of terrorism in the United States or elsewhere, and acts of terrorism could be directed against companies such as ours. Armed conflicts and terrorism and their effects on us or our markets may significantly affect our business and results of operations in the future. In addition, we may incur increased costs for security, including additional physical plant security and security personnel or additional capability following a terrorist incident.

We are subject to counterparty performance, credit or other risk in their provision of goods or services to us, which could adversely affect our ability to operate our facilities or conduct business activities.

We purchase from a variety of suppliers energy, capacity, fuel, natural gas, transmission service and certain commodities used in the physical operation of our businesses, as well as goods or services, including information technology rights and services, used in the administration of our businesses. Delivery of these goods and services is dependent on the continuing operational performance and financial viability of our contractual counterparties and also the markets, infrastructure or third-parties they use to provide such goods and services to us. As a result, we are subject to the risks of disruptions, curtailments or increased costs in the operation of our businesses if such goods or services are unavailable or become subject to price spikes or if a counterparty fails to perform. Such disruptions could adversely affect our ability to operate our facilities or deliver our services and collect our revenues, which could result in lower sales and/or higher costs and thereby adversely affect our results of operations. The performance of coal markets and producers may be the subject of increased counterparty risk to LKE, LG&E and KU currently due to weaknesses in such markets and suppliers. The coal industry is subject to increasing competitive pressures from natural gas markets and new or more stringent environmental regulation, including greenhouse gases or other air emissions, combustion byproducts and water inputs or discharges. Consequently, the coal industry faces raised production costs or closed customer markets.

ITEM 1B. UNRESOLVED STAFF COMMENTS

PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

None.

ITEM 2. PROPERTIES

U.K. Regulated Segment *(PPL)*

For a description of WPD's service territory, see "Item 1. Business - General - Segment Information - U.K. Regulated Segment." WPD has electric distribution lines in public streets and highways pursuant to legislation and rights-of-way secured from property owners. At December 31, 2015, WPD's distribution system in the U.K. includes 1,748 substations with a total capacity of 71 million kVA, 56,562 circuit miles of overhead lines and 81,824 underground cable miles.

Kentucky Regulated Segment *(PPL, LKE, LG&E and KU)*

LG&E's and KU's properties consist primarily of regulated generation facilities, electric transmission and distribution assets and natural gas transmission and distribution assets in Kentucky. The capacity of generation units is based on a number of factors, including the operating experience and physical condition of the units, and may be revised periodically to reflect changed circumstances. The electric generating capacity at December 31, 2015 was:

		LKE	LG&E		KU	
Primary Fuel/Plant	**Total MW Capacity Summer**	**Ownership or Other Interest in MW**	**% Ownership or Other Interest**	**Ownership or Other Interest in MW**	**% Ownership or Other Interest**	**Ownership or Other Interest in MW**
Coal						
Ghent - Units 1- 4	1,919	1,919			100.00	1,919
Mill Creek - Units 1- 4	1,465	1,465	100.00	1,465		
E.W. Brown - Units 1-3	682	682			100.00	682
Trimble County - Unit 1 (a)	511	383	75.00	383		
Trimble County - Unit 2 (a)	732	549	14.25	104	60.75	445
OVEC - Clifty Creek (b)	1,164	95	5.63	66	2.50	29
OVEC - Kyger Creek (b)	956	78	5.63	54	2.50	24
	7,429	5,171		2,072		3,099
Natural Gas/Oil						
E.W. Brown Unit 5 (c)	130	130	53.00	69	47.00	61
E.W. Brown Units 6 - 7	292	292	38.00	111	62.00	181
E.W. Brown Units 8 - 11 (c)	484	484			100.00	484
Trimble County Units 5 - 6	318	318	29.00	92	71.00	226
Trimble County Units 7 - 10	636	636	37.00	235	63.00	401
Paddy's Run Units 11 - 12	35	35	100.00	35		
Paddy's Run Unit 13	147	147	53.00	78	47.00	69
Haefling - Units 1 - 2	24	24			100.00	24
Zorn Unit	14	14	100.00	14		
Cane Run Unit 7	642	642	22.00	141	78.00	501
Cane Run Unit 11	14	14	100.00	14		
	2,736	2,736		789		1,947
Hydro						
Ohio Falls - Units 1-8	58	58	100.00	58		
Dix Dam - Units 1-3	32	32			100.00	32
	90	90		58		32
Total	10,255	7,997		2,919		5,078

(a) Trimble County Unit 1 and Trimble County Unit 2 are jointly owned with Illinois Municipal Electric Agency and Indiana Municipal Power Agency. Each owner is entitled to its proportionate share of the units' total output and funds its proportionate share of capital, fuel and other operating costs. See Note 12 to the Financial Statements for additional information.

(b) These units are owned by OVEC. LG&E and KU have a power purchase agreement that entitles LG&E and KU to their proportionate share of these unit's total output and LG&E and KU fund their proportionate share of fuel and other operating costs. Clifty Creek is located in Indiana and Kyger Creek is located in Ohio. See Note 13 to the Financial Statements for additional information.

(c) 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 - General - Segment Information - Kentucky Regulated Segment." At December 31, 2015, LG&E's transmission system included in the aggregate, 46 substations (32 of which are shared with the distribution system) with a total capacity of 8 million kVA and 677 pole 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, 3,899 circuit miles of overhead lines and 2,482 underground cable miles. KU's transmission system included 138 substations (58 of which are shared with the distribution system) with a total capacity of 14 million kVA and 4,078 pole miles of lines. KU's distribution system included 479 substations (58 of which are shared with the transmission system) with a total capacity of 7 million kVA, 14,049 circuit miles of overhead lines and 2,408 underground cable miles.

LG&E's natural gas transmission system includes 4,337 miles of gas distribution mains and 398 miles of gas transmission mains, consisting of 265 miles of gas transmission pipeline, 120 miles of gas transmission storage lines, 14 miles of gas combustion turbine lines and one mile 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 electricity 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. LG&E and KU received approval from the KPSC to build a 10 MW (4 MW for LG&E and 6 MW for KU) solar generating unit at the existing E.W. Brown site, which is expected to begin commercial operation in June 2016.

Pennsylvania Regulated Segment *(PPL and PPL Electric)*

For a description of PPL Electric's service territory, see "Item 1. Business - General - Segment Information - Pennsylvania Regulated Segment." PPL Electric has electric transmission and distribution lines in public streets and highways pursuant to franchises and rights-of-way secured from property owners. At December 31, 2015, PPL Electric's transmission system includes 46 substations with a total capacity of 25 million kVA and 5,297 circuit miles in service. PPL Electric's distribution system includes 353 substations with a total capacity of 13 million kVA, 37,256 circuit miles of overhead lines and 8,410 underground circuit miles. All of PPL Electric's facilities are located in Pennsylvania. Substantially all of PPL Electric's distribution properties and certain transmission properties are subject to the lien of the PPL Electric 2001 Mortgage Indenture. See Note 7 to the Financial Statements for additional information.

See Note 8 to the Financial Statements for information on the Regional Transmission Line Expansion Plan.

ITEM 3. LEGAL PROCEEDINGS

See Notes 5, 6 and 13 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. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash" for information regarding certain restrictions on the ability to pay dividends for all Registrants.

PPL Corporation

Additional information for this item is set forth in the sections entitled "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, 2016, there were 60,137 common stock shareowners of record.

There were no purchases by PPL of its common stock during the fourth quarter of 2015.

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 $181 million in 2015 and $158 million in 2014.

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 $219 million in 2015 and $436 million in 2014.

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 $119 million in 2015 and $112 million in 2014.

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 $153 million in 2015 and $148 million in 2014.

ITEM 6. SELECTED FINANCIAL AND OPERATING DATA

PPL Corporation (a) (b)	2015	2014	2013	2012	2011 (c)
Income Items (in millions)					
Operating revenues	$ 7,669	$ 7,852	$ 7,263	$ 6,856	$ 6,329
Operating income	2,831	2,867	2,561	2,228	1,659
Income from continuing operations after income taxes attributable to PPL shareowners	1,603	1,437	1,368	1,114	683
Income (loss) from discontinued operations (net of income taxes) (h)	(921)	300	(238)	412	812
Net income attributable to PPL shareowners (h)	682	1,737	1,130	1,526	1,495
Balance Sheet Items (in millions)					
Total assets (d)(f)	39,301	48,606	45,889	43,509	42,536
Short-term debt (f)	916	836	701	296	178
Long-term debt (d)(f)	19,048	18,054	18,269	16,120	14,879
Noncontrolling interests				18	268
Common equity (f)	9,919	13,628	12,466	10,480	10,828
Total capitalization (f)	29,883	32,518	31,436	26,914	26,153
Financial Ratios					
Return on common equity - % (f)(h)	5.8	13.0	9.8	13.8	14.9
Ratio of earnings to fixed charges (e)	2.8	2.8	2.4	2.1	1.7
Common Stock Data					
Number of shares outstanding - Basic (in thousands)					
Year-end	673,857	665,849	630,321	581,944	578,405
Weighted-average	669,814	653,504	608,983	580,276	550,395
Income from continuing operations after income taxes available to PPL common shareowners - Basic EPS	$ 2.38	$ 2.19	$ 2.24	$ 1.91	$ 1.24
Income from continuing operations after income taxes available to PPL common shareowners - Diluted EPS	$ 2.37	$ 2.16	$ 2.12	$ 1.90	$ 1.23
Net income available to PPL common shareowners - Basic EPS	$ 1.01	$ 2.64	$ 1.85	$ 2.61	$ 2.71
Net income available to PPL common shareowners - Diluted EPS	$ 1.01	$ 2.61	$ 1.76	$ 2.60	$ 2.70
Dividends declared per share of common stock	$ 1.50	$ 1.49	$ 1.47	$ 1.44	$ 1.40
Book value per share (f)	$ 14.72	$ 20.47	$ 19.78	$ 18.01	$ 18.72
Market price per share	$ 34.13	$ 36.33	$ 30.09	$ 28.63	$ 29.42
Dividend payout ratio - % (g)(h)	149	57	84	55	52
Dividend yield - % (i)	4.4	4.1	4.9	5.0	4.8
Price earnings ratio (g)(h)(i)	33.8	13.9	17.1	11.0	10.9
Sales Data - GWh					
Domestic - Electric energy supplied - wholesale	2,241	2,365	2,383	2,304	3,550
Domestic - Electric energy delivered - retail	67,798	68,569	67,848	66,931	67,806
U.K. - Electric energy delivered	75,907	75,813	78,219	77,467	58,245

(a) The earnings each year were affected by several items that management considers special. See "Results of Operations - Segment Earnings" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for a description of special items in 2015, 2014 and 2013. The earnings were also affected by the spinoff of PPL Energy Supply and the sale of the Montana hydroelectric generating facilities. See Note 8 to the Financial Statements for a discussion of discontinued operations in 2015, 2014 and 2013.
(b) See "Item 1A. Risk Factors" and Notes 1, 6 and 13 to the Financial Statements for a discussion of uncertainties that could affect PPL's future financial condition.
(c) 2011 includes eight months of WPD Midlands activity following the April 1, 2011 acquisition, as PPL consolidates on a one-month lag.
(d) All years reflect the retrospective adoption of new accounting guidance related to the presentation of debt issuance costs and deferred taxes. See Note 1 to the Financial Statements for additional information.
(e) Computed using earnings and fixed charges of PPL and its subsidiaries. Fixed charges consist of interest of 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) 2015 reflects the impact of the spinoff of PPL Energy Supply and a $3.2 billion related dividend.
(g) Based on diluted EPS.
(h) 2015 includes an $879 million loss on the spinoff of PPL Energy Supply, reflecting the difference between PPL's recorded value for the Supply segment and the estimated fair value determined in accordance with the applicable accounting rules under GAAP. 2015 also includes five months of Supply segment earnings, compared to 12 months in 2014.
(i) Based on year-end market prices.

ITEM 6. SELECTED FINANCIAL AND OPERATING DATA

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 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. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations

(All Registrants)

This "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" is separately filed by PPL Corporation, PPL Electric, LKE, LG&E and KU. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure for each Registrant's related activities and disclosures. Within combined disclosures, amounts are disclosed for any Registrant when significant.

The following should be read in conjunction with the Registrants' Financial Statements and the accompanying Notes. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted.

"Management's Discussion and Analysis of Financial Condition and Results of Operations" includes the following information:

- "Overview" provides a description of each Registrant's business strategy, a description of key factors expected to impact future earnings and a discussion of important financial and operational developments.

- "Results of Operations" for PPL provides a detailed analysis of earnings by segment, and for PPL Electric, LKE, LG&E and KU, includes a summary of earnings. For all Registrants, "Non-GAAP Financial Measures", "Earnings from Ongoing Operations" and "Margins" provide explanations of non-GAAP measures used and reconciliations to the most directly comparable GAAP measure. "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income, comparing 2015 with 2014 and 2014 with 2013.

- "Financial Condition - Liquidity and Capital Resources" provides an analysis of the Registrants' liquidity positions and credit profiles. This section also includes a discussion of forecasted sources and uses of cash and rating agency actions.

- "Financial Condition - Risk Management" provides an explanation of the Registrants' risk management programs relating to market and credit risk.

- "Application of Critical Accounting Policies" provides an overview of the accounting policies that are particularly important to the results of operations and financial condition of the Registrants and that require their management to make significant estimates, assumptions and other judgments of inherently uncertain matters.

Overview

For a description of the Registrants and their businesses, see "Item 1. Business."

In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to spin off PPL Energy Supply and immediately combine it with Riverstone's competitive power generation businesses to form a new, stand-alone, publicly traded company named Talen Energy. On June 1, 2015, the spinoff was completed. See "Financial and Operational Developments - Other Financial and Operational Developments - Spinoff of PPL Energy Supply" below for additional information.

Business Strategy

(All Registrants)

Following the June 1, 2015 spinoff of PPL Energy Supply, PPL completed its strategic transformation to a fully regulated business model consisting of seven diverse, high-performing utilities. These utilities are located in the U.K., Pennsylvania and Kentucky and each jurisdiction has different regulatory structures and customer classes. The Company believes this diverse portfolio provides strong earnings and dividend growth potential that will create significant value for its shareowners and positions PPL well for continued growth and success.

PPL's businesses of WPD, PPL Electric, LG&E and KU plan to achieve this growth by providing efficient, reliable and safe operations and strong customer service, maintaining constructive regulatory relationships and achieving timely recovery of costs. These businesses are expected to achieve strong, long-term growth in rate base and RAV, as applicable, driven by planned significant capital expenditures to maintain existing assets and improve system reliability and, for LKE, LG&E and KU, to comply with federal and state environmental regulations related to coal-fired electricity generation facilities. Additionally, significant transmission rate base growth is expected through 2020 at PPL Electric.

For the U.S. businesses, our strategy is to recover capital project costs efficiently through various rate-making mechanisms, including periodic base rate case proceedings using forward test years, annual FERC formula rate mechanisms and other regulatory agency-approved recovery mechanisms designed to limit regulatory lag. In Kentucky, the KPSC has adopted a series of regulatory mechanisms (ECR, DSM, GLT, fuel adjustment clause, gas supply clause and recovery on construction work-in-progress) that reduce regulatory lag and provide timely recovery of and return on, as appropriate, prudently incurred costs. In addition, the KPSC requires a utility to obtain a CPCN prior to constructing a facility, unless the construction is an ordinary extension of existing facilities in the usual course of business or does not involve sufficient capital outlay to materially affect the utility's financial condition. Although such KPSC proceedings do not directly address cost recovery issues, the KPSC, in awarding a CPCN, concludes that the public convenience and necessity require the construction of the facility on the basis that the facility is the lowest reasonable cost alternative for addressing the need. In Pennsylvania, the FERC transmission formula rate, DSIC mechanism, Smart Meter Rider and other recovery mechanisms are in place to reduce regulatory lag and provide for timely recovery of and a return on prudently incurred costs.

Although rate base growth in the domestic utilities is expected to result in strong earnings growth for the foreseeable future, PPL does not expect significant earnings growth from the U.K. Regulated segment under the RIIO-ED1 price control period, which began on April 1, 2015. Although the U.K. Regulated segment also projects strong RAV growth, earnings from this segment are expected to be relatively flat from 2015 to 2017 during the transition to RIIO-ED1. Higher revenues resulting from the fast-track bonus are partially offset by higher levels of revenue profiling in the prior price control period (DPCR5) and a lower return on regulatory equity. In addition, starting in 2017, the amount of incentive revenues WPD is able to earn is expected to decline as a result of more stringent reliability and customer service targets established by Ofgem under RIIO-ED1. See "Item 1. Business - General - Segment Information - U.K. Regulated Segment" for additional information on revenues under RIIO-ED1.

To manage financing costs and access to credit markets, and to fund capital expenditures, a key objective of the Registrants is to maintain their investment grade credit ratings and adequate liquidity positions. In addition, the Registrants have financial and operational risk management programs that, among other things, are designed to monitor and manage exposure to earnings and cash flow volatility, as applicable, related to changes in interest rates, foreign currency exchange rates and counterparty credit quality. To manage these risks, PPL generally uses contracts such as forwards, options, and swaps.

As discussed above, a key component of this strategy is to maintain constructive relationships with our regulators in all jurisdictions in which we operate (U.K., U.S. federal and state). This is supported by our strong culture of integrity and delivering on commitments to our customers, regulators and shareowners, and a commitment to continue to improve our customer service, reliability and efficiency of operations.

(PPL)

Earnings generated by PPL's U.K. subsidiaries are subject to foreign currency translation risk. The U.K. subsidiaries also have currency exposure to the U.S. dollar to the extent of their U.S. dollar denominated debt. To manage these risks, PPL generally uses contracts such as forwards, options and cross currency swaps that contain characteristics of both interest rate and foreign currency exchange contracts.

Following the June 1, 2015 spinoff of PPL Energy Supply, PPL has no continuing ownership interest in or control of Talen Energy and Talen Energy Supply (formerly, PPL Energy Supply).

See "Item 1. Business," "Item 1A. Risk Factors" and "Financial and Operational Developments - Other Financial and Operational Developments - Cost of Spinoff" and "Loss on Spinoff" below for additional information.

Financial and Operational Developments

Earnings *(PPL)*

PPL's earnings by reportable segment were as follows:

	2015	2014	2013	$ Change 2015 vs. 2014	$ Change 2014 vs. 2013
U.K. Regulated	$ 1,121	$ 982	$ 922	$ 139	$ 60
Kentucky Regulated	326	312	307	14	5
Pennsylvania Regulated	252	263	209	(11)	54
Corporate and Other (a)	(96)	(120)	(68)	24	(52)
Discontinued Operations (b)	(921)	300	(240)	(1,221)	540
Net Income	$ 682	$ 1,737	$ 1,130	$ (1,055)	$ 607

(a) Primarily represents financing and certain other costs incurred at the corporate level that have not been allocated or assigned to the segments, which are presented to reconcile segment information to PPL's consolidated results. 2015 and 2014 include costs related to the spinoff of PPL Energy Supply. See Note 8 to the Financial Statements for additional information.
(b) As a result of the spinoff of PPL Energy Supply, substantially representing PPL's Supply segment, the earnings of the Supply segment are included in Discontinued Operations. 2015 includes an $879 million charge reflecting the difference between PPL's recorded value for the Supply segment and its estimated fair value as of the spinoff date, determined in accordance with the applicable accounting rules under GAAP. See Note 8 to the Financial Statements for additional information. 2013 excludes $2 million which has been classified as discontinued operations in the Kentucky Regulated segment.

PPL's Earnings from Ongoing Operations by reportable segment were as follows:

	2015	2014	2013	$ Change 2015 vs. 2014	$ Change 2014 vs. 2013
U.K. Regulated	$ 968	$ 907	$ 855	$ 61	$ 52
Kentucky Regulated	343	312	304	31	8
Pennsylvania Regulated	252	265	209	(13)	56
Corporate and Other (a)(b)	(74)	(135)	(118)	61	(17)
Earnings from Ongoing Operations	$ 1,489	$ 1,349	$ 1,250	$ 140	$ 99

(a) 2014 and 2013 were adjusted to include costs that were previously allocated to the Supply segment that would remain with PPL after the completion of the transaction, if left unmitigated. See "Non-GAAP Financial Measures - Reconciliation of Earnings from Ongoing Operations" below for an itemization of special items impacting Corporate and Other.
(b) Costs were lower in 2015 compared with 2014, primarily due to the benefits of corporate restructuring. Costs were higher in 2014 compared with 2013, primarily due to higher long-term debt interest expense.

See "Non-GAAP Financial Measures" below for PPL's definition of Earnings from Ongoing Operations as well as a reconciliation of this non-GAAP financial measure to Net Income.

See "Results of Operations" below for further discussion of PPL's results of operations, details of special items by reportable segments and analysis of the consolidated results of operations.

2016 Outlook

(PPL)

Excluding special items, higher earnings are expected in 2016 compared with 2015. This increase is primarily attributable to increases in the Kentucky Regulated and Pennsylvania Regulated segments. The following projections and factors underlying these projections (on an after-tax basis) are provided for PPL's segments and the Corporate and Other category and the related Registrants.

(PPL's U.K. Regulated Segment)

Excluding special items, relatively flat earnings are projected in 2016 compared with 2015, due to higher financing costs, depreciation expense, currency, taxes and other expenses, partially offset by lower operation and maintenance expense, including pension expense, and higher gross margins. The 2016 foreign currency exposure for this segment is 95% hedged at an average rate of $1.56 per pound.

(PPL's Kentucky Regulated Segment and LKE, LG&E and KU)

Excluding special items, higher earnings are projected in 2016 compared with 2015, primarily driven by electric and gas base rate increases effective July 1, 2015, and higher returns on additional environmental capital investments, partially offset by higher depreciation expense and higher financing costs.

(PPL's Pennsylvania Regulated Segment and PPL Electric)

Excluding special items, higher earnings are projected in 2016 compared with 2015, primarily driven by a distribution base rate increase effective January 1, 2016, and higher transmission margins, partially offset by higher depreciation expense, higher financing costs and a benefit received in 2015 from the release of a gross receipts tax reserve.

(PPL's Corporate and Other Category)

Excluding special items, costs are projected to be relatively flat in 2016 compared with 2015.

(All Registrants)

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7, and Notes 1, 6 and 13 to the Financial Statements (as applicable) for a discussion of the risks, uncertainties and factors that may impact future earnings.

Other Financial and Operational Developments

Regulatory Requirements

(PPL, LKE, LG&E and KU)

The businesses of LKE, LG&E and KU are subject to extensive federal, state and local environmental laws, rules and regulations, including those pertaining to CCRs, GHG, ELGs, MATS and the Clean Power Plan. See "Financial Condition - Environmental Matters" below for additional information on the CCRs requirements and Note 13 to the Financial Statements for a discussion of the other significant environmental matters. These and other stringent environmental requirements have led PPL, LKE, LG&E and KU to retire approximately 800 megawatts of coal-fired generating plants in Kentucky. In September 2015, KU retired two coal-fired units, with a combined summer capacity rating of 161 MW, at the Green River plant. LG&E retired a 240 MW coal-fired unit in March 2015 and two additional coal-fired units, with a combined summer capacity rating of 323 MW, in June 2015 at the Cane Run plant. KU retired a 71 MW coal-fired unit at the Tyrone plant in 2013. The retirement of these units is not expected to have a material impact on the financial condition or results of operations of PPL, LKE, LG&E and KU.

Also as a result of the environmental requirements discussed above, LKE projects $1.9 billion ($1.0 billion at KU and $0.9 billion at LG&E) in environmental capital investment over the next five years. See PPL's "Financial Condition - Forecasted Uses of Cash - Capital Expenditures", Note 6 and Note 13 for additional information.

(All Registrants)

The Registrants cannot predict the impact that future regulatory requirements may have on their financial condition or results of operations.

(PPL)

Spinoff of PPL Energy Supply

In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to spin off PPL Energy Supply and immediately combine it with Riverstone's competitive power generation businesses to form a new, stand-alone, publicly traded company named Talen Energy. In June 2015, the spinoff was completed. See Note 8 to the Financial Statements for additional information relating to the transaction.

Loss on Spinoff

In conjunction with the accounting for the spinoff, PPL evaluated whether the fair value of the Supply segment's net assets was less than the carrying value as of the June 1, 2015 spinoff date.

PPL considered several valuation methodologies to derive a fair value estimate of its Supply segment at the spinoff date. These methodologies included considering the closing "when-issued" Talen Energy market value on June 1, 2015 (the spinoff date) adjusted for the proportional share of the equity value attributable to the Supply segment, as well as the valuation methods consistently used in PPL's goodwill impairment assessments - an income approach using a discounted cash flow analysis of the Supply segment and an alternative market approach considering market multiples of comparable companies.

Although the market value of Talen Energy approach utilized the most observable inputs of the three approaches, PPL considered certain limitations of the "when-issued" trading market for the spinoff transaction including the short trading duration, lack of liquidity in the market and anticipated initial Talen stock ownership base selling pressure, among other factors, and concluded that these factors limit the appropriateness of this input being solely determinative of the fair value of the Supply segment. As such, PPL also considered the other valuation approaches in estimating the overall fair value, but ultimately assigned the highest weighting to the Talen Energy market value approach.

The following table summarizes PPL's fair value analysis:

Approach	Weighting	Weighted Fair Value (in billions)
Talen Energy Market Value	50%	$ 1.4
Income/Discounted Cash Flow	30%	1.1
Alternative Market (Comparable Company)	20%	0.7
Estimated Fair Value		$ 3.2

A key assumption included in the fair value estimate is the application of a control premium of 25% in the two market approaches. PPL concluded it was appropriate to apply a control premium in these approaches as the goodwill impairment testing guidance was followed in determining the estimated fair value of the Supply segment, which had historically been a reporting unit for PPL. This guidance provides that the market price of an individual security (and thus the market capitalization of a reporting unit with publically traded equity securities) may not be representative of the fair value of the reporting unit. This guidance also indicates that substantial value may arise to a controlling shareholder from the ability to take advantage of synergies and other benefits that arise from control over another entity, and that the market price of a Company's individual share of stock does not reflect this additional value to a controlling shareholder. Therefore, the quoted market price need not be the sole measurement basis for determining the fair value, and including a control premium is appropriate in measuring the fair value of a reporting unit.

In determining the control premium, PPL reviewed premiums received during the last five years in market sales transactions obtained from observable independent power producer and hybrid utility transactions greater than $1 billion. Premiums for these transactions ranged from 5% to 42% with a median of approximately 25%. Given these metrics, PPL concluded a control premium of 25% to be reasonable for both of the market valuation approaches used.

Assumptions used in the discounted cash flow analysis included forward energy prices, forecasted generation, and forecasted operation and maintenance expenditures that were consistent with assumptions used in the Energy Supply portion of the recent Talen Energy business planning process and a market participant discount rate.

Using these methodologies and weightings, PPL determined the estimated fair value of the Supply segment (classified as Level 3) was below its carrying value of $4.1 billion and recorded a loss on the spinoff of $879 million in the second quarter of 2015, which is reflected in discontinued operations and is nondeductible for tax purposes. This amount served to reduce the basis of the net assets accounted for as a dividend at the June 1, 2015 spinoff date.

Costs of Spinoff

Following the announcement of the transaction to form Talen Energy, efforts were initiated to identify the appropriate staffing for Talen Energy and for PPL and its subsidiaries following completion of the spinoff. Organizational plans were substantially completed in 2014. The new organizational plans identified the need to resize and restructure the organizations and as a result, in 2014, estimated charges of $36 million for employee separation benefits were recorded related to 306 positions. Of this amount, $16 million related to 112 Energy Supply positions and is reflected in discontinued operations. The remaining $20 million is primarily reflected in "Other operation and maintenance" on the PPL Consolidated Statements of Income. In 2015, the organizational structures were finalized for both PPL and Talen Energy which resulted in an additional charge of $10 million for employee separation benefits. Of this amount, $2 million related to Energy Supply positions and is reflected in discontinued operations. The remaining $8 million is reflected in "Other operation and maintenance" on the PPL Consolidated Statements of Income. The separation benefits include cash severance compensation, lump sum COBRA reimbursement payments and outplacement services. At December 31, 2015 and 2014, the recorded liabilities related to the separation benefits were $13 million and $20 million, which are included in "Other current liabilities" on the Balance Sheets.

Additional employee-related costs incurred primarily included accelerated stock-based compensation and prorated performance-based cash incentive and stock-based compensation awards, primarily for PPL Energy Supply employees and for PPL Services employees who became PPL Energy Supply employees in connection with the transaction. PPL Energy Supply recognized $24 million of these costs at the spinoff closing date in 2015, which are reflected in discontinued operations.

PPL recorded $45 million and $27 million of third-party costs related to this transaction in 2015 and 2014. Of these costs, $32 million and $19 million were primarily for bank advisory, legal and accounting fees to facilitate the transaction, and are reflected in discontinued operations. An additional $13 million and $8 million of consulting and other costs were incurred in 2015 and 2014, related to the formation of the Talen Energy organization and to reconfigure the remaining PPL service functions. These costs are recorded primarily in "Other operation and maintenance" on the Statements of Income. No significant additional third-party costs are expected to be incurred.

At the close of the transaction in 2015, $72 million ($42 million after-tax) of cash flow hedges, primarily unamortized losses on PPL interest rate swaps recorded in AOCI and designated as cash flow hedges of PPL Energy Supply's future interest payments, were reclassified into interest expense and reflected in discontinued operations.

As a result of the June 2014 spinoff announcement, PPL recorded $50 million of deferred income tax expense in 2014, to adjust valuation allowances on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the future earnings of PPL Energy Supply.

Discontinued Operations

The operations of PPL's Supply segment are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income.

The assets and liabilities of PPL's Supply segment for all periods prior to the spinoff are included in "Current assets of discontinued operations", "Noncurrent assets of discontinued operations", "Current liabilities of discontinued operations" and "Noncurrent liabilities of discontinued operations" on PPL's Balance Sheet.

Net assets, after recognition of the loss on spinoff, of $3.2 billion were distributed to PPL shareowners in the June 1, 2015 spinoff of PPL Energy Supply.

See Note 8 to the Financial Statements for additional information related to the spinoff of PPL Energy Supply, including the components of Discontinued Operations.

(PPL)

RIIO-ED1

On April 1, 2015, the RIIO-ED1 eight-year price control period commenced for WPD's four DNOs. In February 2014, Ofgem published formal confirmation that WPD's Business Plans submitted by its four DNOs under RIIO-ED1 were accepted as submitted, or "fast-tracked." Fast tracking afforded several benefits to the WPD DNOs including the ability to collect additional revenue equivalent to 2.5% of Totex during the eight-year price control period (approximately $43 million annually), greater revenue certainty and a higher level of cost savings retention. See "Item 1. Business - Segment Information - U.K. Regulated Segment" for additional information on RIIO-ED1.

U.K. Depreciation

Effective January 1, 2015, after completing a review of the useful lives of its distribution network assets, WPD extended the weighted average useful lives of these assets to 69 years from 55 years for GAAP reporting of depreciation expense. For 2015, this change in useful lives resulted in lower depreciation expense of $84 million ($66 million after-tax or $0.10 per share).

U.K. Distribution Revenue Reduction

In December 2013, WPD and other U.K. DNOs announced agreements with the U.K. Department of Energy and Climate Change and Ofgem to a reduction of £5 per residential customer of electricity distribution revenues that otherwise would have been collected in the regulatory year beginning April 1, 2014. Full recovery of the revenue reduction, together with the associated carrying cost will occur in the regulatory year beginning April 1, 2016. Under GAAP, WPD does not record a receivable for under recovery of regulated income (which this reduction represents), as a result earnings for the U.K. Regulated segment were adversely affected by $15 million in 2015 and $31 million in 2014. PPL projects earnings in 2016 will be positively affected by $32 million and earnings for 2017 will be positively affected by $17 million.

U.K. Tax Rate Change

In November 2015, the U.K. Summer 2015 Budget was enacted, which reduces the U.K.'s statutory income tax rate from 20% to 19% effective April 1, 2017 and from 19% to 18% effective April 1, 2020. As a result of these changes, PPL reduced its net deferred tax liabilities and recognized a deferred tax benefit of approximately $90 million (4% effective tax rate impact) in 2015.

Discount Rate Change for U.K. Pension Plans

In selecting the discount rate for its U.K. pension plans, WPD historically used a single weighted-average discount rate in the calculation of net periodic defined benefit cost. WPD will begin using individual spot rates to measure service cost and interest cost beginning with the calculation of 2016 net periodic defined benefit cost. Based on current estimates, PPL expects this change to reduce net periodic defined benefit costs by $44 million ($36 million after-tax or $0.05 per share) in 2016. Assuming interest rates continue to rise, the benefit is highest in the initial year and then falls over time as the additional actuarial losses on liabilities are amortized. See "Application of Critical Accounting Policies-Defined Benefits" for additional information.

(PPL and PPL Electric)

Rate Case Proceedings

On March 31, 2015, PPL Electric filed a request with the PUC to increase its annual distribution revenue requirement by approximately $167.5 million. The application is based on a fully projected future test year of January 1, 2016 through December 31, 2016. On September 3, 2015, PPL Electric filed with the PUC Administrative Law Judge a petition for approval of a settlement agreement resolving all issues in the case. On November 19, 2015, the PUC issued its final order approving the settlement agreement. Under that agreement, PPL Electric was permitted to increase its annual distribution rates by $124 million, effective January 1, 2016.

On March 31, 2015, PPL Electric filed a petition requesting a waiver of the DSIC cap of 5% of billed revenues and approval to increase the maximum allowable DSIC from 5% to 7.5% for service rendered after January 1, 2016. PPL Electric filed the petition concurrently with its 2015 rate case and the Administrative Law Judge granted PPL Electric's request to consolidate these two proceedings. Under the terms of the settlement agreement discussed above, PPL Electric agreed to withdraw the petition without prejudice to filing it at a later date.

Regional Transmission Expansion Plan

In July 2014, PPL Electric announced Project Compass, a proposal to construct a new multi-state transmission line. On October 27, 2015, PPL Electric filed an interconnection application with the New York Independent System Operator for the first segment of the project which contains a proposed 95-mile, $500 million to $600 million line between Blakely, Pennsylvania, and Ramapo, New York. The proposed line is intended to provide significant economic benefits for electricity customers in New York and also to provide grid reliability and grid security benefits for electricity customers in both states. The construction is proposed to begin in 2019 and be in operation by 2023. There will be numerous approvals required, including, among others, the public utility commissions of Pennsylvania and New York, the New York Independent System Operator, PJM, and FERC. As originally proposed in 2014, Project Compass would have run from western Pennsylvania into New York and New Jersey and also south into Maryland, covering approximately 725 miles at an estimated cost of $4 billion to $6 billion. The project has been revised to include about 475 miles of transmission line in Pennsylvania and New York at an estimated cost of $3 billion to $4 billion. Beyond this segment, no schedule is proposed for the rest of the project. There can be no assurance that this segment of Project Compass will be approved as proposed. Additionally, PPL Electric is continuing to study the project and may modify it in the future. The capital expenditures related to this project are excluded from the Capital Expenditures table included in "Liquidity and Capital Resources-Forecasted Uses of Cash" below.

FERC Wholesale Formula Rates (LKE and KU)

In September 2013, KU filed an application with the FERC to adjust the formula rate under which KU provided 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 a true-up. KU's application proposed an authorized return on equity of 10.7%. Certain elements, including the new formula rate, became effective April 23, 2014, subject to refund. In April 2014, nine municipalities submitted notices of termination, under the original notice period provisions, to cease taking power under the wholesale requirements contracts. Such terminations are to be effective in 2019, except in the case of one municipality with a 2017 effective date. In addition, a tenth municipality has become a transmission-only customer as of June 2015. In July 2014, KU agreed on settlement terms with the two municipal customers that did not provide termination notices and filed the settlement proposal with the FERC for its approval. In August 2014, the FERC issued an order on the interim settlement agreement allowing the proposed rates to become effective pending a final order. During the fourth quarter of 2015, the FERC approved the settlement agreement resolving the rate case with respect to these two municipalities, including approval of the formula rate with a true-up provision and authorizing a return on equity of 10% or the return on equity awarded to other parties in this case, whichever is lower. In August 2015, KU filed a partial settlement agreement with the nine terminating municipalities, resolving all but one open matter with one municipality. The settlement was approved by FERC in the fourth quarter of 2015, including authorizing the agreed-upon refunds, approving the formula rate with a true-up provision, and authorizing a 10.25% return on equity. Refunds to both the remaining municipals and the departing municipals were issued during the fourth quarter of 2015 totaling $3.4 million. A single remaining unresolved issue with one terminating municipality is in FERC litigation proceedings. Hearings on the dispute were conducted in January 2016 and preliminary rulings on the matter may occur in mid- or late-2016. KU cannot predict the ultimate outcome of this remaining FERC proceeding, but the amounts under continuing dispute are not estimated to be significant.

Rate Case Proceedings (LKE, LG&E and KU)

On June 30, 2015, the KPSC approved a rate case settlement agreement providing for increases in the annual revenue requirements associated with KU base electricity rates of $125 million and LG&E base gas rates of $7 million. The annual revenue requirement associated with base electricity rates at LG&E was not changed. Although the settlement did not establish a specific return on equity with respect to the base rates, an authorized 10% return on equity will be utilized in the ECR and GLT mechanisms. The settlement agreement provides for deferred recovery of costs associated with KU's retirement of Green River Units 3 and 4. The new regulatory asset will be amortized over three years. The settlement also provides regulatory asset treatment for the difference between pension expense calculated in accordance with LG&E and KU's pension accounting policy and pension expense using a 15 year amortization period for actuarial gains and losses. The new rates and all elements of the settlement became effective July 1, 2015.

On June 30, 2015, KU filed an application with the VSCC to increase annual Virginia base electricity revenue by approximately $7 million, representing an increase of 10.1%. On December 3, 2015, KU and other parties filed a proposed settlement with the VSCC. On February 2, 2016, the VSCC issued an order approving the settlement. The settlement provides for annual electric base revenues of $6 million and establishes an authorized return on equity range of 9.5% to 10.5% for annual rate review purposes. The new rates became effective February 15, 2016.

Results of Operations

(PPL)

The discussion for PPL provides a review of results by reportable segment. The "Non-GAAP Financial Measures" discussion provides explanations of non-GAAP financial measures and a reconciliation of non-GAAP financial measures to the most comparable GAAP measure. The "Statement of Income Analysis" discussion addresses significant changes in principal line items on PPL's Statements of Income, comparing year-to-year changes. "Segment Earnings, Non-GAAP Financial Measures and Statement of Income Analysis" is presented separately for PPL.

Tables analyzing changes in amounts between periods within "Segment Earnings" 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.

(Subsidiary Registrants)

The discussion for each of PPL Electric, LKE, LG&E and KU provides a summary of earnings. The "Margins" discussion includes a reconciliation of non-GAAP financial measures to "Operating Income" and "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income comparing year-to-year changes. "Earnings, Margins and Statement of Income Analysis" are presented separately for PPL Electric, LKE, LG&E and KU.

PPL Segment Earnings, Non-GAAP Financial Measures and Statement of Income Analysis

Segment Earnings

U.K. Regulated Segment

The U.K. Regulated segment consists of PPL Global which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from British pound sterling to U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs, and allocated financing costs. The U.K. Regulated segment represents 70% of PPL's Income from Continuing Operations After Income Taxes for 2015 and 42% of PPL's assets at December 31, 2015.

Net Income and Earnings from Ongoing Operations include the following results.

				Change	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
Operating revenues	$ 2,410	$ 2,621	$ 2,403	$ (211)	$ 218
Other operation and maintenance	477	482	499	(5)	(17)
Depreciation	242	337	300	(95)	37
Taxes, other than income	148	157	147	(9)	10
Total operating expenses	867	976	946	(109)	30
Other Income (Expense) - net	123	127	(39)	(4)	166
Interest Expense	417	461	425	(44)	36
Income Taxes	128	329	71	(201)	258
Net Income	1,121	982	922	139	60
Less: Special Items	153	75	67	78	8
Earnings from Ongoing Operations	$ 968	$ 907	$ 855	$ 61	$ 52

The following after-tax gains (losses), which management considers special items, impacted the U.K. Regulated segment's results and are excluded from Earnings from Ongoing Operations.

	Income Statement Line Item	2015	2014	2013
Foreign currency-related economic hedges, net of tax of ($30), ($68), $15 (a)	Other Income (Expense) - net	$ 55	$ 127	$ (29)
WPD Midlands acquisition-related adjustments:				
Separation benefits, net of tax of $0, $0, $1	Other operation and maintenance			(4)
Other acquisition-related adjustments, net of tax of ($1), $0, ($2)		2		8
Other:				
Change in U.K. tax rate (b)	Income Taxes	78		84
Windfall Profits Tax litigation (c)	Income Taxes			43
Settlement of certain income tax positions (d)	Income Taxes	18		
Change in WPD line loss accrual, net of tax of $0, $13, $10 (e)	Operating Revenues		(52)	(35)
Total		$ 153	$ 75	$ 67

(a) Represents unrealized gains (losses) on contracts that economically hedge anticipated GBP-denominated earnings.
(b) The U.K. Finance Acts of 2015 and 2013 reduced the U.K.'s statutory income tax rates. As a result, PPL reduced its net deferred tax liability and recognized a deferred tax benefit in 2015 and 2013. See Note 5 to the Financial Statements for additional information.
(c) In May 2013, the U.S. Supreme Court reversed the December 2011 ruling by the U.S. Court of Appeals for the Third Circuit concerning the creditability of the U.K. Windfall Profits Tax for U.S. Federal income tax purposes. As a result, PPL recorded an income tax benefit in 2013. See Note 5 to the Financial Statements for additional information.
(d) Relates to the 2015 settlement of the IRS audit for the tax years 1998-2011. See Note 5 to the Financial Statements for additional information.

(e) In 2013, WPD Midlands increased its line loss liability for DCPR4 based on additional information provided by Ofgem regarding the calculation. In March 2014, Ofgem issued its final decision on the DPCR4 line loss incentives and penalties mechanism. As a result, WPD increased its existing liability for over-recovery of line losses. See Note 6 to the Financial Statements for additional information.

The changes in the components of the U.K. Regulated segment's results between these periods were due to the factors set forth below, which reflect amounts classified as U.K. Gross Margins, the items that management considers special and the effects of movements in foreign currency exchange, including the effects of foreign currency hedge contracts, on separate lines and not in their respective Statement of Income line items.

	2015 vs. 2014	2014 vs. 2013
U.K.		
Gross margins	$ (110)	$ 94
Other operation and maintenance	(14)	44
Depreciation	76	(19)
Interest expense	3	(15)
Other	(5)	4
Income taxes	48	(24)
U.S.		
Interest expense and other	12	4
Income taxes	55	(41)
Foreign currency exchange, after-tax	(4)	5
Earnings from Ongoing Operations	61	52
Special items, after-tax	78	8
Net Income	$ 139	$ 60

U.K.

- See "Non-GAAP Financial Measures - Margins - Changes in Margins" for an explanation of U.K. Gross Margins.
- Lower other operation and maintenance in 2014 compared with 2013 primarily due to $38 million from lower pension expense.
- Lower depreciation expense in 2015 compared with 2014 primarily due to an $84 million impact of an extension of the network asset lives. See Note 1 to the Financial Statements for additional information.
- Higher depreciation expense in 2014 compared with 2013 primarily due to PP&E additions, net.
- Higher interest expense in 2014 compared with 2013 primarily due to an October 2013 debt issuance.
- Lower income taxes in 2015 compared with 2014 primarily due to $25 million from lower U.K. tax rates and $11 million from lower pre-tax income.
- Higher income taxes in 2014 compared with 2013 primarily due to higher pre-tax income.

U.S.

- Lower income taxes in 2015 compared with 2014 primarily due to decreases in taxable dividends.
- Higher income taxes in 2014 compared with 2013 primarily due to a $19 million increase primarily in taxable dividends and a $19 million benefit in 2013 related to an IRS ruling regarding 2010 U.K. earnings and profits calculations.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations of LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain financing costs are allocated to the Kentucky Regulated segment. The Kentucky Regulated segment represents 20% of PPL's Income from Continuing Operations After Income Taxes for 2015 and 35% of PPL's assets at December 31, 2015.

Net Income and Earnings from Ongoing Operations include the following results.

	2015	2014	2013	Change 2015 vs. 2014	Change 2014 vs. 2013
Operating revenues	$ 3,115	$ 3,168	$ 2,976	$ (53)	$ 192
Fuel	863	965	896	(102)	69
Energy purchases	184	253	217	(69)	36
Other operation and maintenance	837	815	778	22	37
Depreciation	382	354	334	28	20
Taxes, other than income	57	52	48	5	4
Total operating expenses	2,323	2,439	2,273	(116)	166
Other Income (Expense) - net	(13)	(9)	(7)	(4)	(2)
Interest Expense	232	219	212	13	7
Income Taxes	221	189	179	32	10
Income (Loss) from Discontinued Operations (net of income taxes)			2		(2)
Net Income	326	312	307	14	5
Less: Special Items	(17)		3	(17)	(3)
Earnings from Ongoing Operations	$ 343	$ 312	$ 304	$ 31	$ 8

The following after-tax gains (losses), which management considers special items, impacted the Kentucky Regulated segment's results and are excluded from Earnings from Ongoing Operations.

	Income Statement Line Item	2015	2014	2013
Certain valuation allowances (a)	Income Taxes	$ (12)		
Acquisition-related adjustment, net of tax of $0, $0, $0 (b)	Other Income (Expense) - net	(5)		
Discontinued operations (c)	Discontinued Operations			$ 2
Adjustment to investment, net of tax of $0, $0, $0 (d)	Other Income (Expense) - net			1
Total		$ (17)		$ 3

(a) Recorded at LKE and represents a valuation allowance against tax credits expiring in 2016 through 2020 that are more likely than not to expire before being utilized.
(b) Recorded at PPL and allocated to the Kentucky Regulated segment. The amount represents a settlement between E.ON AG (a German corporation and the indirect parent of E.ON US Investments Corp., the former parent of LKE) and PPL for a tax matter.
(c) Recorded at LKE.
(d) Recorded by KU.

The changes in the components of the Kentucky Regulated segment's results between these periods were due to the factors set forth below, which reflect amounts classified as Kentucky Gross Margins and the items that management considers special on separate lines and not in their respective Statement of Income line item.

	2015 vs. 2014	2014 vs. 2013
Kentucky Gross Margins	$ 88	$ 78
Other operation and maintenance	(21)	(35)
Depreciation	(1)	(14)
Taxes, other than income	(3)	(3)
Other Income (Expense) - net	1	(1)
Interest Expense	(13)	(7)
Income Taxes	(20)	(10)
Earnings from Ongoing Operations	31	8
Special Items, after-tax	(17)	(3)
Net Income	$ 14	$ 5

- See "Non-GAAP Financial Measures - Margins - Changes in Margins" for an explanation of Kentucky Gross Margins.
- Higher other operation and maintenance in 2015 compared with 2014 primarily due to $14 million of higher pension expense and $11 million of higher costs related to the Cane Run units' retirements consisting of an inventory write-down and separation benefits, partially offset by $7 million of lower storm costs and lower bad debt expense of $6 million.
- Higher other operation and maintenance in 2014 compared with 2013 primarily due to $14 million of higher expenses due to the timing and scope of scheduled generation maintenance outages, $9 million of higher bad debt expense and higher storm expenses of $8 million.

- Higher depreciation in 2014 compared with 2013 due to additions to PP&E, net.

- Higher interest expense in 2015 compared with 2014 primarily due to the issuance of $550 million of incremental First Mortgage Bonds by LG&E and KU in September 2015 and higher interest rates on $500 million of First Mortgage Bonds refinanced by LG&E and KU.

- Higher interest expense in 2014 compared with 2013 primarily due to $22 million of higher expense resulting from the issuance of $500 million of First Mortgage Bonds in November 2013 and higher short-term debt balances partially offset by a $10 million loss on extinguishment of debt in 2013 related to the remarketing of the PPL Capital Funding Junior Subordinated Notes component of the 2010 Equity Units and simultaneous exchange into Senior Notes in the second quarter of 2013, and a $5 million decrease due to lower rates on the related Senior Notes as compared with the Junior Subordinated Notes.

- Higher income taxes in 2015 compared with 2014 primarily due to higher pre-tax income.

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric. The Pennsylvania Regulated segment represents 16% of PPL's Income from Continuing Operations After Income Taxes for 2015 and 22% of PPL's assets at December 31, 2015.

Net Income and Earnings from Ongoing Operations include the following results.

				Change	
	2015	**2014**	**2013**	**2015 vs. 2014**	**2014 vs. 2013**
Operating revenues	$ 2,124	$ 2,044	$ 1,870	$ 80	$ 174
Energy purchases					
External	657	587	588	70	(1)
Intersegment	14	84	51	(70)	33
Other operation and maintenance	607	543	531	64	12
Depreciation	214	185	178	29	7
Taxes, other than income	94	107	103	(13)	4
Total operating expenses	1,586	1,506	1,451	80	55
Other Income (Expense) - net	8	7	6	1	1
Interest Expense	130	122	108	8	14
Income Taxes	164	160	108	4	52
Net Income	252	263	209	(11)	54
Less: Special Items		(2)		2	(2)
Earnings from Ongoing Operations	$ 252	$ 265	$ 209	$ (13)	$ 56

The following after-tax loss, which management considers a special item, impacted the Pennsylvania Regulated segment's results and is excluded from Earnings from Ongoing Operations.

	Income Statement Line Item	**2015**	**2014**	**2013**
Separation benefits, net of tax of $0, $1, $0 (a)	Other operation and maintenance		$ (2)	

(a) In June 2014, PPL Electric's largest IBEW local ratified a new three-year labor agreement. In connection with the new agreement, bargaining unit one-time voluntary retirement benefits were recorded.

The changes in the components of the Pennsylvania Regulated segment's results between these periods were due to the factors set forth below, which reflect amounts classified as Pennsylvania Gross Delivery Margins and the item that management considers special on separate lines and not in their respective Statement of Income line item.

	2015 vs. 2014	2014 vs. 2013
Pennsylvania Gross Delivery Margins	$ 65	$ 118
Other operation and maintenance	(58)	13
Depreciation	(29)	(7)
Taxes, other than income	18	
Other Income (Expense) - net	1	1
Interest Expense	(8)	(14)
Income Taxes	(2)	(55)
Earnings from Ongoing Operations	(13)	56
Special Item, after-tax	2	(2)
Net Income	$ (11)	$ 54

- See "Non-GAAP Financial Measures - Margins - Changes in Margins" for an explanation of Pennsylvania Gross Delivery Margins.

- Higher other operation and maintenance for 2015 compared with 2014 primarily due to $30 million of higher corporate service costs allocated to PPL Electric, $11 million of higher vegetation management expenses and related costs for additional work done by outside vendors and $5 million of higher bad debt expenses.

- Lower other operation and maintenance for 2014 compared with 2013 primarily due to $16 million of lower payroll related expenses due to lower headcount, less maintenance projects and more focus on capital work in 2014.

- Higher depreciation for both periods primarily due to transmission and distribution additions to PP&E, net, related to the ongoing efforts to improve reliability and replace aging infrastructure.

- Higher interest expense in 2014 compared with 2013 primarily due to the issuance of First Mortgage Bonds in July 2013 and June 2014.

- Lower taxes, other than income for 2015 compared with 2014 primarily due to the settlement of a 2011 gross receipts tax audit resulting in the reversal of $17 million of previously recognized reserves.

- Higher income taxes in 2014 compared with 2013, primarily due to higher pre-tax income which increased income taxes by $46 million and tax benefits related to federal and state income tax reserves of $8 million in 2013.

Non-GAAP Financial Measures

Management's Discussion and Analysis includes financial information prepared in accordance with GAAP, as well as non-GAAP financial measures including "Earnings from Ongoing Operations" and "Gross Margins" as further described below.

Earnings from Ongoing Operations

Management utilizes "Earnings from Ongoing Operations" as a non-GAAP financial measure and it should not be considered as an alternative to net income, which is an indicator of operating performance determined in accordance with GAAP. PPL believes that Earnings from Ongoing Operations is useful and meaningful to investors because it provides management's view of PPL's fundamental earnings performance as another criterion in making investment decisions. PPL's management also uses Earnings from Ongoing Operations in measuring certain corporate performance goals. Other companies may use different measures to present financial performance. Earnings from Ongoing Operations is adjusted for the impact of special items as described below, which for all years includes the Supply segment's earnings now reflected in discontinued operations. Also included in special items in 2015 is the loss on spinoff, reflecting the fair value of the Supply segment being less than PPL's recorded value as of the June 1, 2015 spinoff. Earnings from Ongoing Operations for 2014 and 2013 also reflects, within the Corporate and Other category, the impact of spinoff dissynergies that, if not mitigated, would remain with PPL after completion of the spinoff.

Earnings from Ongoing Operations is adjusted for the impact of special items. Special items include:

- Unrealized gains or losses on foreign currency-related economic hedges.
- Supply segment discontinued operations.
- Gains and losses on sales of assets not in the ordinary course of business.
- Impairment charges.
- Workforce reduction and other restructuring effects.
- Acquisition and divestiture-related adjustments.
- Other charges or credits that are, in management's view, not reflective of the company's ongoing operations.

Reconciliation of Earnings from Ongoing Operations

The following tables contain after-tax gains (losses), in total, which management considers special items, that are excluded from Earnings from Ongoing Operations and a reconciliation to PPL's "Net Income (Loss)" for the years ended December 31.

	2015					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income (Loss)	$ 1,121	$ 326	$ 252	$ (96)	$ (921)	$ 682
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges	55					55
Spinoff of the Supply segment:						
Discontinued operations					(921)	(921)
Transition and transaction costs				(12)		(12)
Employee transitional services				(5)		(5)
Separation benefits				(5)		(5)
Other:						
Change in U.K. tax rate	78					78
Settlement of certain income tax positions	18					18
WPD Midlands acquisition-related adjustment	2					2
Certain valuation allowances		(12)				(12)
LKE acquisition-related adjustment		(5)				(5)
Total Special Items	153	(17)		(22)	(921)	(807)
Earnings from Ongoing Operations	$ 968	$ 343	$ 252	$ (74)	$	$ 1,489

	2014					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income (Loss)	$ 982	$ 312	$ 263	$ (120)	$ 300	$ 1,737
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges	127					127
Spinoff of the Supply segment:						
Supply segment earnings					307	307
Discontinued operations adjustments				(5)	5	
Change in tax valuation allowances				(46)		(46)
Transition and transaction costs				(5)	(12)	(17)
Separation benefits				(12)		(12)
Other:						
Change in WPD line loss accrual	(52)					(52)
Separation benefits			(2)			(2)
Total Special Items	75		(2)	(68)	300	305
Dissynergies - spinoff of Supply segment expense (benefit):						
Indirect operation and maintenance				47		47
Interest expense				29		29
Depreciation				7		7
Total dissynergies - spinoff of Supply segment				83		83
Earnings from Ongoing Operations (adjusted)	$ 907	$ 312	$ 265	$ (135)	$	$ 1,349

	2013					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income (Loss)	$ 922	$ 307	$ 209	$ (68)	$ (240)	$ 1,130
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges	(29)					(29)
Spinoff of the Supply segment:						
Supply segment earnings					(272)	(272)
Discontinued operations adjustments				(32)	32	
WPD Midlands acquisition-related adjustments:						
Separation benefits	(4)					(4)
Other acquisition-related adjustments	8					8
Other:						
LKE discontinued operations		2				2
Adjustment to investment		1				1
Windfall tax litigation	43					43
Change in WPD line loss accrual	(35)					(35)
Change in U.K. tax rate	84					84
Total Special Items	67	3		(32)	(240)	(202)
Dissynergies - spinoff of Supply segment expense (benefit):						
Indirect operation and maintenance				45		45
Interest expense				30		30
Depreciation				7		7
Total dissynergies - spinoff of Supply segment				82		82
Earnings from Ongoing Operations (adjusted)	$ 855	$ 304	$ 209	$ (118)	$	$ 1,250

Margins

Management also utilizes the following non-GAAP financial measures as indicators of performance for its businesses.

- "U.K. Gross Margins" is a single financial performance measure of the electricity distribution operations of the U.K. Regulated segment. In calculating this measure, direct costs such as National Grid connection charges and Ofgem license fees (recorded in "Other operations and maintenance expense" on the Statement of Income) are deducted from operating revenues as they are costs passed through to customers. As a result, this measure represents the net revenues from the delivery of electricity across WPD's distribution network in the U.K. and directly related activities.

- "Kentucky Gross Margins" is a single financial performance measure of the electricity generation, transmission and distribution operations of the Kentucky Regulated segment, LKE, LG&E and KU, as well as the Kentucky Regulated segment's, LKE's and LG&E's distribution and sale of natural gas. In calculating this measure, fuel, energy purchases and certain variable costs of production (recorded as "Other operation and maintenance" on the Statements of Income) are deducted from revenues. In addition, certain other expenses, recorded as "Other operation and maintenance", "Depreciation" and "Taxes, other than income" on the Statements of Income, associated with approved cost recovery mechanisms are offset against the recovery of those expenses, which are included in revenues. These mechanisms allow for direct recovery of these expenses and, in some cases, returns on capital investments and performance incentives. As a result, this measure represents the net revenues from electricity and gas operations.

- "Pennsylvania Gross Delivery Margins" is a single financial performance measure of the electricity transmission and distribution delivery operations of the Pennsylvania Regulated segment and PPL Electric. In calculating this measure, utility revenues and expenses associated with approved recovery mechanisms, including energy provided as a PLR, are offset with minimal impact on earnings. Costs associated with these mechanisms are recorded in "Energy purchases," "Other operation and maintenance," (which are primarily Act 129 and Universal Service program costs), and "Taxes, other than income," which is primarily gross receipts tax. This performance measure includes PLR energy purchases by PPL Electric from PPL EnergyPlus, which are reflected in "Energy purchases from affiliate" in the reconciliation tables. As a result of the June 2015 spinoff of PPL Energy Supply and the formation of Talen Energy, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are reflected in "Energy Purchases" in the reconciliation tables. This measure represents the net revenues from the Pennsylvania Regulated segment's and PPL Electric's electricity delivery operations.

These measures are not intended to replace "Operating Income," which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and report their results of operations. Management believes these measures provide additional useful criteria to make investment decisions. These performance measures are used, in conjunction with other information, by senior management and PPL's Board of Directors to manage the operations and analyze actual results compared with budget.

Reconciliation of Margins

The following tables contain the components from the Statement of Income that are included in the non-GAAP financial measures and a reconciliation to PPL's "Operating Income" for the years ended December 31.

	2015					2014				
	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 2,364 (c)	$ 3,115	$ 2,124	$ 66	$ 7,669	$ 2,638 (c)	$ 3,168	$ 2,044	$ 2	$ 7,852
Operating Expenses										
Fuel		863			863		965			965
Energy purchases		184	657	14	855		253	587	84	924
Energy purchases from affiliate			14	(14)				84	(84)	
Other operation and maintenance	121	100	114	1,603	1,938	111	99	103	1,543	1,856
Depreciation		38		845	883		11		912	923
Taxes, other than income		4	102	193	299		2	98	217	317
Total Operating Expenses	121	1,189	887	2,641	4,838	111	1,330	872	2,672	4,985
Total	$ 2,243	$ 1,926	$ 1,237	$ (2,575)	$ 2,831	$ 2,527	$ 1,838	$ 1,172	$ (2,670)	$ 2,867

	2013				
	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 2,404 (c)	$ 2,976	$ 1,870	$ 13	$ 7,263
Operating Expenses					
Fuel		896		(1)	895
Energy purchases		217	588	51	856
Energy purchases from affiliate			51	(51)	
Other operation and maintenance	107	97	82	1,524	1,810
Depreciation		5		838	843
Taxes, other than income		1	95	202	298
Total Operating Expenses	107	1,216	816	2,563	4,702
Total	$ 2,297	$ 1,760	$ 1,054	$ (2,550)	$ 2,561

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.
(c) 2015, 2014 and 2013 exclude $46 million, $48 million and $44 million of ancillary activity revenues. 2014 and 2013 also exclude $65 million and $45 million of revenue reductions related to adjustments to WPD's line loss accrual related to DPCR4 which are considered special items.

Changes in Margins

The following table shows Margins by PPL's reportable segments and by component, as applicable, for the year ended December 31 as well as the changes between periods. The factors that gave rise to the changes are described following the table.

	2015	2014	2013	$ Change 2015 vs. 2014	$ Change 2014 vs. 2013
U.K.					
U.K. Gross Margins	$ 2,243	$ 2,527	$ 2,297	$ (284)	$ 230
Impact of changes in foreign currency exchange rates				(174)	136
U.K. Gross Margins excluding impact of foreign currency exchange rates				$ (110)	$ 94
Kentucky Regulated					
Kentucky Gross Margins					
LG&E	$ 867	$ 833	$ 791	$ 34	$ 42
KU	1,059	1,005	969	54	36
LKE	$ 1,926	$ 1,838	$ 1,760	$ 88	$ 78
Pennsylvania Regulated					
Pennsylvania Gross Delivery Margins					
Distribution	$ 842	$ 837	$ 803	$ 5	$ 34
Transmission	395	335	251	60	84
Total	$ 1,237	$ 1,172	$ 1,054	$ 65	$ 118

U.K. Gross Margins

U.K. Gross Margins excluding the impact of changes in foreign currency exchange rates, decreased in 2015 compared with 2014 primarily due to $171 million from the April 1, 2015 price decrease resulting from the commencement of RIIO-ED1, partially offset by $46 million from the April 1, 2014 price increase.

U.K. Gross Margins excluding the impact of changes in foreign currency exchange rates, increased in 2014 compared with 2013 primarily due to $194 million from the April 1, 2014 and 2013 price increases, partially offset by $88 million from lower volumes due primarily to weather.

Kentucky Gross Margins

Kentucky Gross Margins increased in 2015 compared with 2014, primarily due to higher base rates of $64 million ($61 million at KU and $3 million at LG&E) and returns on additional environmental capital investments of $53 million ($36 million at LG&E and $17 million at KU). The increases in base rates were the result of new rates approved by the KPSC effective July 1, 2015. These increases were partially offset by a decrease in volumes of $28 million ($23 million at KU and $5 million at LG&E) primarily due to milder weather during the fourth quarter of 2015.

Kentucky Gross Margins increased in 2014 compared with 2013, primarily due to returns on additional environmental capital investments of $55 million ($27 million at LG&E and $28 million at KU) and higher volumes of $13 million ($5 million at LG&E and $8 million at KU). The change in volumes was driven by unusually cold weather in the first quarter of 2014.

Pennsylvania Gross Delivery Margins

Distribution

Distribution margins increased in 2015 compared with 2014 primarily due to returns on additional distribution improvement capital investments of $17 million partially offset by a $12 million benefit recorded in the first quarter of 2014 as a result of a change in estimate of a regulatory liability.

Distribution margins increased in 2014 compared with 2013 primarily due to returns on additional distribution improvement capital investments of $18 million and a $12 million benefit from a change in estimate of a regulatory liability.

Transmission

Transmission margins increased for both periods, primarily due to returns on additional capital investments focused on replacing the aging infrastructure and improving reliability.

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items are included above within "Margins" and are not discussed separately.

	2015 vs. 2014	2014 vs. 2013
Operating Revenues	$ (183)	$ 589
Fuel	(102)	70
Energy purchases	(69)	68

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance was due to:

	2015 vs. 2014	2014 vs. 2013
Domestic:		
LKE timing and scope of scheduled generation maintenance outages	$ (1)	$ 14
LKE Cane Run retired units (a)	11	
LKE pension expense (b)	14	(15)
PPL Electric Act 129 costs incurred	9	6
PPL Electric vegetation management	7	(4)
PPL Electric environmental costs	5	1
PPL Electric payroll-related costs (c)	2	(16)
Bad debts	7	13
Storm costs (d)	(18)	26
Separation benefits related to the spinoff of PPL Energy Supply (Note 8)	(12)	20
Third-party costs related to the spinoff of PPL Energy Supply (Note 8)	5	8
Stock compensation expense	3	5
Corporate costs previously included in discontinued operations (e)	27	
Other	26	7
U.K.:		
Third-party engineering	7	(9)
Pension expense (f)	(14)	(38)
Engineering management	19	3
Foreign currency exchange rates (g)	(33)	23
Acquisition-related adjustments	(3)	12
National Grid exit charges	11	7
Other	10	(17)
	$ 82	$ 46

(a) Represents an inventory write-down and separation benefits.
(b) The increase in 2015 compared with 2014 is attributed to the change in mortality tables and lower discount rates.
(c) The decrease in 2014 compared with 2013 was due to lower headcount, less maintenance work and more focus on capital projects in 2014.
(d) The increase in 2014 compared with 2013 was due to more storm events.
(e) The increase in 2015 compared with 2014 was due to the corporate costs allocated to PPL Energy Supply (and included in discontinued operations) prior to the spin. As a result of the spinoff on June 1, 2015, these corporate costs now remain in continuing operations.
(f) The decrease in 2014 compared with 2013 was primarily due to lower amortization of prior period losses and an increase in expected asset returns.
(g) The offsetting impacts from foreign currency hedging instruments are recorded in "Other Income (Expense)-net."

Depreciation

The increase (decrease) in depreciation was due to:

	2015 vs. 2014	2014 vs. 2013
Additions to PP&E, net	$ 77	$ 67
Foreign currency exchange rates	(19)	18
Network asset useful life extension (a)	(84)	
Other	(14)	(5)
Total	$ (40)	$ 80

(a) Effective January 1, 2015, after completion of a review of the useful lives of its distribution network assets, WPD extended the weighted average useful lives of these assets to 69 years from 55 years resulting in lower depreciation of $84 million ($66 million after-tax or $0.10 per share).

Taxes, Other Than Income

The increase (decrease) in taxes, other than income was due to:

	2015 vs. 2014	2014 vs. 2013
State gross receipts tax (a)	$ (14)	$ 4
Domestic property tax expense	5	4
Foreign currency exchange rates	(9)	10
Other		1
Total	$ (18)	$ 19

(a) The decrease in 2015 compared with 2014 was primarily due to the settlement of the 2011 gross receipts tax audit resulting in the reversal of $17 million of previously recognized reserves.

Other Income (Expense) - net

Other income (expense) - net increased $3 million in 2015 compared with 2014 and increased $160 million in 2014 compared with 2013, primarily due to changes in realized and unrealized gains on foreign currency contracts to economically hedge GBP denominated earnings from WPD.

Interest Expense

The increase (decrease) in interest expense was due to:

	2015 vs. 2014	2014 vs. 2013
Long-term debt interest expense (a)	$ 61	$ 65
Hedging activities and ineffectiveness	(4)	(11)
Loss on extinguishment of debt (b)	(9)	(1)
Foreign currency exchange rates	(26)	19
Other	6	(7)
Total	$ 28	$ 65

(a) The increase in 2015 compared with 2014 is primarily due to 2015 including interest expense related to certain PPL Energy Funding debt that was previously associated with PPL's Supply segment and included in "Income (Loss) from Discontinued Operations (net of income taxes) in 2014.

The increase in 2014 compared with 2013 was primarily due to debt issuances at WPD (West Midlands) in October 2013, LG&E and KU in November 2013 and PPL Electric in June 2014 and July 2013.

(b) In March 2014, a $9 million loss was recorded related to PPL Capital Funding's remarketing and debt exchange of the junior subordinated notes originally issued in April 2011 as a component of the 2011 Equity Units. In May 2013, a $10 million loss was recorded related to PPL Capital Funding's remarketing and exchange of the junior subordinated notes that were originally issued in June 2010 as a component of PPL's 2010 Equity Units.

Income Taxes

The increase (decrease) in income taxes was due to:

	2015 vs. 2014	2014 vs. 2013
Change in pre-tax income at current period tax rates	$ (18)	$ 151
Valuation allowance adjustments (a)	(31)	31
State deferred tax rate change (b)		(16)
Federal and state tax reserve adjustments (c)	(21)	48
Federal and state tax return adjustments	(4)	7
U.S. income tax on foreign earnings net of foreign tax credit (d)	(55)	42
U.K. Finance Act adjustments (e)	(90)	96
Impact of lower U.K. income tax rates (e)	4	(36)
Interest benefit on U.K. financing activities	(15)	2
Other	3	7
Total	$ (227)	$ 332

(a) During 2015, PPL recorded $24 million of deferred income tax expense related to deferred tax valuation allowances. PPL recorded state deferred income tax expense of $12 million primarily related to increased Pennsylvania net operating loss carryforwards expected to be unutilized and $12 million of federal deferred income tax expense primarily related to federal tax credit carryforwards that are expected to expire as a result of lower future taxable earnings due to the extension of bonus depreciation.

As a result of the PPL Energy Supply spinoff announcement, PPL recorded $50 million of deferred income tax expense during 2014 to adjust the valuation allowance on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the future earnings of PPL Energy Supply. See Note 8 for additional information on the spinoff.

During 2013, PPL recorded $23 million of state deferred income tax expense related to a deferred tax valuation allowance primarily due to a decrease in projected future taxable income at PPL Energy Supply over the remaining carryforward period of Pennsylvania net operating losses.

(b) Changes in state apportionment resulted in reductions to the future estimated state tax rate at December 31, 2014, and an increase to the future estimated state tax rate at December 31, 2013. PPL recorded an insignificant deferred tax benefit in 2014 and a $15 million deferred tax expense in 2013 related to its state deferred tax liabilities.

(c) During 2015, PPL recorded a $12 million tax benefit related to the settlement of the IRS audit for the tax years 1998-2011.

In 2013, the U.S. Supreme Court reversed the December 2011 ruling, by the U.S. Court of Appeals for the Third Circuit, concerning the creditability of U.K. Windfall Profits Tax for U.S. federal income tax purposes. As a result of this decision, PPL recorded a tax benefit of $44 million during 2013. See Note 5 to the Financial Statements for additional information.

PPL recorded a tax benefit of $7 million during 2013 to federal and state income tax reserves related to stranded cost securitization. The reserve balance at December 31, 2013 related to stranded costs securitization was zero.

(d) During 2015, PPL recorded lower income taxes primarily due to a decrease in taxable dividends.

During 2014, PPL recorded $47 million of income tax expense primarily attributable to taxable dividends.

During 2013, PPL recorded $28 million of income tax expense resulting from increased taxable dividends offset by a $19 million income tax benefit associated with a ruling obtained from the IRS impacting the recalculation of 2010 U.K. earnings and profits that was reflected on an amended 2010 U.S. tax return.

(e) The U.K.'s Finance Act 2015, enacted in November 2015, reduces the U.K. statutory income tax rate from 20% to 19% effective April 1, 2017 and from 19% to 18% effective April 1, 2020. As a result, PPL reduced its net deferred tax liabilities and recognized a $90 million deferred tax benefit in 2015 related to both rate decreases.

The U.K.'s Finance Act 2013, enacted in July 2013, reduced the U.K. statutory income tax rate from 23% to 21% effective April 1, 2014 and from 21% to 20% effective April 1, 2015. As a result, PPL reduced its net deferred tax liabilities and recognized a $97 million deferred tax benefit in 2013 related to both rate decreases.

See Note 5 to the Financial Statements for additional information on income taxes.

Income (Loss) from Discontinued Operations (net of income taxes)

Income (Loss) from Discontinued Operations (net of income taxes) for all periods presented, primarily includes the results of operations of PPL Energy Supply, which was spun off from PPL on June 1, 2015 and substantially represents PPL's former Supply segment. See "Discontinued Operations" in Note 8 to the Financial Statements for additional information.

PPL Electric: Earnings, Margins and Statement of Income Analysis

Earnings

	2015	2014	2013
Net Income	$ 252	$ 263	$ 209
Special item, gain (loss), after-tax		(2)	

Excluding a special item, earnings decreased for 2015 compared with 2014 primarily due to higher other operation and maintenance expense and higher depreciation expense, partially offset by returns on additional transmission and distribution improvement capital investments and the release of a gross receipts tax reserve.

Excluding a special item, earnings increased in 2014 compared with 2013 primarily due to returns on additional transmission and distribution improvement capital investments, lower other operation and maintenance expense and a benefit from a change in estimate of a regulatory liability, partially offset by higher interest expense and depreciation expense.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Pennsylvania Gross Delivery Margins and an item that management considers special on separate lines within the table and not in their respective Statement of Income line items.

	2015 vs. 2014	2014 vs. 2013
Pennsylvania Gross Delivery Margins	$ 65	$ 118
Other operation and maintenance	(58)	13
Depreciation	(29)	(7)
Taxes, other than income	18	
Other Income (Expense) - net	1	1
Interest Expense	(8)	(14)
Income Taxes	(2)	(55)
Special Items, after-tax	2	(2)
Net Income	$ (11)	$ 54

Margins

"Pennsylvania Gross Delivery Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for information on why management believes this measure is useful and for explanations of the underlying drivers of the changes between periods.

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income."

	2015			2014		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 2,124		$ 2,124	$ 2,044		$ 2,044
Operating Expenses						
Energy purchases	657		657	587		587
Energy purchases from affiliate	14		14	84		84
Other operation and maintenance	114	$ 493	607	103	$ 440	543
Depreciation		214	214		185	185
Taxes, other than income	102	(8)	94	98	9	107
Total Operating Expenses	887	699	1,586	872	634	1,506
Total	$ 1,237	$ (699)	$ 538	$ 1,172	$ (634)	$ 538

	2013		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,870		$ 1,870
Operating Expenses			
Energy purchases	588		588
Energy purchases from affiliate	51		51
Other operation and maintenance	82	$ 449	531
Depreciation		178	178
Taxes, other than income	95	8	103
Total Operating Expenses	816	635	1,451
Total	$ 1,054	$ (635)	$ 419

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Pennsylvania Gross Delivery Margins"

The following Statement of Income line items and their related increase (decrease) are included above within "Pennsylvania Gross Delivery Margins" and are not discussed separately.

	2015 vs. 2014	2014 vs. 2013
Operating revenues	$ 80	$ 174
Energy purchases	70	(1)
Energy purchases from affiliate	(70)	33

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance was due to:

	2015 vs. 2014	2014 vs. 2013
Act 129 costs incurred	$ 9	$ 6
Vegetation management	7	(4)
Payroll-related costs (a)	2	(16)
Corporate service costs (b)	30	7
Storm costs (c)	(11)	18
Bad debts	13	4
Environmental costs	5	1
Other	9	(4)
Total	$ 64	$ 12

(a) The decrease in 2014 compared with 2013 was due to lower headcount, less maintenance work and more focus on capital projects in 2014.
(b) The increase in 2015 compared with 2014 was due to higher corporate support costs charged to Electric Utilities, primarily as a result of the spinoff of PPL Energy Supply.
(c) The increase in 2014 compared with 2013 was due to more storm events.

Depreciation

Depreciation increased by $29 million in 2015 compared with 2014, and by $7 million in 2014 compared with 2013, primarily due to additions to PP&E, net, related to the ongoing efforts to improve reliability and replace aging infrastructure.

Taxes, Other Than Income

Taxes, other than income decreased by $13 million in 2015 compared with 2014 primarily due to the settlement of a 2011 gross receipts tax audit resulting in the reversal of $17 million of previously recognized reserves.

Interest Expense

Interest expense increased by $8 million in 2015 compared with 2014, primarily due to debt issuances in October 2015 and June 2014. Interest expense increased by $14 million in 2014 compared with 2013, primarily due to debt issuances in June 2014 and July 2013.

Income Taxes

The increase (decrease) in income taxes was due to:

	2015 vs. 2014	2014 vs. 2013
Change in pre-tax income at current period tax rates	$ 1	$ 44
Federal and state tax reserve adjustments	3	8
Federal and state tax return adjustments	(3)	2
Depreciation not normalized	2	
Other	1	(2)
Total	$ 4	$ 52

See Note 5 to the Financial Statements for additional information on income taxes.

LKE: Earnings, Margins and Statement of Income Analysis

Earnings

	2015	2014	2013
Net Income	$ 364	$ 344	$ 347
Special items, gains (losses), after-tax	(12)		3

Excluding special items, earnings increased in 2015 compared with 2014 primarily due to higher base rates and returns on additional environmental capital investments partially offset by higher other operation and maintenance expense, income taxes, financing costs and lower sales volume. The increases in base rates were the result of new rates approved by the KPSC effective July 1, 2015. The change in sales volume was due to milder weather during the fourth quarter of 2015.

Earnings in 2014 compared with 2013 decreased primarily due to higher other operation and maintenance expense driven by the timing and scope of scheduled generation maintenance outages, higher bad debt expense, storm-related expenses, higher financing costs and higher depreciation expense partially offset by returns on additional environmental capital investments and higher sales volumes. The changes in sales volumes were driven by unusually cold weather in the first quarter of 2014.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins and certain items that management considers special on separate lines within the table and not in their respective Statement of Income line items. See PPL's "Results of Operations - Segment Earnings - Kentucky Regulated segment" for details of the special items.

	2015 vs. 2014	2014 vs. 2013
Margins	$ 88	$ 78
Other operation and maintenance	(21)	(35)
Depreciation	(1)	(14)
Taxes, other than income	(3)	(3)
Other Income (Expense)-net	1	(1)
Interest Expense	(14)	(22)
Income Taxes	(18)	(3)
Special items, after-tax	(12)	(3)
Total	$ 20	$ (3)

Margins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for an explanation of why management believes this measure is useful and the underlying drivers of the changes between periods. Within PPL's discussion, LKE's Margins are referred to as "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income."

	2015			2014		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 3,115		$ 3,115	$ 3,168		$ 3,168
Operating Expenses						
Fuel	863		863	965		965
Energy purchases	184		184	253		253
Other operation and maintenance	100	$ 737	837	99	$ 716	815
Depreciation	38	344	382	11	343	354
Taxes, other than income	4	53	57	2	50	52
Total Operating Expenses	1,189	1,134	2,323	1,330	1,109	2,439
Total	$ 1,926	$ (1,134)	$ 792	$ 1,838	$ (1,109)	$ 729

	2013		
	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 2,976		$ 2,976
Operating Expenses			
Fuel	896		896
Energy purchases	217		217
Other operation and maintenance	97	$ 681	778
Depreciation	5	329	334
Taxes, other than income	1	47	48
Total Operating Expenses	1,216	1,057	2,273
Total	$ 1,760	$ (1,057)	$ 703

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related increase (decrease) are included above within "Margins" and are not discussed separately.

	2015 vs. 2014	2014 vs. 2013
Operating Revenues	$ (53)	$ 192
Fuel	(102)	69
Energy purchases	(69)	36

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance was due to:

	2015 vs. 2014	2014 vs. 2013
Pension (a)	$ 14	$ (15)
Cane Run retired units (b)	11	
Storm costs	(7)	8
Bad debts	(6)	9
Plant operations (c)	(2)	7
Timing and scope of scheduled generation maintenance outages	(1)	14
Other	13	14
Total	$ 22	$ 37

(a) The increase in 2015 compared with 2014 is attributed to the change in mortality tables and lower discount rates.
(b) Represents an inventory write-down and separation benefits.
(c) Includes $8 million reduction of costs in 2015 due to the retirement of Cane Run and Green River units partially offset by $6 million for Cane Run 7 operations.

Depreciation

Depreciation increased by $28 million in 2015 compared with 2014 and by $20 million in 2014 compared with 2013 primarily due to additions to PP&E, net.

Interest Expense

Interest expense increased by $14 million in 2015 compared with 2014 primarily due the issuance of $550 million of incremental First Mortgage Bonds by LG&E and KU in September 2015 and higher interest rates on $500 million of First Mortgage Bonds refinanced by LG&E and KU.

Interest expense increased by $22 million in 2014 compared with 2013 primarily due to the issuance of $500 million of First Mortgage Bonds in November 2013 and higher short-term debt balances in 2014.

Income Taxes

The increase (decrease) in income taxes was due to:

	2015 vs. 2014	2014 vs. 2013
Higher pre-tax book income at current period tax rates	$ 19	$ 1
Certain Valuation Allowances (a)	12	
Other	(1)	2
Total	$ 30	$ 3

(a) Management considers this a special item. See PPL's "Results of Operations - Segment Earnings - Kentucky Regulated Segment" for details of this item.

See Note 5 to the Financial Statements for additional information on income taxes.

LG&E: Earnings, Margins and Statement of Income Analysis

Earnings

	2015	2014	2013
Net Income	$ 185	$ 169	$ 163

Earnings in 2015 compared with 2014 increased primarily due to returns on additional environmental capital investments partially offset by higher income taxes, financing costs and lower sales volume. The change in sales volume was due to milder weather during the fourth quarter of 2015.

Earnings in 2014 compared with 2013 increased primarily due to returns on additional environmental capital investments and higher sales volume partially offset by higher operation and maintenance driven by storm-related expenses, financing costs, depreciation and income tax expense. The changes in sales volume were driven by unusually cold weather in the first quarter of 2014.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins within the table and not in their respective Statement of Income line items.

	2015 vs. 2014	2014 vs. 2013
Margins	$ 34	$ 42
Other operation and maintenance	(3)	(4)
Depreciation	9	(7)
Taxes, other than income	(2)	
Other Income (Expense) - net	(3)	(1)
Interest Expense	(8)	(15)
Income Taxes	(11)	(9)
Total	$ 16	$ 6

Margins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for an explanation of why management believes this measure is useful and the underlying drivers of the changes between periods. Within PPL's discussion, LG&E's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income."

	2015			2014		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,444		$ 1,444	$ 1,533		$ 1,533
Operating Expenses						
Fuel	329		329	404		404
Energy purchases	186		186	244		244
Other operation and maintenance	42	$ 335	377	47	$ 332	379
Depreciation	18	144	162	4	153	157
Taxes, other than income	2	26	28	1	24	25
Total Operating Expenses	577	505	1,082	700	509	1,209
Total	$ 867	$ (505)	$ 362	$ 833	$ (509)	$ 324

	2013		
	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,410		$ 1,410
Operating Expenses			
Fuel	367		367
Energy purchases	205		205
Other operation and maintenance	45	$ 328	373
Depreciation	2	146	148
Taxes, other than income		24	24
Total Operating Expenses	619	498	1,117
Total	$ 791	$ (498)	$ 293

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related increase (decrease) are included above within "Margins" and are not discussed separately.

	2015 vs. 2014	2014 vs. 2013
Retail and wholesale	$ (38)	$ 94
Electric revenue from affiliate	(51)	29
Fuel	(75)	37
Energy purchases	(64)	35
Energy purchases from affiliate	6	4

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance was due to:

	2015 vs. 2014	2014 vs. 2013
Cane Run retired units (a)	$ 11	
Pension (b)	6	$ (11)
Plant operations (c)	(12)	3
Storm costs	(4)	4
Bad debts	(3)	3
Other		7
Total	$ (2)	$ 6

(a) Represents an inventory write-down and separation benefits.
(b) The increase in 2015 compared with 2014 is attributed to the change in mortality tables and lower discount rates.
(c) Includes $6 million reduction of costs in 2015 due to the retirement of Cane Run units.

Depreciation

Depreciation increased by $5 million in 2015 compared with 2014 and by $9 million in 2014 compared with 2013 primarily due to additions to PP&E, net.

Interest Expense

Interest expense increased by $8 million in 2015 compared with 2014 primarily due to the issuance of $300 million of incremental First Mortgage Bonds in September 2015 and higher interest rates on $250 million of First Mortgage Bonds refinanced by LG&E.

Interest expense increased by $15 million in 2014 compared with 2013 primarily due to the issuance of $250 million of First Mortgage Bonds in November 2013 and amortization of a fair market value adjustment of $7 million in 2013.

Income Taxes

Income taxes increased by $11 million in 2015 compared with 2014 and increased by $9 million in 2014 compared with 2013 primarily due to the change in pre-tax income at current period tax rates.

See Note 5 to the Financial Statements for additional information on income taxes.

KU: Earnings, Margins and Statement of Income Analysis

Earnings

	2015	2014	2013
Net Income	$ 234	$ 220	$ 228
Special items, gains (losses), after tax			1

Earnings in 2015 compared with 2014 increased primarily due to higher base rates and returns on additional environmental capital investments partially offset by higher other operation and maintenance expense, depreciation and lower sales volume. The increases in base rates were the result of new rates approved by the KPSC effective July 1, 2015. The change in sales volume were due to milder weather during the fourth quarter of 2015.

Excluding special items, earnings in 2014 compared with 2013 decreased primarily due to higher other operation and maintenance expense driven by the timing and scope of scheduled generation maintenance outages, higher financing costs and higher depreciation expense partially offset by returns on additional environmental capital investments and higher sales volumes. The changes in sales volumes were driven by unusually cold weather in the first quarter of 2014.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins and certain items that management considers special on separate lines within the table and not in their respective Statement of Income line items. See PPL's "Results of Operations - Segment Earnings - Kentucky Regulated segment" for details of these special items.

	2015 vs. 2014	2014 vs. 2013
Margins	$ 54	$ 36
Other operation and maintenance	(21)	(26)
Depreciation	(10)	(7)
Taxes, other than income	(1)	(3)
Other Income (Expense) - net	2	3
Interest Expense	(5)	(7)
Income Taxes	(5)	(3)
Special items, after-tax		(1)
Total	$ 14	$ (8)

Margins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for an explanation of why management believes this measure is useful and the underlying drivers of the changes between periods. Within PPL's discussion, KU's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income."

	2015			2014		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,728		$ 1,728	$ 1,737		$ 1,737
Operating Expenses						
Fuel	534		534	561		561
Energy purchases	55		55	111		111
Other operation and maintenance	58	$ 377	435	52	$ 356	408
Depreciation	20	200	220	7	190	197
Taxes, other than income	2	27	29	1	26	27
Total Operating Expenses	669	604	1,273	732	572	1,304
Total	$ 1,059	$ (604)	$ 455	$ 1,005	$ (572)	$ 433

	2013		
	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,635		$ 1,635
Operating Expenses			
Fuel	529		529
Energy purchases	81		81
Other operation and maintenance	52	$ 330	382
Depreciation	3	183	186
Taxes, other than income	1	23	24
Total Operating Expenses	666	536	1,202
Total	$ 969	$ (536)	$ 433

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related increase (decrease) are included above within "Margins" and are not discussed separately.

	2015 vs. 2014	2014 vs. 2013
Retail and wholesale	$ (15)	$ 98
Electric revenue from affiliate	6	4
Fuel	(27)	32
Energy purchases	(5)	1
Energy purchases from affiliate	(51)	29

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance was due to:

	2015 vs. 2014	2014 vs. 2013
Pension (a)	$ 10	$ (9)
Plant operations (b)	10	4
Timing and scope of scheduled generation maintenance outages	2	14
Bad debts	(3)	5
Storm costs	(3)	4
Other	11	8
Total	$ 27	$ 26

(a) The increase in 2015 compared with 2014 is attributed to the change in mortality tables and lower discount rates.
(b) Includes $5 million of Cane Run 7 operations partially offset by $2 million reduction of costs in 2015 due to the retirement of Green River units.

Depreciation

Depreciation increased by $23 million in 2015 compared with 2014 and by $11 million in 2014 compared with 2013 primarily due to additions to PP&E, net.

Interest Expense

Interest expense increased by $5 million in 2015 compared with 2014 primarily due to the issuance of $250 million of incremental First Mortgage Bonds in September 2015 and higher interest rates on $250 million of First Mortgage Bonds refinanced by KU.

Interest expense increased by $7 million in 2014 compared with 2013 primarily due to the issuance of $250 million of First Mortgage Bonds in November 2013.

Income Taxes

Income taxes increased by $5 million in 2015 compared with 2014 primarily due to the change in pre-tax income at current period tax rates.

See Note 5 to the Financial Statements for additional information on income taxes.

Financial Condition

The remainder of this Item 7 in this Form 10-K is presented on a combined basis, providing information, as applicable, for all Registrants.

Liquidity and Capital Resources

(All Registrants)

The Registrants' cash flows from operations and access to cost effective bank and capital markets are subject to risks and uncertainties. See "Item 1A. Risk Factors" for a discussion of risks and uncertainties that could affect the Registrants' cash flows.

The Registrants had the following at:

	PPL (a)	PPL Electric	LKE	LG&E	KU
December 31, 2015					
Cash and cash equivalents	$ 836	$ 47	$ 30	$ 19	$ 11
Short-term debt	916		265	142	48
Notes payable with affiliates			54		
December 31, 2014					
Cash and cash equivalents	1,399	214	21	10	11
Short-term investments	120				
Short-term debt	836		575	264	236
Notes payable with affiliates			41		
December 31, 2013					
Cash and cash equivalents	863	25	35	8	21
Notes receivable from affiliates		150	70		
Short-term debt	701	20	245	20	150

(a) At December 31, 2015, $447 million of cash and cash equivalents were denominated in GBP. If these amounts would be remitted as dividends, PPL would not anticipate a material incremental U.S. tax cost. Historically, dividends paid by foreign subsidiaries have been limited to distributions of the current year's earnings. See Note 5 to the Financial Statements for additional information on undistributed earnings of WPD.

(PPL)

The Statements of Cash Flows separately report the cash flows of the discontinued operations. The "Operating Activities", "Investing Activities" and "Financing Activities" sections below include only the cash flows of continuing operations.

(All Registrants)

Net cash provided by (used in) operating, investing and financing activities for the years ended December 31 and the changes between periods were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
2015					
Operating activities	$ 2,272	$ 602	$ 1,063	$ 554	$ 608
Investing activities	(3,439)	(1,108)	(1,203)	(689)	(512)
Financing activities	482	339	149	144	(96)
2014					
Operating activities	$ 2,941	$ 613	$ 999	$ 371	$ 566
Investing activities	(3,826)	(791)	(1,191)	(656)	(603)
Financing activities	262	367	178	287	27
2013					
Operating activities	$ 2,447	$ 523	$ 920	$ 366	$ 495
Investing activities	(3,664)	(1,080)	(1,502)	(577)	(853)
Financing activities	2,753	442	574	197	358
2015 vs. 2014 Change					
Operating activities	$ (669)	$ (11)	$ 64	$ 183	$ 42
Investing activities	387	(317)	(12)	(33)	91
Financing activities	220	(28)	(29)	(143)	(123)
2014 vs. 2013 Change					
Operating activities	$ 494	$ 90	$ 79	$ 5	$ 71
Investing activities	(162)	289	311	(79)	250
Financing activities	(2,491)	(75)	(396)	90	(331)

Operating Activities

The components of the change in cash provided by (used in) operating activities were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
2015 vs. 2014					
Change - Cash Provided (Used):					
Net income	$ 166	$ (11)	$ 20	$ 16	$ 14
Non-cash components	(280)	181	(184)	21	(52)
Working capital	(341)	(148)	335	190	152
Defined benefit plan funding	(115)	(10)	(25)	(13)	(16)
Other operating activities	(99)	(23)	(82)	(31)	(56)
Total	$ (669)	$ (11)	$ 64	$ 183	$ 42
2014 vs. 2013					
Change - Cash Provided (Used):					
Net income	$ 69	$ 54	$ (3)	$ 6	$ (8)
Non-cash components	124	(53)	206	91	166
Working capital	438	7	(129)	(65)	(96)
Defined benefit plan funding	66	70	123	35	60
Other operating activities	(203)	12	(118)	(62)	(51)
Total	$ 494	$ 90	$ 79	$ 5	$ 71

(PPL)

PPL had a $669 million decrease in cash from operating activities from continuing operations in 2015 compared with 2014.

- Net income improved by $166 million between the periods, but included a decrease in net non-cash charges of $280 million. These net non-cash charges included a $238 million decrease in deferred income taxes and $65 million of changes to the WPD line loss accrual. These decreases in non-cash charges were partially offset by $110 million of lower unrealized gains on hedging activities. The net $114 million decrease from net income and non-cash adjustments between the periods was primarily due to lower margins from the U.K. Regulated segment, partially offset by higher margins from the Kentucky and Pennsylvania Regulated segments.
- The $341 million decrease in cash from changes in working capital was primarily due to a decrease in taxes payable (primarily due to a decrease in current income tax expense in 2015), a decrease in accounts payable (primarily due

to timing of fuel purchases and payments and unfavorable weather in 2015) partially offset by a decrease in accounts receivable (primarily due to unfavorable weather in 2015).
- The $99 million decrease in cash provided by other operating activities was primarily due to payments of $101 million for the settlement in 2015 of forward starting interest rate swaps.

PPL had a $494 million increase in cash provided by operating activities from continuing operations in 2014 compared with 2013.
- Net income improved by $69 million between the periods. This included an additional $124 million of net non-cash charges, including a $279 million increase in deferred income tax expense. These non-cash charges were partially offset by $243 million of higher unrealized gains on hedging activities.
- The $438 million increase in cash from changes in working capital was partially due to an increase in taxes payable (primarily due an increase in current income tax expense in 2014), a change in uncertain tax positions between the periods and lower growth in accounts receivable and a decline in unbilled revenue.
- The $166 million decrease in cash from other operating activities was partially due to net proceeds of $104 million for settlement in 2013 of forward starting interest rate swaps.

(PPL Electric)

PPL Electric had an $11 million decrease in cash provided by operating activities in 2015 compared with 2014.
- Net income decreased by $11 million between the periods and included an additional $181 million of net non-cash charges, primarily due to increases in deferred tax expense and depreciation.
- The $148 million decrease in cash from changes in working capital was partially due to a decrease in taxes payable (primarily due an increase in current income tax benefits in 2015) and a decrease in accounts payable (primarily due to milder weather and lower energy prices in December 2015), partially offset by a decrease in accounts receivable (primarily due to milder weather in 2015, improved collection performance and higher write-offs).
- Pension funding was $10 million higher in 2015.

PPL Electric had a $90 million increase in cash provided by operating activities in 2014 compared with 2013.
- Net income improved by $54 million between the periods. However, this included an additional $53 million of net non-cash benefits, primarily due to a decrease in deferred income tax expense.
- Pension funding was $70 million lower in 2014.

(LKE)

LKE had a $64 million increase in cash provided by operating activities in 2015 compared with 2014.
- LKE's non-cash components of net income included a $213 million decrease in deferred income taxes, partially offset by a $28 million increase in depreciation due to additional assets in service in 2015. Deferred income taxes were lower in 2015 as a large portion of the effect of accelerated tax depreciation did not result in cash as a result of the Federal net operating losses.
- The increase in cash from changes in working capital was driven primarily by a decrease in income tax receivable as a result of receiving payment from PPL in 2015 for the use of excess tax depreciation deductions in 2014, decreases in accounts receivable and unbilled revenues due to milder weather in December 2015, a decrease in coal inventory as a result of plant retirements, and a decrease in natural gas stored underground due to lower gas prices in 2015, partially offset by a decrease in accounts payable due to the timing of fuel purchases and payments.
- The decrease in cash from LKE's other operating activities was driven primarily by $88 million in payments for the settlement of interest rate swaps.

LKE had a $79 million increase in cash provided by operating activities in 2014 compared with 2013.
- LKE's non-cash components of net income included a $195 million increase in deferred income taxes primarily due to an increase in accelerated tax depreciation over book depreciation as a result of additional assets in service in 2014.
- The decrease in cash from working capital was driven primarily by an increase in income tax receivable and a decrease of income tax payable from PPL as a result of the use of excess tax depreciation deductions, and an increase in inventory due to increased coal purchases in anticipation of a cold December similar to that of 2013, partially offset by decreases in accounts receivable and unbilled revenues due to extended payment terms, higher rates and colder December weather in 2013.
- The decrease in cash from LKE's other operating activities was driven primarily by $86 million in proceeds from the settlement of interest rate swaps received in 2013.

(LG&E)

LG&E had a $183 million increase in cash provided by operating activities in 2015 compared with 2014.

- LG&E's non-cash components of net income included an $8 million increase in deferred income taxes and a $5 million increase in depreciation due to additional assets in service in 2015.
- The increase in cash from changes in working capital was driven primarily by a decrease in income tax receivable as a result of receiving payment from LKE in 2015 for the use of excess tax depreciation deductions in 2014, a decrease in accounts receivable from affiliates due to lower fuel costs for jointly owned units compared to an increase in the prior year, a decrease in accounts receivable due to milder weather in December 2015 compared to an increase in the prior year, a decrease in coal inventory as a result of the retirement of Cane Run coal units, and a decrease in natural gas stored underground due to lower gas prices in 2015, partially offset by a decrease in accounts payable due to the timing of fuel purchases and payments compared to an increase in the prior year.
- The decrease in cash from LG&E's other operating activities was driven primarily by $44 million in payments for the settlement of interest rate swaps.

LG&E had a $5 million increase in cash provided by operating activities in 2014 compared with 2013.

- LG&E's non-cash components of net income included a $92 million increase in deferred income taxes primarily due to an increase in accelerated tax depreciation over book depreciation as a result of additional assets in service in 2014.
- The decrease in cash from working capital was driven primarily by an increase in income tax receivable from LKE as a result of the use of excess tax depreciation deductions, and an increase in accounts receivable from affiliates, partially offset by decreases in accounts receivable and unbilled revenues due to extended payment terms, higher rates and colder December weather in 2013.
- The decrease in cash from LG&E's other operating activities was driven primarily by $43 million in proceeds from the settlement of interest rate swaps received in 2013.

(KU)

KU had a $42 million increase in cash provided by operating activities in 2015 compared with 2014.

- KU's non-cash components of net income included a $64 million decrease in deferred income taxes, partially offset by a $23 million increase in depreciation due to additional assets in service in 2015. Deferred income taxes were lower in 2015 as a large portion of the effect of accelerated tax depreciation did not result in cash as a result of the Federal net operating losses.
- The increase in cash from changes in working capital was driven primarily by a decrease in income tax receivable as a result of receiving payment from LKE in 2015 for the use of excess tax depreciation deductions in 2014, a decrease in coal inventory as a result of the retirement of Green River coal units, and decreases in accounts receivable and unbilled revenues due to milder weather in December 2015, partially offset by a decrease in accounts payable to affiliates compared to an increase in the prior year due to lower fuel costs for jointly owned units and a decrease in accounts payable due to the timing of fuel purchases and payments.
- The decrease in cash from KU's other operating activities was driven primarily by $44 million in payments for the settlement of interest rate swaps.

KU had a $71 million increase in cash provided by operating activities in 2014 compared with 2013.

- KU's non-cash components of net income included a $155 million increase in deferred income taxes primarily due to the utilization of net operating losses and an increase in accelerated tax depreciation over book depreciation as a result of additional assets in service in 2014.
- The decrease in cash from working capital was driven primarily by an increase in income tax receivable and a decrease of income tax payable from LKE as a result of the use of excess tax depreciation deductions, and an increase in inventory due to increased coal purchases in anticipation of a cold December similar to that of 2013, partially offset by decreases in accounts receivable and unbilled revenues due to extended payment terms, higher rates and colder December weather in 2013 and an increase in accounts payable to affiliates.
- The decrease in cash from KU's other operating activities was driven primarily by $43 million in proceeds from the settlement of interest rate swaps received in 2013.

Investing Activities

(All Registrants)

The components of the change in cash provided by (used in) investing activities were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
2015 vs. 2014					
Change - Cash Provided (Used):					
Expenditures for PP&E	$ 141	$ (166)	$ 52	$ (33)	$ 85
Notes receivable with affiliates activity, net		(150)	(70)		
Restricted cash and cash equivalent activity	(11)				
Purchase and sale of investments, net	256				
Other investing activities	1	(1)	6		6
Total	$ 387	$ (317)	$ (12)	$ (33)	$ 91
2014 vs. 2013					
Change - Cash Provided (Used):					
Expenditures for PP&E	$ (45)	$ (28)	$ 172	$ (79)	$ 251
Notes receivable with affiliates activity, net		300	140		
Restricted cash and cash equivalent activity	17				
Investment activity, net	(120)				
Other investing activities	(14)	17	(1)		(1)
Total	$ (162)	$ 289	$ 311	$ (79)	$ 250

(PPL)

For PPL, lower project expenditures at WPD and KU were partially offset by higher project expenditures at PPL Electric and LG&E. The decrease in expenditures for WPD was primarily due to a decrease in expenditures to enhance system reliability associated with the end of the DPCR5 price control period and changes in foreign currency exchange rates. The decrease in expenditures for KU was related to lower expenditures for the construction of Cane Run Unit 7 which was put into commercial operation in June 2015, and lower expenditures for environmental air projects and CCR projects at KU's Ghent and E.W. Brown plants. The increase in expenditures for PPL Electric was primarily due to the Northeast Pocono reliability project, smart grid projects and other various projects, partially offset by the completion of the Susquehanna-Roseland transmission project. The increase in expenditures for LG&E was primarily due to environmental air projects at LG&E's Mill Creek plant, partially offset by lower expenditures for the construction of Cane Run Unit 7.

PPL received $136 million during 2015 from the sale of short-term investments.

For PPL, in 2014 compared with 2013, the increase in "Expenditures for PP&E" was partially due to expenditures made in 2014 at WPD (primarily due to projects to enhance system reliability and the effect of foreign currency exchange rates) partially offset by expenditures made in 2013 for the construction of Cane Run Unit 7 for both LG&E and KU.

PPL paid $120 million during 2014 from the purchase of short-term investments.

(PPL Electric)

For PPL Electric, in 2015 compared with 2014, the increase in expenditures was primarily due to the Northeast Pocono reliability project, smart grid projects and other various projects, partially offset by the completion of the Susquehanna-Roseland transmission project.

The changes in "Notes receivable with affiliates, net" resulted from proceeds of $150 million received in 2014 from repayments on a note extended in 2013.

(LKE)

In comparing 2015 with 2014, cash used by investing activities increased as a result of receiving payment from PPL in 2014 for the notes receivable issued in 2013, partially offset by lower PP&E

expenditures. An increase in expenditures for LG&E was primarily due to higher expenditures for environmental air projects at the Mill Creek plant, partially offset by lower expenditures for the construction of Cane Run Unit 7. A decrease in expenditures for KU was primarily due to lower expenditures for the construction of Cane Run Unit 7 which was put into commercial operation in June 2015, and lower expenditures for environmental air projects and CCR projects at the Ghent and the E.W. Brown plants.

In comparing 2014 with 2013, cash used by investing activities decreased as a result of the decrease in PP&E expenditures for KU, partially offset by the increase in PP&E expenditures for LG&E. The decrease in expenditures for KU was primarily due to lower expenditures for the construction of Cane Run Unit 7 and CCR projects at the Ghent and the E.W. Brown plants, partially offset by higher expenditures for environmental air projects at the Ghent and the E.W. Brown plants. The increase in expenditures for LG&E was primarily due to environmental air projects at the Mill Creek plant and the gas service riser program, partially offset by lower expenditures for the construction of Cane Run Unit 7.

(LG&E)

In comparing 2015 with 2014, cash used by investing activities increased primarily due to higher expenditures for environmental air projects at the Mill Creek plant, partially offset by lower expenditures for the construction of Cane Run Unit 7 which was put into commercial operation in June 2015.

In comparing 2014 with 2013, cash used by investing activities increased as a result of the increase in expenditures primarily due to environmental air projects at the Mill Creek plant and the gas service riser program, partially offset by lower expenditures for the construction of Cane Run Unit 7.

(KU)

In comparing 2015 with 2014, cash used by investing activities decreased primarily due to lower expenditures for the construction of Cane Run Unit 7 which was put into commercial operation in June 2015, and lower expenditures for environmental air projects and CCR projects at the Ghent and the E.W. Brown plants.

In comparing 2014 with 2013, cash used by investing activities decreased as a result of the decrease in expenditures primarily due to lower expenditures for the construction of Cane Run Unit 7 and CCR projects at the Ghent and the E.W. Brown plants, partially offset by higher expenditures for environmental air projects at the Ghent and the E.W. Brown plants.

(All Registrants)

See "Forecasted Uses of Cash" for detail regarding projected capital expenditures for the years 2016 through 2020.

Financing Activities

(All Registrants)

The components of the change in cash provided by (used in) financing activities were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
2015 vs. 2014					
Change - Cash Provided (Used):					
Debt issuance/retirement, net	$ 1,177	$ (38)	$ 150	$ 300	$ 250
Debt issuance/retirement, affiliate			400		
Stock issuances/redemptions, net	(871)				
Dividends	(37)	(23)		(7)	(5)
Capital contributions/distributions, net		12	94	(67)	(91)
Changes in net short-term debt (a)	(53)	20	(668)	(366)	(274)
Other financing activities	4	1	(5)	(3)	(3)
Total	$ 220	$ (28)	$ (29)	$ (143)	$ (123)

	PPL	PPL Electric	LKE	LG&E	KU
2014 vs. 2013					
Change - Cash Provided (Used):					
Debt issuance/retirement, net	$ (1,979)	$ (62)	$ (496)	$ (248)	$ (248)
Stock issuances/redemptions, net	(263)				
Dividends	(89)	(31)		(13)	(24)
Capital contributions/distributions, net		58	(177)	71	(66)
Changes in net short-term debt (a)	(258)	(40)	276	279	6
Other financing activities	98		1	1	1
Total	$ (2,491)	$ (75)	$ (396)	$ 90	$ (331)

(a) Includes net increase (decrease) in notes payable with affiliates.

(PPL)

In 2015, PPL required $220 million additional cash from financing activities including the WPD, LG&E and KU long-term debt issuances in 2015, partially offset by lower common stock issuances in 2015.

In 2014, PPL required $2.5 billion less cash from financing activities including the PPL Capital Funding and WPD long-term debt issuances in 2014, lower common stock issuances in 2014 and improvements in cash from operations of $494 million which helped support the significant capital expenditure programs of its subsidiaries.

In 2014, financing activities also included net cash distributions of $1.2 billion to PPL from PPL Energy Supply (discontinued operations) for the proceeds from the PPL Montana hydroelectric generation facilities sale, net of a tax liability payment and proceeds from a tax grant.

In 2013, financing activities also included net cash contributions of $1.2 billion from PPL to PPL Energy Supply (discontinued operations) to fund debt maturities, to repay short-term debt and to terminate the operating lease arrangement for interests in the Montana Colstrip facility and acquire the previously leased interests.

(PPL Electric)

In 2015, PPL Electric required $28 million less cash from financing activities due to the use of cash on hand which helped support the significant capital expenditure program.

In 2014, PPL Electric required $75 million less cash from financing activities to support its significant capital expenditure program, primarily due to the receipt of $150 million on notes receivable from affiliates (as described in "Investing Activities" above) and improvements in cash from operations of $90 million.

(LKE)

In comparing 2015 with 2014, cash provided by financing activities decreased as a result of the repayment of short-term debt, partially offset by the $550 million of additional long-term debt issued by LG&E and KU in 2015 and lower distributions to PPL.

In comparing 2014 with 2013, cash provided by financing activities decreased as a result of the $500 million long-term debt issued by LG&E and KU in November 2013 and higher distributions to PPL, partially offset by an increase in short-term debt and an increase in notes payable with affiliates to fund capital expenditures.

(LG&E)

In comparing 2015 with 2014, cash provided by financing activities decreased as a result of the repayment of short-term debt and lower capital contributions from LKE, partially offset by the $300 million of additional long-term debt issued in 2015.

In comparing 2014 with 2013, cash provided by financing activities increased due to an increase in short-term debt to fund capital expenditures and an increase in contributions from LKE, offset by the $250 million of long-term debt issued in November 2013.

(KU)

In comparing 2015 with 2014, cash provided by financing activities decreased as a result of the repayment of short-term debt and lower capital contributions from LKE, partially offset by the $250 million of additional long-term debt issued in 2015.

In comparing 2014 with 2013, cash provided by financing activities decreased as a result of the $250 million long-term debt issued in November 2013, a decrease of contributions from LKE and higher dividends to LKE.

(All Registrants)

See "Long-term Debt and Equity Securities" below for additional information on current year activity. See "Forecasted Sources of Cash" for a discussion of the Registrants' plans to issue debt and equity securities, as well as a discussion of credit facility capacity available to the Registrants. Also see "Forecasted Uses of Cash" for a discussion of PPL's plans to pay dividends on common securities in the future, as well as the Registrants' maturities of long-term debt.

Long-term Debt and Equity Securities

Long-term debt and equity securities activity for 2015 included:

	Debt		Net Stock
	Issuances (a)	**Retirements**	**Issuances**
Cash Flow Impact:			
PPL	$ 2,236	$ 1,000	$ 203
PPL Electric	348	100	
LKE (b)	1,450	900	
LG&E	550	250	
KU	500	250	

(a) Issuances are net of pricing discounts, where applicable and exclude the impact of debt issuance costs.
(b) Issuances include a $400 million note with PPL Capital Funding. See Note 14 for additional information on intercompany borrowings.

ATM Program *(PPL)*

During 2015, PPL issued 1,476,700 shares of common stock under the program at an average price of $33.41 per share, receiving net proceeds of $49 million.

See Note 7 to the Financial Statements for additional information about long-term debt and equity securities.

Auction Rate Securities *(LKE, LG&E and KU)*

At December 31, 2015, LG&E's and KU's tax-exempt revenue bonds in the form of auction rate securities total $231 million ($135 million at LG&E and $96 million at KU). These bonds continue to experience failed auctions and the interest rate continues to be set by a formula pursuant to the relevant indentures. For the period ended December 31, 2015, the weighted-average rate on LG&E's and KU's auction rate bonds in total was 0.22% (0.20% at LG&E and 0.24% at KU).

Forecasted Sources of Cash

(All Registrants)

The Registrants expect to continue to have adequate liquidity available from operating cash flows, cash and cash equivalents, credit facilities and commercial paper issuances. Additionally, subject to market conditions, the Registrants and their subsidiaries may access the capital markets, and PPL Electric, LKE, LG&E and KU anticipate receiving equity contributions from their parent or member in 2016.

Credit Facilities

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. Amounts borrowed under these credit facilities are reflected in "Short-term debt" on the Balance Sheets. At December 31, 2015, the total committed borrowing capacity under credit facilities and the use of this borrowing capacity were:

External

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	$ 750		$ 471	$ 279
PPL Electric Credit Facility	300		1	299
LKE Credit Facility	75	$ 75		
LG&E Credit Facility	500		142	358
KU Credit Facilities	598		246	352
Total LKE Consolidated	1,173	75	388	710
Total U.S. Credit Facilities (a) (b) (c)	$ 2,223	$ 75	$ 860	$ 1,288
Total U.K. Credit Facilities (c) (d) (e)	£ 1,055	£ 133		£ 922

(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 70% for PPL Capital Funding, PPL Electric, LKE, LG&E and KU, as calculated in accordance with the facility, and other customary covenants.
(b) The commitments under the domestic credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than the following percentages of the total committed capacity: PPL - 13%, PPL Electric - 12%, LKE - 21%, LG&E - 12% and KU - 37%.
(c) 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.
(d) The facilities contain financial covenants to maintain an interest coverage ratio of not less than 3.0 times consolidated earnings before income taxes, depreciation and amortization and total net debt not in excess of 85% of its RAV, calculated in accordance with the credit facility.
(e) At December 31, 2015, the unused capacity under the U.K. committed credit facilities was approximately $1.4 billion. The commitments under the U.K.'s credit facilities are provided by a diverse bank group with no one bank providing more than 14% of the total committed capacity.

In addition to the financial covenants noted in the table above, the credit agreements governing the above credit facilities contain various other covenants. Failure to comply with the covenants after applicable grace periods could result in acceleration of repayment of borrowings and/or termination of the agreements. The Registrants monitor compliance with the covenants on a regular basis. At December 31, 2015, the Registrants were in compliance with these covenants. At this time, the Registrants believe that these covenants and other borrowing conditions will not limit access to these funding sources.

See Note 7 to the Financial Statements for further discussion of the Registrants' credit facilities.

Intercompany (LKE, LG&E and KU)

	Committed Capacity	Borrowed	Other Used Capacity	Unused Capacity
LKE Credit Facility	$ 225	$ 54		$ 171
LG&E Money Pool (a)	500		$ 142	358
KU Money Pool (a)	500		48	452

(a) LG&E and KU participate in an intercompany agreement whereby LKE, LG&E and/or KU make available funds up to $500 million at an interest rate based on a market index of commercial paper issues. However, the FERC has authorized a maximum aggregate short-term debt limit for each utility at $500 million from all covered sources.

Commercial Paper (All Registrants)

PPL, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's Syndicated Credit Facility. The following commercial paper programs were in place at:

	December 31, 2015			December 31, 2014
	Capacity	Commercial Paper Issuances	Unused Capacity	Commercial Paper Issuances
PPL Capital Funding	$ 600	$ 451	$ 149	
PPL Electric	300		300	
LG&E	350	142	208	$ 264
KU	350	48	302	236
Total LKE	700	190	510	500
Total PPL	$ 1,600	$ 641	$ 959	$ 500

Long-term Debt and Equity Securities

(PPL)

PPL and its subsidiaries are currently authorized to incur, subject to market conditions, up to approximately $2 billion of long-term indebtedness in 2016, the proceeds of which would be used to fund capital expenditures and for general corporate purposes.

PPL plans to issue not more than $200 million of common stock in 2016.

(PPL Electric)

PPL Electric is currently authorized to incur, subject to market conditions, up to approximately $500 million of long-term indebtedness in 2016, the proceeds of which would be used to fund capital expenditures and for general corporate purposes.

(LKE, LG&E and KU)

LG&E and KU are currently authorized to incur, subject to market conditions, up to approximately $100 million each of long-term indebtedness in 2016, the proceeds of which would be used to fund capital expenditures and for general corporate purposes. LG&E currently plans to remarket, subject to market conditions, a $25 million bond with a put date in 2016.

Contributions from Parent/Member (PPL Electric, LKE, LG&E and KU)

From time to time, LKE's member or the parents of PPL Electric, LG&E and KU make capital contributions to subsidiaries. The proceeds from these contributions are used to fund capital expenditures and for other general corporate purposes and, in the case of LKE, to make contributions to its subsidiaries.

Forecasted Uses of Cash

(All Registrants)

In addition to expenditures required for normal operating activities, such as purchased power, payroll, fuel and taxes, the Registrants currently expect to incur future cash outflows for capital expenditures, various contractual obligations, payment of dividends on its common stock, distributions by LKE to their members, and possibly the purchase or redemption of a portion of debt securities.

Capital Expenditures

The table below shows the Registrants' current capital expenditure projections for the years 2016 through 2020. Expenditures for the domestic regulated utilities are expected to be recovered through rates, pending regulatory approval.

	Total	Projected 2016	2017	2018	2019	2020
PPL						
Construction expenditures (a) (b)						
Generating facilities	$ 679	$ 126	$ 143	$ 131	$ 134	$ 145
Distribution facilities	9,538	2,000	1,881	1,828	1,886	1,943
Transmission facilities	3,896	790	802	771	712	821
Environmental	1,947	404	349	442	398	354
Other	357	89	80	65	61	62
Total Capital Expenditures	$ 16,417	$ 3,409	$ 3,255	$ 3,237	$ 3,191	$ 3,325
PPL Electric (a) (b)						
Distribution facilities	$ 2,049	$ 465	$ 428	$ 383	$ 386	$ 387
Transmission facilities	3,283	700	694	660	599	630
Total Capital Expenditures	$ 5,332	$ 1,165	$ 1,122	$ 1,043	$ 985	$ 1,017
LKE (b)						
Generating facilities	$ 679	$ 126	$ 143	$ 131	$ 134	$ 145
Distribution facilities	1,324	255	265	251	275	278
Transmission facilities	613	90	107	111	114	191
Environmental	1,947	404	349	442	398	354
Other	314	80	70	57	53	54
Total Capital Expenditures	$ 4,877	$ 955	$ 934	$ 992	$ 974	$ 1,022
LG&E (b)						
Generating facilities	$ 302	$ 73	$ 72	$ 46	$ 54	$ 57
Distribution facilities	776	162	156	148	154	156
Transmission facilities	152	22	28	29	31	42
Environmental	935	229	139	181	207	179
Other	136	39	28	22	24	23
Total Capital Expenditures	$ 2,301	$ 525	$ 423	$ 426	$ 470	$ 457
KU (b)						
Generating facilities	$ 377	$ 53	$ 71	$ 85	$ 80	$ 88
Distribution facilities	548	93	109	103	121	122
Transmission facilities	461	68	79	82	83	149
Environmental	1,011	175	210	261	191	174
Other	170	39	40	33	28	30
Total Capital Expenditures	$ 2,567	$ 428	$ 509	$ 564	$ 503	$ 563

(a) Construction expenditures include capitalized interest and AFUDC, which are expected to total approximately $88 million for PPL and $57 million for PPL Electric.
(b) The 2016 total excludes amounts included in accounts payable as of December 31, 2015.

Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. For the years presented, this table includes PPL Electric's asset optimization program to replace aging transmission and distribution assets. This table also includes LKE's environmental projects related to existing and proposed EPA compliance standards excluding the Clean Power Plan (actual costs may be significantly lower or higher depending on the final requirements and market conditions; most environmental compliance costs incurred by LG&E and KU in serving KPSC jurisdictional customers are generally eligible for recovery through the ECR mechanism). See Note 6 to the Financial Statements for information on LG&E's and KU's ECR mechanism and CPCN filing, and Note 8 to the Financial Statements for information on significant development plans.

In addition to cash on hand and cash from operations, the Registrants plan to fund capital expenditures in 2016 with proceeds from the sources noted below.

Source	PPL	PPL Electric	LKE	LG&E	KU
Issuance of common stock	X				
Issuance of long-term debt securities	X	X			
Equity contributions from parent/member		X	X	X	X
Short-term debt	X	X	X	X	X

X = Expected funding source.

Contractual Obligations

The Registrants have assumed various financial obligations and commitments in the ordinary course of conducting business. At December 31, 2015, estimated contractual cash obligations were as follows.

	Total	2016	2017 - 2018	2019 - 2020	After 2020
PPL					
Long-term Debt (a)	$ 19,171	$ 485	$ 642	$ 1,341	$ 16,703
Interest on Long-term Debt (b)	16,206	863	1,688	1,669	11,986
Operating Leases (c)	141	33	52	25	31
Purchase Obligations (d)	3,135	1,108	858	378	791
Other Long-term Liabilities Reflected on the Balance Sheet under GAAP (e) (f)	430	328	102		
Total Contractual Cash Obligations	$ 39,083	$ 2,817	$ 3,342	$ 3,413	$ 29,511
PPL Electric					
Long-term Debt (a)	$ 2,864			$ 100	$ 2,764
Interest on Long-term Debt (b)	2,693	$ 129	$ 258	258	2,048
Purchase Obligations (d)	122	24	49	49	
Total Contractual Cash Obligations	$ 5,679	$ 153	$ 307	$ 407	$ 4,812
LKE					
Long-term Debt (a)	$ 5,135	$ 25	$ 292	$ 1,015	$ 3,803
Interest on Long-term Debt (b)	3,555	198	395	395	2,567
Operating Leases (c)	112	25	44	21	22
Coal and Natural Gas Purchase Obligations (g)	1,822	657	733	268	164
Unconditional Power Purchase Obligations (h)	765	26	54	57	628
Construction Obligations (i)	274	257	15	2	
Pension Benefit Plan Obligations (e)	30	30			
Other Obligations	88	78	7	3	
Total Contractual Cash Obligations	$ 11,781	$ 1,296	$ 1,540	$ 1,761	$ 7,184
LG&E					
Long-term Debt (a)	$ 1,659	$ 25	$ 292	$ 40	$ 1,302
Interest on Long-term Debt (b)	1,300	65	124	119	992
Operating Leases (c)	62	14	27	11	10
Coal and Natural Gas Purchase Obligations (g)	893	312	320	145	116
Unconditional Power Purchase Obligations (h)	530	18	38	39	435
Construction Obligations (i)	163	154	9		
Pension Benefit Plan Obligations (e)	11	11			
Other Obligations	24	20	3	1	
Total Contractual Cash Obligations	$ 4,642	$ 619	$ 813	$ 355	$ 2,855
KU					
Long-term Debt (a)	$ 2,351			$ 500	$ 1,851
Interest on Long-term Debt (b)	1,961	$ 90	$ 186	190	1,495
Operating Leases (c)	47	10	16	10	11
Coal and Natural Gas Purchase Obligations (g)	929	345	413	123	48
Unconditional Power Purchase Obligations (h)	235	8	16	18	193
Construction Obligations (i)	88	80	6	2	
Pension Benefit Plan Obligations (e)	9	9			
Other Obligations	26	20	4	2	
Total Contractual Cash Obligations	$ 5,646	$ 562	$ 641	$ 845	$ 3,598

(a) Reflects principal maturities based on stated maturity or earlier put dates. See Note 7 to the Financial Statements for a discussion of variable-rate remarketable bonds issued on behalf of LG&E and KU. The Registrants do not have any significant capital lease obligations.

(b) Assumes interest payments through stated maturity or earlier put dates. For PPL, LKE, LG&E and KU the payments herein are subject to change, as payments for debt that is or becomes variable-rate debt have been estimated and for PPL, payments denominated in British pounds sterling have been translated to U.S. dollars at a current foreign currency exchange rate.

(c) See Note 9 to the Financial Statements for additional information.

(d) The amounts include agreements to purchase goods or services that are enforceable and legally binding and specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Primarily includes as applicable, the purchase obligations of electricity, coal, nuclear fuel and limestone as well as certain construction expenditures, which are also included in the Capital Expenditures table presented above.

(e) The amounts for PPL include WPD's contractual deficit pension funding requirements arising from actuarial valuations performed in March 2013. The U.K. electricity regulator currently allows a recovery of a substantial portion of the contributions relating to the plan deficit. The amounts also include contributions made or committed to be made in 2016 for PPL's and LKE's U.S. pension plans (for PPL Electric, LG&E and KU includes their share of these amounts). Based on the current funded status of these plans, except for WPD's plans, no cash contributions are required. See Note 11 to the Financial Statements for a discussion of expected contributions.

(f) At December 31, 2015, total unrecognized tax benefits of $5 million for PPL were excluded from this table as management cannot reasonably estimate the amount and period of future payments.

(g) Represents contracts to purchase coal, natural gas and natural gas transportation. See Note 13 to the Financial Statements for additional information.

(h) Represents future minimum payments under OVEC power purchase agreements through June 2040. See Note 13 to the Financial Statements for additional information.
(i) Represents construction commitments, including commitments for the LG&E's Mill Creek and KU's Ghent and E.W. Brown environmental air projects, LG&E's and KU's E.W. Brown Solar Unit, KU's E.W. Brown landfill and LG&E's Ohio Falls refurbishment which are also reflected in the Capital Expenditures table presented above.

Dividends/Distributions

(PPL)

PPL views dividends as an integral component of shareowner return and expects to continue to pay dividends in amounts that are within the context of maintaining a capitalization structure that supports investment grade credit ratings. In November 2015, PPL declared its quarterly common stock dividend, payable January 4, 2016, at 37.75 cents per share (equivalent to $1.51 per annum). On February 4, 2016, PPL announced that the company is increasing its common stock dividend to 38 cents per share on a quarterly basis (equivalent to $1.52 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. Subject to certain exceptions, PPL may not declare or pay any cash dividend or distribution on its capital stock during any period in which PPL Capital Funding defers interest payments on its 2007 Series A Junior Subordinated Notes due 2067 or 2013 Series B Junior Subordinated Notes due 2073. At December 31, 2015, no interest payments were deferred.

See Note 8 for information regarding the June 1, 2015 distribution to PPL's shareowners of a newly formed entity, Holdco, which at closing owned all of the membership interests of PPL Energy Supply and all of the common stock of Talen Energy.

(PPL Electric, LKE, LG&E and KU)

From time to time, as determined by their respective Board of Directors or Board of Managers, the Registrants pay dividends or distributions, as applicable, to their respective shareholders or members. Certain of the credit facilities of PPL Electric, LKE, LG&E and KU include minimum debt covenant ratios that could effectively restrict the payment of dividends or distributions.

(All Registrants)

See Note 7 to the Financial Statements for these and other restrictions related to distributions on capital interests for the Registrants and their subsidiaries.

Purchase or Redemption of Debt Securities

The Registrants will continue to evaluate outstanding debt securities and may decide to purchase or redeem these securities in open market or privately negotiated transactions, in exchange transactions or otherwise, depending upon prevailing market conditions, available cash and other factors, and may be commenced or suspended at any time. The amounts involved may be material.

Rating Agency Actions

Moody's, S&P and Fitch periodically review the credit ratings of the debt of the Registrants and their subsidiaries. Based on their respective independent reviews, the rating agencies may make certain ratings revisions or ratings affirmations.

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of the Registrants and their subsidiaries are based on information provided by the Registrants and other sources. The ratings of Moody's, S&P and Fitch are not a recommendation to buy, sell or hold any securities of the Registrants or their subsidiaries. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities.

The credit ratings of the Registrants and their subsidiaries affect their liquidity, access to capital markets and cost of borrowing under their credit facilities. A downgrade in the Registrants' or their subsidiaries' credit ratings could result in higher borrowing costs and reduced access to capital markets. The Registrants and their subsidiaries have no credit rating triggers that would result in the reduction of access to capital markets or the acceleration of maturity dates of outstanding debt.

The following table sets forth the Registrants' and their subsidiaries' credit ratings for outstanding debt securities or commercial paper programs as of December 31, 2015.

Issuer	Senior Unsecured		Senior Secured		Commercial Paper	
	Moody's	S&P	Moody's	S&P	Moody's	S&P
PPL						
PPL Capital Funding	Baa2	BBB+			P-2	A-2
WPD plc	Baa3	BBB+				
WPD (East Midlands)	Baa1	A-				
WPD (West Midlands)	Baa1	A-				
WPD (South Wales)	Baa1	A-				
WPD (South West)	Baa1	A-				
PPL and PPL Electric						
PPL Electric			A1	A	P-2	A-2
PPL and LKE						
LKE	Baa1	BBB+				
LG&E			A1	A	P-2	A-2
KU			A1	A	P-2	A-2

The rating agencies have taken the following actions related to the Registrants and their subsidiaries.

In January 2015, Fitch withdrew its ratings for PPL, PPL Capital Funding, PPL Electric, LKE, LG&E, and KU.

(PPL)

In May 2015, Moody's upgraded the following ratings with a stable outlook:

- the long-term issuer rating from Baa3 to Baa2 for PPL;
- the senior unsecured rating from Baa3 to Baa2 for PPL Capital Funding; and
- the junior subordinated rating from Ba1 to Baa3 for PPL Capital Funding.

In May 2015, Fitch affirmed and withdrew its ratings for PPL UK Distribution Holdings Limited (formerly known as PPL WW), WPD (South Wales) and WPD (South West).

In June 2015, S&P upgraded the following ratings with a stable outlook:

- the long-term issuer rating from BBB to A- for PPL;
- the senior unsecured rating from BBB- to BBB+ for PPL Capital Funding; and
- the junior subordinated rating from BB+ to BBB for PPL Capital Funding

In June 2015, S&P affirmed the short-term issue ratings for WPD plc, WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West). S&P also upgraded the following ratings with a stable outlook:

- the long-term issuer rating from BBB to A- for WPD plc, WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West);
- the senior unsecured rating from BBB- to BBB+ for WPD plc; and
- the senior unsecured rating from BBB to A- for WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West).

In August 2015, S&P affirmed its ratings with a stable outlook for WPD plc, WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West).

In October 2015, Moody's and S&P assigned ratings of P-2 and A-2 to PPL Capital Funding's $600 million commercial paper program. S&P also assigned a short-term issuer rating of A-2 to PPL.

In November 2015, Moody's and S&P assigned ratings of Baa3 and BBB+ to WPD plc's £500 million 3.625% Senior Unsecured Notes due 2023.

In November 2015, Moody's withdrew its short-term ratings for WPD plc, WPD (East Midlands) and WPD (South West).

(PPL and PPL Electric)

In May 2015, Moody's affirmed its ratings and revised its outlook to positive for PPL Electric.

In June 2015, S&P affirmed its commercial paper rating and upgraded the following ratings with a stable outlook for PPL Electric:

- the long-term issuer rating from BBB to A-; and
- the senior secured rating from A- to A.

In September 2015, Moody's affirmed its commercial paper rating and upgraded the following ratings with a stable outlook for PPL Electric:

- the long-term issuer rating from Baa1 to A3; and
- the senior secured rating from A2 to A1.

In September 2015, Moody's and S&P assigned ratings of A1 and A to PPL Electric's $350 million 4.15% First Mortgage Bonds due 2045.

(PPL, LKE, LG&E and KU)

In May 2015, Moody's upgraded the following ratings with a stable outlook for LKE:

- the long-term issuer rating from Baa2 to Baa1; and
- the senior unsecured rating from Baa2 to Baa1.

In June 2015, S&P affirmed its commercial paper ratings for LG&E and KU. S&P also upgraded the following ratings with a stable outlook:

- the long-term issuer ratings from BBB to A- for LKE, LG&E and KU;
- the senior secured ratings from A- to A for LG&E and KU; and
- the senior unsecured rating from BBB- to BBB+ for LKE.

In June 2015, S&P upgraded its ratings from AA+ to AAA for KU's 2000 Series A Solid Waste Disposal Facility Revenue Bonds, KU's 2004 Series A and 2008 Series A Environmental Facilities Revenue Bonds and KU's 2006 Series B Environmental Facilities Revenue Refunding Bonds and removed them from CreditWatch with positive implications.

In September 2015, Moody's and S&P assigned ratings of A1 and A to LG&E's $300 million 3.30% First Mortgage Bonds due 2025, LG&E's $250 million 4.375% First Mortgage Bonds due 2045, KU's $250 million 3.30% First Mortgage Bonds due 2025 and KU's $250 million 4.375% First Mortgage Bonds due 2045.

Ratings Triggers

(PPL)

As discussed in Note 7 to the Financial Statements, certain of WPD's senior unsecured notes may be put by the holders to the issuer for redemption if the long-term credit ratings assigned to the notes are withdrawn by any of the rating agencies (Moody's or S&P) or reduced to a non-investment grade rating of Ba1 or BB+ or lower in connection with a restructuring event. A restructuring event includes the loss of, or a material adverse change to, the distribution licenses under which WPD (East Midlands), WPD (South West), WPD (South Wales) and WPD (West Midlands) operate and would be a trigger event for each company. These notes totaled £4.4 billion (approximately $6.6 billion) nominal value at December 31, 2015.

(PPL, LKE, LG&E and KU)

Various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, interest rate and foreign currency instruments (for PPL), contain provisions that require the posting of additional collateral, or permit the counterparty to terminate the contract, if PPL's, LKE's, LG&E's or KU's or their subsidiaries' credit rating, as applicable, were to fall below investment grade. See Note 17 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral requirements for PPL, LKE and LG&E for derivative contracts in a net liability position at December 31, 2015.

Guarantees for Subsidiaries *(PPL)*

PPL guarantees certain consolidated affiliate financing arrangements. Some of the guarantees contain financial and other covenants that, if not met, would limit or restrict the consolidated affiliates' access to funds under these financing arrangements, accelerate maturity of such arrangements or limit the consolidated affiliates' ability to enter into certain transactions. At this time, PPL believes that these covenants will not limit access to relevant funding sources. See Note 13 to the Financial Statements for additional information about guarantees.

Off-Balance Sheet Arrangements *(All Registrants)*

The Registrants have entered into certain agreements that may contingently require payment to a guaranteed or indemnified party. See Note 13 to the Financial Statements for a discussion of these agreements.

Risk Management

Market Risk

(All Registrants)

See Notes 1, 16, and 17 to the Financial Statements for information about the Registrants' risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These disclosures are not precise indicators of expected future losses, but only indicators of possible losses under normal market conditions at a given confidence level.

Interest Rate Risk

The Registrants and their subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. The Registrants and their subsidiaries utilize various financial derivative instruments to adjust the mix of fixed and floating interest rates in their debt portfolios, adjust the duration of their debt portfolios and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under the risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolios due to changes in the absolute level of interest rates.

The following interest rate hedges were outstanding at December 31.

	2015				2014		
	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)
PPL							
Cash flow hedges							
Interest rate swaps (c)	$ 300	$ (24)	$ (7)	2026	$ 1,600	$ (108)	$ (59)
Cross-currency swaps (d)	1,262	87	(152)	2028	1,262	27	(165)
Economic hedges							
Interest rate swaps (e)	179	(48)	(2)	2033	179	(49)	(3)
LKE							
Cash flow hedges							
Interest rate swaps (c)					1,000	(66)	(44)
Economic hedges							
Interest rate swaps (e)	179	(48)	(2)	2033	179	(49)	(3)
LG&E							
Cash flow hedges							
Interest rate swaps (c)					500	(33)	(22)
Economic hedges							
Interest rate swaps (e)	179	(48)	(2)	2033	179	(49)	(3)
KU							
Cash flow hedges							
Interest rate swaps (c)					500	(33)	(22)

(a) Includes accrued interest, if applicable.
(b) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability. Sensitivities represent a 10% adverse movement in interest rates, except for cross-currency swaps which also includes a 10% adverse movement in foreign currency exchange rates.
(c) Changes in the fair value of such cash flow hedges are recorded in equity or as regulatory assets or regulatory liabilities, if recoverable through regulated rates, and reclassified into earnings in the same period during which the item being hedged affects earnings.

(d) Cross-currency swaps are utilized to hedge the principal and interest payments of WPD's U.S. dollar-denominated senior notes. Changes in the fair value of these instruments are recorded in equity and reclassified into earnings in the same period during which the item being hedged affects earnings.
(e) Realized changes in the fair value of such economic hedges are recoverable through regulated rates and any subsequent changes in the fair value of these derivatives are included in regulatory assets or regulatory liabilities.

The Registrants are exposed to a potential increase in interest expense and to changes in the fair value of their debt portfolios. The estimated impact of a 10% adverse movement in interest rates on interest expense at December 31, 2015 and 2014 was insignificant for PPL, PPL Electric, LKE, LG&E and KU. The estimated impact of a 10% adverse movement in interest rates on the fair value of debt at December 31 is shown below.

	10% Adverse Movement in Rates	
	2015	2014
PPL	$ 710	$ 707
PPL Electric	152	132
LKE	192	138
LG&E	69	44
KU	104	82

Foreign Currency Risk (PPL)

PPL is exposed to foreign currency risk primarily through investments in U.K. affiliates. Under its risk management program, PPL may enter into financial instruments to hedge certain foreign currency exposures, including translation risk of expected earnings, firm commitments, recognized assets or liabilities, anticipated transactions and net investments.

The following foreign currency hedges were outstanding at December 31.

	2015				2014		
	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Maturities Ranging Through	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)
Net investment hedges (b)	£ 50	$ 10	$ (7)	2016	£ 217	$ 17	$ (34)
Economic hedges (c)	1,831	198	(246)	2017	1,368	111	(193)

(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.
(c) To economically hedge the translation of expected earnings denominated in GBP.

Commodity Price Risk (Non-trading)

(PPL, LKE, LG&E and KU)

LG&E's and KU's retail electric rates, LG&E's natural gas rates and KU's municipal wholesale electric 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 their business operations. LG&E and KU sell 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 17 to the Financial Statements for additional information.

(PPL and PPL Electric)

PPL Electric is exposed to market price and volumetric risks from its obligation as a 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.

(All Registrants)

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 the Registrants would incur a loss as a result of nonperformance by counterparties of their contractual obligations. The Registrants maintain credit policies and procedures with respect to counterparty credit (including requirements that counterparties maintain specified credit ratings) and require other assurances in the form of credit support or collateral in certain circumstances in order to limit counterparty credit risk. However, the Registrants, as applicable, have concentrations of suppliers and customers among electric utilities, financial institutions and energy marketing and trading companies. These concentrations may impact the Registrants' overall exposure to credit risk, positively or negatively, as counterparties may be similarly affected by changes in economic, regulatory or other conditions.

(PPL and PPL Electric)

In 2013, the PUC approved PPL Electric's PLR procurement plan for the period of June 2013 through May 2015. To date, PPL Electric has conducted all of its planned competitive solicitations. In 2014, PPL Electric filed a request with the PUC for approval of PPL Electric's PLR procurement plan for the period of June 2015 through May 2017, which was approved in January 2015.

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, 2015, most of the successful bidders under all of the solicitations had an investment grade credit rating from S&P, and were not required to post collateral under the Agreement. A small portion of bidders were required to post an insignificant amount of collateral under the Agreement. There is no instance under the Agreement in which PPL Electric is required to post collateral to its suppliers.

See Notes 14, 16 and 17 to the Financial Statements for additional information on the competitive solicitation process, the Agreement, credit concentration and credit risk.

Foreign Currency Translation *(PPL)*

The value of the British pound sterling fluctuates in relation to the U.S. dollar. In 2015, changes in this exchange rate resulted in a foreign currency translation loss of $240 million, which primarily reflected a $589 million decrease to PP&E and goodwill offset by a decrease of $349 million to net liabilities. In 2014, changes in this exchange rate resulted in a foreign currency translation loss of $290 million, which primarily reflected a $680 million decrease to PP&E and goodwill offset by a decrease of $390 million to net liabilities. In 2013, changes in this exchange rate resulted in a foreign currency translation gain of $150 million, which primarily reflected a $330 million increase to PP&E and goodwill offset by an increase of $180 million to net liabilities. The impact of foreign currency translation is recorded in AOCI.

(All Registrants)

Related Party Transactions

The Registrants are not aware of any material ownership interests or operating responsibility by senior management in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with the Registrants. See Note 14 to the Financial Statements for additional information on related party transactions for PPL Electric, LKE, LG&E and KU.

Acquisitions, Development and Divestitures

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with, modify or terminate the projects. Any resulting transactions may impact future financial results. See Note 8 to the Financial Statements for information on the more significant activities.

(PPL)

See Note 8 to the Financial Statements for information on the spinoff of PPL Energy Supply.

Environmental Matters

(All Registrants)

Extensive federal, state and local environmental laws and regulations are applicable to PPL's, LKE's, LG&E's and KU's air emissions, water discharges and the management of hazardous and solid waste, as well as other aspects of the Registrants' businesses. The cost of compliance or alleged non-compliance cannot be predicted with certainty but could be significant. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed. Costs may take the form of increased capital expenditures or operating and maintenance expenses, monetary fines, penalties or other restrictions. Many of these environmental law considerations are also applicable to the operations of key suppliers, or customers, such as coal producers and industrial power users, and may impact the cost for their products or their demand for the Registrants' services. Increased capital and operating and maintenance expenses are subject to rate recovery. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

See Note 13 to the Financial Statements for a discussion of the more significant environmental matters including:
- Legal Matters,
- Climate Change,
- Coal Combustion Residuals,
- Effluent Limitations Guidelines,
- Mercury and Air Toxics Standards,
- National Ambient Air Quality Standards, and
- Superfund and Other Remediation.

Additionally, see "Item 1. Business - Environmental Matters" for additional information on environmental matters.

(PPL, LKE, LG&E and KU)

Coal Combustion Residuals (CCRs)

In October 2015, the EPA's final rule regulating CCRs became effective. In connection with the final CCR rule, LG&E and KU recorded increases to existing AROs of $228 million during 2015**.** See Note 19 to the Financial Statements for additional information. Further increases to AROs or changes to current capital plans or to operating costs may be required as estimates are refined based on closure developments, groundwater monitoring results and regulatory or legal proceedings. See Note 6 for details surrounding the CPCN and ECR filings that request rate recovery of the costs related to this rule.

(All Registrants)

Competition

See "Competition" under each of PPL's reportable segments in "Item 1. Business - General - Segment Information" and "Item 1A. Risk Factors" for a discussion of competitive factors affecting the Registrants.

New Accounting Guidance

See Notes 1 and 21 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 an understanding of the reported financial condition or results of operations, and require management to make estimates or other judgments of matters that are inherently uncertain. Changes in the estimates or other judgments included within these accounting policies could result in a significant change to the information presented in the Financial Statements (these accounting policies are also discussed in Note 1 to the Financial Statements). Senior management has reviewed with PPL's Audit Committee these critical accounting policies, the following disclosures regarding their application and the estimates and assumptions regarding them.

Price Risk Management *(PPL)*

See "Price Risk Management" in Note 1 to the Financial Statements, as well as "Financial Condition - Risk Management" above.

Defined Benefits

(All Registrants)

Certain of the Registrants' subsidiaries sponsor or participate in, as applicable, various qualified funded and non-qualified unfunded defined benefit pension plans and both funded and unfunded other postretirement benefit plans. These plans are applicable to the majority of the Registrants' employees (based on eligibility for their applicable plans). The Registrants and certain of their subsidiaries record an asset or liability to recognize the funded status of all defined benefit plans with an offsetting entry to AOCI or in the case of PPL Electric, LG&E and KU, regulatory assets and liabilities for amounts that are expected to be recovered through regulated customer rates. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets. See Notes 6 and 11 to the Financial Statements for additional information about the plans and the accounting for defined benefits.

A summary of plan sponsors by Registrant and whether a Registrant or its subsidiaries sponsor (S) or participate in and receives allocations (P) from those plans is shown in the table below.

Plan Sponsor	PPL	PPL Electric	LKE	LG&E	KU
PPL Services	S	P			
WPD (a)	S				
LKE			S	P	P
LG&E				S	

(a) Does not sponsor or participate in other postretirement benefits plans.

Management makes certain assumptions regarding the valuation of benefit obligations and the performance of plan assets. As such, annual net periodic defined benefit costs are recorded in current earnings or regulatory assets based on estimated results. Any differences between actual and estimated results are recorded in AOCI, or in the case of PPL Electric, LG&E and KU, regulatory assets and liabilities, for amounts that are expected to be recovered through regulated customer rates. These amounts in AOCI or regulatory assets and liabilities are amortized to income over future periods. The 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 that will be earned over the life of the plan. These projected returns reduce the net benefit costs the Registrants record 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 addition to the economic assumptions above that are evaluated annually, Management must also make assumptions regarding the life expectancy of employees covered under their defined benefit pension and other postretirement benefit plans. At December 31, 2014, the plan sponsors adopted the new mortality tables issued by the Society of Actuaries in October 2014 (RP-2014 base tables) for all U.S. defined benefit pension and other postretirement benefit plans. In addition, plan sponsors updated the basis for estimating projected mortality improvements and selected the IRS BB-2D two-dimensional improvement scale on a generational basis for all U.S. defined benefit pension and other postretirement benefit plans. These new mortality assumptions reflect the recognition of both improved life expectancies and the expectation of continuing improvements in life expectancies. The use of the new base tables and improvement scale resulted in an increase to U.S. defined benefit pension and other postretirement benefit obligations, an increase to future expense and a decrease to funded status.

(PPL)

In selecting the discount rate for its U.K. pension plans, WPD starts with a cash flow analysis of the expected benefit payment stream for its plans. These plan-specific cash flows are matched against a spot-rate yield curve to determine the assumed discount rate. The spot-rate yield curve uses an iBoxx British pounds sterling denominated corporate bond index as its base. From this base, those bonds with the lowest and highest yields are eliminated to develop an appropriate subset of bonds. Historically, WPD used the single weighted-average discount rate derived from the spot rates used to discount the benefit obligation. Concurrent with the annual remeasurement of plan assets and obligations at December 31, 2015, WPD will begin using individual spot rates to measure service cost and interest cost beginning with the calculation of 2016 net periodic defined benefit cost.

An individual bond matching approach, which is used for the U.S. pension plans as discussed below, is not used for the U.K. pension plans because the universe of bonds in the U.K. is not deep enough to adequately support such an approach.

(All Registrants)

In selecting the discount rates for U.S. defined benefit plans, the plan sponsors start with a cash flow analysis of the expected benefit payment stream for their plans. The plan-specific cash flows are matched against the coupons and expected maturity values of 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.

To determine the expected return on plan assets, plan sponsors project the long-term rates of return on plan assets using a best-estimate of expected returns, volatilities and correlations for each asset class. Each plan's specific current and expected asset allocations are also considered in developing a reasonable return assumption.

In selecting a rate of compensation increase, plan sponsors consider past experience in light of movements in inflation rates.

The following table provides the weighted-average assumptions used for discount rate, expected return on plan assets and rate of compensation increase at December 31.

Assumption / Registrant	2015	2014
Discount rate		
Pension - PPL (U.S.)	4.59%	4.25%
Pension - PPL (U.K.)	3.68%	3.85%
Pension - LKE	4.56%	4.25%
Pension - LG&E	4.49%	4.20%
Other Postretirement - PPL	4.48%	4.09%
Other Postretirement - LKE	4.49%	4.06%
Expected return on plan assets		
Pension - PPL (U.S.)	7.00%	7.00%
Pension - PPL (U.K.)	7.20%	7.19%
Pension - LKE	7.00%	7.00%
Pension - LG&E	7.00%	7.00%
Other Postretirement - PPL	6.11%	6.06%
Other Postretirement - LKE	6.82%	6.85%

Assumption / Registrant	2015	2014
Rate of compensation increase		
Pension - PPL (U.S.)	3.93%	3.91%
Pension - PPL (U.K.)	4.00%	4.00%
Pension - LKE	3.50%	3.50%
Other Postretirement - PPL	3.91%	3.86%
Other Postretirement - LKE	3.50%	3.50%

In selecting health care cost trend rates, plan sponsors consider past performance and forecasts of health care costs. At December 31, 2015, the health care cost trend rate for all plans was 6.8% for 2016, gradually declining to an ultimate trend rate of 5.0% in 2020.

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 AOCI or regulatory assets and liabilities. At December 31, 2015, the defined benefit plans were recorded in the Registrants' financial statements as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Balance Sheet:					
Regulatory assets (a)	$ 809	$ 469	$ 340	$ 215	$ 125
Regulatory liabilities	24		24		24
Pension liabilities	1,415	183	299	55	46
Other postretirement and postemployment benefit liabilities	217	67	128	77	42
AOCI (pre-tax)	2,977		74		
Statement of Income:					
Defined benefits expense	$ 58	$ 15	$ 38	$ 12	$ 10
Increase (decrease) from prior year	12	1	14	3	5

(a) As a result of the 2014 Kentucky rate case settlement that became effective July 1, 2015, the difference between pension cost calculated in accordance with LG&E's and KU's pension accounting policy and pension cost calculated using a 15 year amortization period for actuarial gains and losses is recorded as a regulatory asset. As of December 31, 2015, the balances were $10 million for PPL and LKE, $6 million for LG&E and $4 million for KU. See Note 6 for additional information.

The following tables reflect changes in certain assumptions based on the Registrants' primary defined benefit plans. The tables 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 AOCI or regulatory assets and liabilities 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.

Actuarial assumption	
Discount Rate	(0.25%)
Expected Return on Plan Assets	(0.25%)
Rate of Compensation Increase	0.25%
Health Care Cost Trend Rate (a)	1%

(a) Only impacts other postretirement benefits.

Actuarial assumption	**Increase (Decrease) Defined Benefit Liabilities**	**(Increase) Decrease AOCI (pre-tax)**	**Increase (Decrease) Net Regulatory Assets**	**Increase (Decrease) Defined Benefit Costs**
PPL				
Discount rate	$ 483	$ 388	$ 95	$ 42
Expected return on plan assets	n/a	n/a	n/a	27
Rate of compensation increase	65	54	11	12
Health care cost trend rate (a)	6	1	5	
PPL Electric				
Discount rate	56		56	5
Expected return on plan assets	n/a		n/a	4
Rate of compensation increase	6		6	2
Health care cost trend rate (a)	1		1	

Actuarial assumption	Increase (Decrease) Defined Benefit Liabilities	(Increase) Decrease AOCI (pre-tax)	Increase (Decrease) Net Regulatory Assets	Increase (Decrease) Defined Benefit Costs
LKE				
Discount rates	62	24	38	9
Expected return on plan assets	n/a	n/a	n/a	3
Rate of compensation increase	10	5	5	2
Health care cost trend rate (a)	5	1	4	
LG&E				
Discount rates	21	n/a	21	3
Expected return on plan assets	n/a	n/a	n/a	1
Rate of compensation increase	2	n/a	2	
Health care cost trend rate (a)	1	n/a	1	
KU				
Discount rates	17	n/a	17	3
Expected return on plan assets	n/a	n/a	n/a	1
Rate of compensation increase	3	n/a	3	1
Health care cost trend rate (a)	3	n/a	3	

(a) Only impacts other postretirement benefits.

Goodwill Impairment *(PPL, LKE, LG&E and KU)*

Goodwill is tested for impairment at the reporting unit level. PPL has determined its reporting units to be at the same level as its reportable segments. LKE, LG&E and KU each operate within a single reportable segment and single reporting unit. A goodwill impairment test is performed annually or more frequently if events or changes in circumstances indicate that the carrying amount of the reporting unit may be greater than the reporting unit's fair value. Additionally, goodwill is tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

PPL, LKE, LG&E and KU may elect either to initially make a qualitative evaluation about the likelihood of an impairment of goodwill or to bypass the qualitative evaluation and test goodwill for impairment using a 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.

When the two-step quantitative impairment test is elected or required as a result of the step zero assessment, in step one, PPL, LKE, LG&E and KU determine whether a potential impairment exists 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 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 its reporting units in the fourth quarter of 2015. Management used both discounted cash flows and market multiples, which required significant assumptions, to estimate the fair value of the reporting units. Significant assumptions used in the discounted cash flows include discount and growth rates, outcomes of future rate filings, projected operating and capital cash flows and the fair value of debt. Projected operating and capital cash flows is based on PPL's internal business plan, which assumes the occurrence of certain events in the future. Significant assumptions used in the market multiples include utility sector market performance and comparable transactions.

Goodwill was $3.6 billion at December 31, 2015, which consists of $2.9 billion related to the acquisition of WPD and $662 million related to the acquisition of LKE. Applying an appropriate weighting to both the discounted cash flow and market multiple valuations for the most recent impairment tests performed as of October 1, 2015, did not require the second-step assessment and did not result in any impairment.

A high degree of judgment is required in developing estimates related to fair value conclusions. A decrease in the forecasted cash flows of 10%, an increase in the discount rate by 0.25%, or a 10% decrease in the market multiples would not have resulted in an impairment of goodwill for these reporting units.

Loss Accruals *(All Registrants)*

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 outcomes, 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 consulted, as necessary, to help estimate the probability that a loss has been incurred and the amount (or range) of the loss.

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 new information becomes known, the contingency has been resolved and the actual loss is settled 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 and actual payments are made, a better estimate of the loss is determined or the loss is no longer considered probable.

- Actions or decisions by certain regulators could result in a better estimate of a previously recorded loss accrual.

Loss accruals are reviewed on a regular basis to assure that the recorded probable loss exposures are appropriate. This involves ongoing communication and analyses with internal and external legal counsel, engineers, business unit management and other parties.

See Notes 6 and 13 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, LKE, LG&E and KU)*

ARO liabilities are required to be recognized for legal obligations associated with the retirement of long-lived assets. The initial obligation is measured at its estimated fair value. An ARO must be recognized when incurred if the fair value of the ARO can be reasonably estimated. An equivalent amount is recorded as an increase in the value of the capitalized asset and amortized to expense over the useful life of the asset. For LG&E and KU, costs of removal are collected in rates, and therefore the accretion and depreciation expenses related to an ARO are recorded as a regulatory asset, such that there is no earnings impact.

See Note 19 to the Financial Statements for additional information on 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 consider 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 generally amortized over the remaining life of the associated long-lived asset.

At December 31, 2015, the total recorded balances and information on the most significant recorded AROs were as follows.

		Most Significant AROs		
	Total ARO Recorded	Amount Recorded	% of Total	Description
PPL	$ 586	$ 430	73	Ash ponds, landfills and natural gas mains
LKE	535	430	80	Ash ponds, landfills and natural gas mains
LG&E	175	102	58	Ash ponds, landfills and natural gas mains
KU	360	328	91	Ash ponds and landfills

The most significant assumptions surrounding AROs are the forecasted retirement costs (including the settlement dates and the timing of cash flows), the discount rates and the inflation rates. At December 31, 2015, a 10% change to retirement cost would increase the ARO liabilities by $44 million. A 0.25% decrease in the discount rate would increase the ARO liabilities by $6 million and a 0.25% increase in the inflation rate would increase the ARO liabilities by $6 million. For PPL, there would be no significant change to the annual depreciation expense of the ARO asset or the annual accretion expense of the ARO liability as a result of these changes in assumptions. As noted above, these factors do not impact the Statements of Income of LKE, LG&E and KU.

Income Taxes *(All Registrants)*

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, valuation allowances on deferred tax assets and whether the undistributed earnings of WPD are considered indefinitely reinvested.

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 as of the reporting date. Based on management's assessment of new information, a tax benefit may subsequently be recognized for a previously unrecognized tax position, a previously recognized tax position may be derecognized, or the benefit of a previously recognized tax position may be remeasured. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements in the future. 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.

At December 31, 2015, no significant changes in unrecognized tax benefits are projected over the next 12 months.

The need for valuation allowances to reduce deferred tax assets also require significant management judgment. Valuation allowances are initially recorded and reevaluated each reporting period by assessing the likelihood of the ultimate realization of a deferred tax asset. Management considers 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, including management's conclusion that the undistributed earnings of WPD are considered indefinitely reinvested. Based on this conclusion, PPL Global does not record U.S. income taxes on WPD's undistributed earnings.

Regulatory Assets and Liabilities

(PPL)

WPD operates in an incentive-based regulatory structure under distribution licenses granted by Ofgem. As the regulatory model is incentive-based rather than a cost recovery model, WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP for entities subject to cost-based rate regulation. Therefore, the accounting treatment of adjustments to base demand revenue and/or allowed revenue is evaluated based on revenue recognition and contingency guidance. See Note 1 to the Financial Statements for additional information.

(All Registrants)

PPL Electric, LG&E and KU, are subject to cost-based rate regulation. As a result, the effects of regulatory actions are required to be reflected in the financial statements. Assets and liabilities are recorded that result from the regulated ratemaking process that may not be recorded under GAAP for non-regulated entities. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in regulated customer rates. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. In certain cases, regulatory liabilities are recorded based on an understanding or agreement with the regulator that rates have been set to recover costs that are expected to be incurred in the future, and the regulated entity is accountable for any amounts charged pursuant to such rates and not yet expended for the intended purpose.

Management continually assesses whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders to other regulated entities, and the status of any pending or potential deregulation legislation. Based on this continual assessment, management believes the existing regulatory assets are probable of recovery. This assessment reflects the current political and regulatory climate at the state and federal levels, and is subject to change in the future. If future recovery of costs ceases to be probable, the regulatory asset would be written-off. Additionally, the regulatory agencies can provide flexibility in the manner and timing of recovery of regulatory assets.

At December 31, 2015, regulatory assets and regulatory liabilities were recorded as reflected in the table below. 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.

	PPL	PPL Electric	LKE	LG&E	KU
Regulatory assets	$ 1,781	$ 1,019	$ 762	$ 440	$ 322
Regulatory liabilities	1,090	135	955	444	511

See Note 6 to the Financial Statements for additional information on regulatory assets and liabilities.

Revenue Recognition - Unbilled Revenue *(PPL Electric, LKE, LG&E and KU)*

Revenues related to the sale of energy are recorded when service is rendered or when energy is delivered to customers. Because customers are billed on cycles which vary based on the timing of the actual meter reads taken throughout the month, estimates are recorded for unbilled revenues at the end of each reporting period. For LG&E and KU, such unbilled revenue amounts reflect estimates of deliveries to customers since the date of the last reading of their meters. The unbilled revenue estimates reflect consideration of factors including daily load models, estimated usage for each customer class, the effect of current and different rate schedules, the meter read schedule, the billing schedule, actual weather data and where applicable, the impact of weather normalization or other regulatory provisions of rate structures. For PPL Electric, unbilled revenue amounts reflect actual deliveries since the date of the last billed meter reading multiplied by the estimated average cents per kWh. At December 31, unbilled revenues recorded on the Balance Sheets were as follows.

	2015	2014
PPL Electric	$ 91	$ 113
LKE	147	167
LG&E	67	76
KU	80	91

Other Information *(All Registrants)*

PPL's Audit Committee has approved the independent auditor to provide audit and audit-related services, tax services and other services permitted by Sarbanes-Oxley and SEC rules. The audit and audit-related services include services in connection with statutory and regulatory filings, reviews of offering documents and registration statements, and internal control reviews.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

Reference is made to "Risk Management" for the Registrants in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations."

Report of Independent Registered Public Accounting Firm

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, 2015 and 2014, 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, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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. 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 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 Corporation and subsidiaries at December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, 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.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), PPL Corporation and subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 19, 2016, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 19, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareowners of PPL Corporation

We have audited PPL Corporation and subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). PPL Corporation and subsidiaries' 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 and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, 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, 2015 and 2014, 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, 2015, and our report dated February 19, 2016, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 19, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareowner of PPL Electric Utilities Corporation

We have audited the accompanying consolidated balance sheets of PPL Electric Utilities Corporation and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended December 31, 2015. 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, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 19, 2016

Report of Independent Registered Public Accounting Firm

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, 2015 and 2014, 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, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, 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 19, 2016

Report of Independent Registered Public Accounting Firm

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, 2015 and 2014, and the related statements of income, equity and cash flows for each of the three years in the period ended December 31, 2015. 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, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Louisville, Kentucky
February 19, 2016

Report of Independent Registered Public Accounting Firm

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, 2015 and 2014, and the related statements of income, equity and cash flows for each of the three years in the period ended December 31, 2015. 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, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Louisville, Kentucky
February 19, 2016

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)

	2015	2014	2013
Operating Revenues	**$ 7,669**	$ 7,852	$ 7,263
Operating Expenses			
Operation			
Fuel	**863**	965	895
Energy purchases	**855**	924	856
Other operation and maintenance	**1,938**	1,856	1,810
Depreciation	**883**	923	843
Taxes, other than income	**299**	317	298
Total Operating Expenses	**4,838**	4,985	4,702
Operating Income	**2,831**	2,867	2,561
Other Income (Expense) - net	**108**	105	(55)
Interest Expense	**871**	843	778
Income from Continuing Operations Before Income Taxes	**2,068**	2,129	1,728
Income Taxes	**465**	692	360
Income from Continuing Operations After Income Taxes	**1,603**	1,437	1,368
Income (Loss) from Discontinued Operations (net of income taxes)	**(921)**	300	(238)
Net Income	**$ 682**	$ 1,737	$ 1,130
Earnings Per Share of Common Stock:			
Income from Continuing Operations After Income Taxes Available to PPL Common Shareowners:			
Basic	**$ 2.38**	$ 2.19	$ 2.24
Diluted	**$ 2.37**	$ 2.16	$ 2.12
Net Income Available to PPL Common Shareowners:			
Basic	**$ 1.01**	$ 2.64	$ 1.85
Diluted	**$ 1.01**	$ 2.61	$ 1.76
Dividends Declared Per Share of Common Stock	**$ 1.50**	$ 1.49	$ 1.47
Weighted-Average Shares of Common Stock Outstanding (in thousands)			
Basic	**669,814**	653,504	608,983
Diluted	**672,586**	665,973	663,073

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)

	2015	2014	2013
Net income	**$ 682**	$ 1,737	$ 1,130
Other comprehensive income (loss):			
Amounts arising during the period - gains (losses), net of tax (expense) benefit:			
Foreign currency translation adjustments, net of tax of $1, ($8), $4	**(234)**	(275)	138
Available-for-sale securities, net of tax of ($9), ($39), ($72)	**8**	35	67
Qualifying derivatives, net of tax of $0, $23, ($41)	**26**	(10)	45
Defined benefit plans:			
Prior service costs, net of tax of $6, ($4), ($1)	**(9)**	5	2
Net actuarial gain (loss), net of tax of $67, $225, ($73)	**(366)**	(509)	71
Reclassifications to net income - (gains) losses, net of tax expense (benefit):			
Available-for-sale securities, net of tax of $2, $7, $4	**(2)**	(6)	(6)
Qualifying derivatives, net of tax of ($15), $23, $80	**2**	(64)	(83)
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $0	**(1)**		
Defined benefit plans:			
Prior service costs, net of tax of $0, ($3), ($4)		4	6
Net actuarial loss, net of tax of ($46), ($34), ($49)	**146**	111	135
Total other comprehensive income (loss)	**(430)**	(709)	375
Comprehensive income	**$ 252**	$ 1,028	$ 1,505

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)

	2015	2014	2013
Cash Flows from Operating Activities			
Net income	**$ 682**	$ 1,737	$ 1,130
Loss (income) from discontinued operations (net of income taxes)	**921**	(300)	238
Income from continuing operations (net of income taxes)	**1,603**	1,437	1,368
Adjustments to reconcile Income from continuing operations (net of taxes) to net cash provided by (used in) operating activities - continuing operations			
Depreciation	**883**	923	843
Amortization	**59**	65	66
Defined benefit plans - expense	**56**	48	125
Deferred income taxes and investment tax credits	**428**	666	387
Unrealized (gains) losses on derivatives, and other hedging activities	**(77)**	(187)	56
Adjustment to WPD line loss accrual		65	45
Other	**17**	66	
Change in current assets and current liabilities			
Accounts receivable	**47**	(123)	(211)
Accounts payable	**(116)**	40	127
Unbilled revenues	**54**	22	(56)
Prepayments	**(23)**	87	39
Taxes payable	**(175)**	161	51
Uncertain tax positions	**(17)**		(112)
Other	**99**	23	(66)
Other operating activities			
Defined benefit plans - funding	**(499)**	(384)	(450)
Settlement of interest rate swaps	**(101)**		104
Other assets	**(19)**	9	11
Other liabilities	**53**	23	120
Net cash provided by (used in) operating activities - continuing operations	**2,272**	2,941	2,447
Net cash provided by (used in) operating activities - discontinued operations	**343**	462	409
Net cash provided by (used in) operating activities	**2,615**	3,403	2,856
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(3,533)**	(3,674)	(3,629)
Expenditures for intangible assets	**(37)**	(49)	(53)
Purchases of other investments		(120)	
Proceeds from the sale of other investments	**136**		
Net (increase) decrease in restricted cash and cash equivalents	**8**	19	2
Other investing activities	**(13)**	(2)	16
Net cash provided by (used in) investing activities - continuing operations	**(3,439)**	(3,826)	(3,664)
Net cash provided by (used in) investing activities - discontinued operations	**(149)**	497	(631)
Net cash provided by (used in) investing activities	**(3,588)**	(3,329)	(4,295)
Cash Flows from Financing Activities			
Issuance of long-term debt	**2,236**	296	2,038
Retirement of long-term debt	**(1,000)**	(237)	
Repurchase of common stock			(74)
Issuance of common stock	**203**	1,074	1,411
Payment of common stock dividends	**(1,004)**	(967)	(878)
Contract adjustment payments on Equity Units		(22)	(82)
Net increase (decrease) in short-term debt	**94**	147	405
Other financing activities	**(47)**	(29)	(67)
Net cash provided by (used in) financing activities - continuing operations	**482**	262	2,753
Net cash provided by (used in) financing activities - discontinued operations	**(546)**	(846)	47
Net cash distributions to parent from discontinued operations	**132**	1,167	(1,169)
Net cash provided by (used in) financing activities	**68**	583	1,631
Effect of Exchange Rates on Cash and Cash Equivalents	**(10)**	(8)	8
Net (Increase) Decrease in Cash and Cash Equivalents included in Discontinued Operations	**352**	(113)	175
Net Increase (Decrease) in Cash and Cash Equivalents	**(563)**	536	375
Cash and Cash Equivalents at Beginning of Period	**1,399**	863	488
Cash and Cash Equivalents at End of Period	**$ 836**	$ 1,399	$ 863
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	**$ 822**	$ 959	$ 916
Income taxes - net	**$ 179**	$ 190	$ 128

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)

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 836**	$ 1,399
Short-term investments		120
Accounts receivable (less reserve: 2015, $41; 2014, $44)		
Customer	**673**	737
Other	**59**	71
Unbilled revenues	**453**	517
Fuel, materials and supplies	**357**	381
Prepayments	**66**	75
Price risk management assets	**139**	79
Other current assets	**63**	55
Current assets of discontinued operations		2,592
Total Current Assets	**2,646**	6,026
Property, Plant and Equipment		
Regulated utility plant	**34,399**	30,568
Less: accumulated depreciation - regulated utility plant	**5,683**	5,361
Regulated utility plant, net	**28,716**	25,207
Non-regulated property, plant and equipment	**516**	592
Less: accumulated depreciation - non-regulated property, plant and equipment	**165**	162
Non-regulated property, plant and equipment, net	**351**	430
Construction work in progress	**1,315**	2,532
Property, Plant and Equipment, net	**30,382**	28,169
Other Noncurrent Assets		
Regulatory assets	**1,733**	1,562
Goodwill	**3,550**	3,667
Other intangibles	**679**	668
Other noncurrent assets	**311**	203
Noncurrent assets of discontinued operations		8,311
Total Other Noncurrent Assets	**6,273**	14,411
Total Assets	**$ 39,301**	$ 48,606

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)

	2015	2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 916**	$ 836
Long-term debt due within one year	**485**	1,000
Accounts payable	**812**	995
Taxes	**85**	263
Interest	**303**	298
Dividends	**255**	249
Customer deposits	**326**	304
Regulatory liabilities	**145**	91
Other current liabilities	**549**	632
Current liabilities of discontinued operations		2,771
Total Current Liabilities	**3,876**	7,439
Long-term Debt	**18,563**	17,054
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**3,440**	3,102
Investment tax credits	**128**	132
Accrued pension obligations	**1,405**	1,457
Asset retirement obligations	**536**	324
Regulatory liabilities	**945**	992
Other deferred credits and noncurrent liabilities	**489**	525
Noncurrent liabilities of discontinued operations		3,953
Total Deferred Credits and Other Noncurrent Liabilities	**6,943**	10,485
Commitments and Contingent Liabilities (Notes 5, 6 and 13)		
Equity		
Common stock - $0.01 par value (a)	**7**	7
Additional paid-in capital	**9,687**	9,433
Earnings reinvested	**2,953**	6,462
Accumulated other comprehensive loss	**(2,728)**	(2,274)
Total Equity	**9,919**	13,628
Total Liabilities and Equity	**$ 39,301**	$ 48,606

(a) 780,000 shares authorized; 673,857 and 665,849 shares issued and outstanding at December 31, 2015 and 2014.

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, 2012	581,944	$ 6	$ 6,936	$ 5,478	$ (1,940)	$ 18	$ 10,498
Common stock issued	50,807		1,437				1,437
Common stock repurchased	(2,430)		(74)				(74)
Cash settlement of equity forward agreements			(13)				(13)
Stock-based compensation			30				30
Net income				1,130			1,130
Dividends and dividend equivalents				(899)		(18)	(917)
Other comprehensive income (loss)					375		375
December 31, 2013	630,321	$ 6	$ 8,316	$ 5,709	$ (1,565)	$	$ 12,466
Common stock issued	35,528	$ 1	$ 1,089				$ 1,090
Stock-based compensation			28				28
Net income				$ 1,737			1,737
Dividends and dividend equivalents				(984)			(984)
Other comprehensive income (loss)					$ (709)		(709)
December 31, 2014	665,849	$ 7	$ 9,433	$ 6,462	$ (2,274)		$ 13,628
Common stock issued	8,008		$ 249				$ 249
Stock-based compensation			5				5
Net income				$ 682			682
Dividends and dividend equivalents				(1,010)			(1,010)
Distribution of PPL Energy Supply (Note 8)				(3,181)	$ (24)		(3,205)
Other comprehensive income (loss)					(430)		(430)
December 31, 2015	673,857	$ 7	$ 9,687	$ 2,953	$ (2,728)		$ 9,919

(a) Shares in thousands. Each share entitles the holder to one vote on any question presented at any shareowners' meeting.

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)

	2015	2014	2013
Operating Revenues	**$ 2,124**	$ 2,044	$ 1,870
Operating Expenses			
Operation			
Energy purchases	**657**	587	588
Energy purchases from affiliate	**14**	84	51
Other operation and maintenance	**607**	543	531
Depreciation	**214**	185	178
Taxes, other than income	**94**	107	103
Total Operating Expenses	**1,586**	1,506	1,451
Operating Income	**538**	538	419
Other Income (Expense) - net	**8**	7	6
Interest Expense	**130**	122	108
Income Before Income Taxes	**416**	423	317
Income Taxes	**164**	160	108
Net Income (a)	**$ 252**	$ 263	$ 209

(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)

	2015	2014	2013
Cash Flows from Operating Activities			
Net income	**$ 252**	$ 263	$ 209
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	**214**	185	178
Amortization	**26**	19	19
Defined benefit plans - expense	**16**	15	21
Deferred income taxes and investment tax credits	**220**	87	127
Other	**(12)**	(23)	(9)
Change in current assets and current liabilities			
Accounts receivable	**50**	(64)	(29)
Accounts payable	**(107)**	30	12
Unbilled revenues	**22**	3	(6)
Prepayments	**(1)**	1	36
Regulatory assets and liabilities	**35**	5	19
Taxes payable	**(108)**	75	49
Other	**21**	10	(28)
Other operating activities			
Defined benefit plans - funding	**(33)**	(23)	(93)
Other assets	**(10)**	19	8
Other liabilities	**17**	11	10
Net cash provided by (used in) operating activities	**602**	613	523
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(1,097)**	(931)	(903)
Expenditures for intangible assets	**(10)**	(26)	(39)
Net (increase) decrease in notes receivable from affiliate		150	(150)
Other investing activities	**(1)**	16	12
Net cash provided by (used in) investing activities	**(1,108)**	(791)	(1,080)
Cash Flows from Financing Activities			
Issuance of long-term debt	**348**	296	348
Retirement of long-term debt	**(100)**	(10)	
Contributions from PPL	**275**	263	205
Payment of common stock dividends to parent	**(181)**	(158)	(127)
Net increase (decrease) in short-term debt		(20)	20
Other financing activities	**(3)**	(4)	(4)
Net cash provided by (used in) financing activities	**339**	367	442
Net Increase (Decrease) in Cash and Cash Equivalents	**(167)**	189	(115)
Cash and Cash Equivalents at Beginning of Period	**214**	25	140
Cash and Cash Equivalents at End of Period	**$ 47**	$ 214	$ 25
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	**$ 117**	$ 110	$ 87
Income taxes - net	**$ 38**	$ 40	$ (45)

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)

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 47**	$ 214
Accounts receivable (less reserve: 2015, $16; 2014, $17)		
Customer	**286**	312
Other	**10**	44
Unbilled revenues	**91**	113
Materials and supplies	**34**	43
Prepayments	**66**	10
Regulatory assets	**13**	12
Other current assets	**8**	13
Total Current Assets	**555**	761
Property, Plant and Equipment		
Regulated utility plant	**8,734**	7,589
Less: accumulated depreciation - regulated utility plant	**2,573**	2,517
Regulated utility plant, net	**6,161**	5,072
Construction work in progress	**530**	738
Property, Plant and Equipment, net	**6,691**	5,810
Other Noncurrent Assets		
Regulatory assets	**1,006**	897
Intangibles	**244**	235
Other noncurrent assets	**15**	3
Total Other Noncurrent Assets	**1,265**	1,135
Total Assets	**$ 8,511**	$ 7,706

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)

	2015	2014
Liabilities and Equity		
Current Liabilities		
Long-term debt due within one year		$ 100
Accounts payable	**$ 288**	325
Accounts payable to affiliates	**35**	70
Taxes	**24**	85
Interest	**37**	34
Regulatory liabilities	**113**	76
Customer deposits	**31**	34
Other current liabilities	**77**	69
Total Current Liabilities	**605**	793
Long-term Debt	**2,828**	2,481
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,663**	1,425
Accrued pension obligations	**183**	212
Regulatory liabilities	**22**	18
Other deferred credits and noncurrent liabilities	**91**	60
Total Deferred Credits and Other Noncurrent Liabilities	**1,959**	1,715
Commitments and Contingent Liabilities (Notes 6 and 13)		
Equity		
Common stock - no par value (a)	**364**	364
Additional paid-in capital	**1,934**	1,603
Earnings reinvested	**821**	750
Total Equity	**3,119**	2,717
Total Liabilities and Equity	**$ 8,511**	$ 7,706

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at December 31, 2015 and 2014.

The accompanying Notes to Financial Statements are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF EQUITY
PPL Electric Utilities Corporation and Subsidiaries
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2012	66,368	$ 364	$ 1,135	$ 563	$ 2,062
Net income				209	209
Capital contributions from PPL			205		205
Dividends declared on common stock				(127)	(127)
December 31, 2013	66,368	$ 364	$ 1,340	$ 645	$ 2,349
Net income				$ 263	$ 263
Capital contributions from PPL			$ 263		263
Dividends declared on common stock				(158)	(158)
December 31, 2014	66,368	$ 364	$ 1,603	$ 750	$ 2,717
Net income				$ 252	$ 252
Capital contributions from PPL (b)			$ 331		331
Dividends declared on common stock				(181)	(181)
December 31, 2015	66,368	$ 364	$ 1,934	$ 821	$ 3,119

(a) Shares in thousands. All common shares of PPL Electric stock are owned by PPL.
(b) Includes non-cash contributions of $56 million. See Note 11 for additional information.

The accompanying Notes to Financial Statements are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries

(Millions of Dollars)

	2015	2014	2013
Operating Revenues	**$ 3,115**	$ 3,168	$ 2,976
Operating Expenses			
Operation			
Fuel	**863**	965	896
Energy purchases	**184**	253	217
Other operation and maintenance	**837**	815	778
Depreciation	**382**	354	334
Taxes, other than income	**57**	52	48
Total Operating Expenses	**2,323**	2,439	2,273
Operating Income	**792**	729	703
Other Income (Expense) - net	**(8)**	(9)	(7)
Interest Expense	**178**	167	144
Interest Expense with Affiliate	**3**		1
Income from Continuing Operations Before Income Taxes	**603**	553	551
Income Taxes	**239**	209	206
Income from Continuing Operations After Income Taxes	**364**	344	345
Income from Discontinued Operations (net of income taxes)			2
Net Income	**$ 364**	$ 344	$ 347

The accompanying Notes to Financial Statements are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries

(Millions of Dollars)

	2015	2014	2013
Net income	**$ 364**	$ 344	$ 347
Other comprehensive income (loss):			
Amounts arising during the period - gains (losses), net of tax (expense) benefit:			
Defined benefit plans:			
Prior service costs, net of tax of $2, $4, $0	**(3)**	(7)	
Net actuarial gain (loss), net of tax of $2, $32, ($18)	**(4)**	(50)	28
Reclassification from AOCI - (gains) losses, net of tax expense (benefit):			
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $0		(1)	
Defined benefit plans:			
Prior service costs, net of tax of ($1), $0, $0	**1**	1	
Net actuarial loss, net of tax of ($3), $0, $0	**5**	(1)	
Total other comprehensive income (loss)	**(1)**	(58)	28
Comprehensive income	**$ 363**	$ 286	$ 375

The accompanying Notes to Financial Statements are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries

(Millions of Dollars)

	2015	2014	2013
Cash Flows from Operating Activities			
Net income	**$ 364**	$ 344	$ 347
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	**382**	354	334
Amortization	**27**	25	22
Defined benefit plans - expense	**38**	25	48
Deferred income taxes and investment tax credits	**236**	449	254
Other	**2**	16	5
Change in current assets and current liabilities			
Accounts receivable	**24**	(20)	(91)
Accounts payable	**(58)**	12	40
Accounts payable to affiliates	**(2)**	(1)	1
Unbilled revenues	**20**	13	(24)
Fuel, materials and supplies	**6**	(32)	(1)
Income tax receivable	**135**	(136)	1
Taxes payable	**10**	(3)	13
Interest	**9**		2
Other	**23**	(1)	20
Other operating activities			
Defined benefit plans - funding	**(70)**	(45)	(168)
Settlement of interest rate swaps	**(88)**		86
Other assets	**(7)**	(7)	9
Other liabilities	**12**	6	22
Net cash provided by (used in) operating activities	**1,063**	999	920
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(1,210)**	(1,262)	(1,434)
Net (increase) decrease in notes receivable from affiliates		70	(70)
Other investing activities	**7**	1	2
Net cash provided by (used in) investing activities	**(1,203)**	(1,191)	(1,502)
Cash Flows from Financing Activities			
Net increase (decrease) in notes payable with affiliates	**13**	41	(25)
Issuance of long-term note with affiliate	**400**		
Issuance of long-term debt	**1,050**		496
Retirement of long-term debt	**(900)**		
Net increase (decrease) in short-term debt	**(310)**	330	120
Debt issuance and credit facility costs	**(10)**	(5)	(6)
Distributions to member	**(219)**	(436)	(254)
Contributions from member	**125**	248	243
Net cash provided by (used in) financing activities	**149**	178	574
Net Increase (Decrease) in Cash and Cash Equivalents	**9**	(14)	(8)
Cash and Cash Equivalents at Beginning of Period	**21**	35	43
Cash and Cash Equivalents at End of Period	**$ 30**	$ 21	$ 35
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	**$ 163**	$ 157	$ 137
Income taxes - net	**$ (139)**	$ (75)	$ (67)

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)

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 30**	$ 21
Accounts receivable (less reserve: 2015, $23; 2014, $25)		
Customer	**209**	231
Other	**16**	18
Unbilled revenues	**147**	167
Fuel, materials and supplies	**298**	311
Prepayments	**23**	28
Income taxes receivable	**1**	136
Regulatory assets	**35**	25
Other current assets	**6**	3
Total Current Assets	**765**	940
Property, Plant and Equipment		
Regulated utility plant	**11,906**	10,014
Less: accumulated depreciation - regulated utility plant	**1,163**	1,069
Regulated utility plant, net	**10,743**	8,945
Construction work in progress	**660**	1,559
Property, Plant and Equipment, net	**11,403**	10,504
Other Noncurrent Assets		
Regulatory assets	**727**	665
Goodwill	**996**	996
Other intangibles	**123**	174
Other noncurrent assets	**76**	77
Total Other Noncurrent Assets	**1,922**	1,912
Total Assets	**$ 14,090**	$ 13,356

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)

	2015	2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 265	$ 575
Long-term debt due within one year	25	900
Notes payable with affiliates	54	41
Accounts payable	266	399
Accounts payable to affiliates	5	2
Customer deposits	52	52
Taxes	46	36
Price risk management liabilities	5	5
Price risk management liabilities to affiliates		66
Regulatory liabilities	32	15
Interest	32	23
Other current liabilities	185	131
Total Current Liabilities	967	2,245
Long-term Debt		
Long-term debt	4,663	3,643
Long-term debt to affiliate	400	
Total Long-term Debt	5,063	3,643
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,463	1,225
Investment tax credits	128	131
Price risk management liabilities	42	43
Accrued pension obligations	296	305
Asset retirement obligations	485	274
Regulatory liabilities	923	974
Other deferred credits and noncurrent liabilities	206	268
Total Deferred Credits and Other Noncurrent Liabilities	3,543	3,220
Commitments and Contingent Liabilities (Notes 6 and 15)		
Member's equity	4,517	4,248
Total Liabilities and Equity	$ 14,090	$ 13,356

The accompanying Notes to Financial Statements are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF EQUITY
LG&E and KU Energy LLC and Subsidiaries
(Millions of Dollars)

		Member's Equity
December 31, 2012	$	3,786
Net income		347
Contributions from member		243
Distributions to member		(254)
Other comprehensive income (loss)		28
December 31, 2013	$	4,150
Net income	$	344
Contributions from member		248
Distributions to member		(436)
Other comprehensive income (loss)		(58)
December 31, 2014	$	4,248
Net income	$	364
Contributions from member		125
Distributions to member		(219)
Other comprehensive income (loss)		(1)
December 31, 2015	$	4,517

The accompanying Notes to Financial Statements are an integral part of the financial statements.

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STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
Louisville Gas and Electric Company

(Millions of Dollars)

	2015	2014	2013
Operating Revenues			
Retail and wholesale	**$ 1,407**	$ 1,445	$ 1,351
Electric revenue from affiliate	**37**	88	59
Total Operating Revenues	**1,444**	1,533	1,410
Operating Expenses			
Operation			
Fuel	**329**	404	367
Energy purchases	**166**	230	195
Energy purchases from affiliate	**20**	14	10
Other operation and maintenance	**377**	379	373
Depreciation	**162**	157	148
Taxes, other than income	**28**	25	24
Total Operating Expenses	**1,082**	1,209	1,117
Operating Income	**362**	324	293
Other Income (Expense) - net	**(6)**	(3)	(2)
Interest Expense	**57**	49	34
Income Before Income Taxes	**299**	272	257
Income Taxes	**114**	103	94
Net Income (a)	**$ 185**	$ 169	$ 163

(a) Net income equals comprehensive income.

The accompanying Notes to Financial Statements are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
Louisville Gas and Electric Company

(Millions of Dollars)

	2015	2014	2013
Cash Flows from Operating Activities			
Net income	**$ 185**	$ 169	$ 163
Adjustments to reconcile net income to net cash provided			
by (used in) operating activities			
Depreciation	**162**	157	148
Amortization	**11**	12	6
Defined benefit plans - expense	**12**	9	18
Deferred income taxes and investment tax credits	**126**	118	26
Other	**8**	2	9
Change in current assets and current liabilities			
Accounts receivable	**19**	(12)	(37)
Accounts receivable from affiliates	**11**	(23)	14
Accounts payable	**(29)**	25	16
Accounts payable to affiliates	**5**	(4)	1
Unbilled revenues	**9**	9	(13)
Fuel, materials and supplies	**3**	(8)	(12)
Income tax receivable	**70**	(74)	
Taxes payable	**1**	8	9
Interest	**5**		1
Other	**17**		7
Other operating activities			
Defined benefit plans - funding	**(26)**	(13)	(48)
Settlement of interest rate swaps	**(44)**		43
Other assets	**11**	(2)	9
Other liabilities	**(2)**	(2)	6
Net cash provided by (used in) operating activities	**554**	371	366
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(689)**	(656)	(577)
Net cash provided by (used in) investing activities	**(689)**	(656)	(577)
Cash Flows from Financing Activities			
Issuance of long-term debt	**550**		248
Retirement of long-term debt	**(250)**		
Net increase (decrease) in short-term debt	**(122)**	244	(35)
Debt issuance and credit facility costs	**(5)**	(2)	(3)
Payment of common stock dividends to parent	**(119)**	(112)	(99)
Contributions from parent	**90**	157	86
Net cash provided by (used in) financing activities	**144**	287	197
Net Increase (Decrease) in Cash and Cash Equivalents	**9**	2	(14)
Cash and Cash Equivalents at Beginning of Period	**10**	8	22
Cash and Cash Equivalents at End of Period	**$ 19**	$ 10	$ 8
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	**$ 48**	$ 46	$ 36
Income taxes - net	**$ (81)**	$ 65	$ 51

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)

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 19**	$ 10
Accounts receivable (less reserve: 2015, $1; 2014, $2)		
Customer	**92**	107
Other	**7**	11
Unbilled revenues	**67**	76
Accounts receivable from affiliates	**12**	23
Fuel, materials and supplies	**151**	162
Prepayments	**5**	8
Income taxes receivable	**4**	74
Regulatory assets	**16**	21
Other current assets	**2**	1
Total Current Assets	**375**	493
Property, Plant and Equipment		
Regulated utility plant	**4,804**	4,031
Less: accumulated depreciation - regulated utility plant	**404**	456
Regulated utility plant, net	**4,400**	3,575
Construction work in progress	**390**	676
Property, Plant and Equipment, net	**4,790**	4,251
Other Noncurrent Assets		
Regulatory assets	**424**	397
Goodwill	**389**	389
Other intangibles	**73**	97
Other noncurrent assets	**17**	27
Total Other Noncurrent Assets	**903**	910
Total Assets	**$ 6,068**	$ 5,654

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)

	2015	2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 142**	$ 264
Long-term debt due within one year	**25**	250
Accounts payable	**157**	240
Accounts payable to affiliates	**25**	20
Customer deposits	**26**	25
Taxes	**20**	19
Price risk management liabilities	**5**	5
Price risk management liabilities to affiliates		33
Regulatory liabilities	**13**	10
Interest	**11**	6
Other current liabilities	**64**	42
Total Current Liabilities	**488**	914
Long-term Debt	**1,617**	1,095
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**829**	700
Investment tax credits	**35**	36
Price risk management liabilities	**42**	43
Accrued pension obligations	**56**	57
Asset retirement obligations	**149**	66
Regulatory liabilities	**431**	458
Other deferred credits and noncurrent liabilities	**91**	111
Total Deferred Credits and Other Noncurrent Liabilities	**1,633**	1,471
Commitments and Contingent Liabilities (Notes 6 and 15)		
Stockholder's Equity		
Common stock - no par value (a)	**424**	424
Additional paid-in capital	**1,611**	1,521
Earnings reinvested	**295**	229
Total Equity	**2,330**	2,174
Total Liabilities and Equity	**$ 6,068**	$ 5,654

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at December 31, 2015 and December 31, 2014.

The accompanying Notes to Financial Statements are an integral part of the financial statements.

STATEMENTS OF EQUITY
Louisville Gas and Electric Company
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2012	21,294	$ 424	$ 1,278	$ 108	$ 1,810
Net income				163	163
Capital contributions from LKE			86		86
Cash dividends declared on common stock				(99)	(99)
December 31, 2013	21,294	$ 424	$ 1,364	$ 172	$ 1,960
Net income				$ 169	$ 169
Capital contributions from LKE			$ 157		157
Cash dividends declared on common stock				(112)	(112)
December 31, 2014	21,294	$ 424	$ 1,521	$ 229	$ 2,174
Net income				$ 185	$ 185
Capital contributions from LKE			$ 90		90
Cash dividends declared on common stock				(119)	(119)
December 31, 2015	21,294	$ 424	$ 1,611	$ 295	$ 2,330

(a) Shares in thousands. All common shares of LG&E stock are owned by LKE.

The accompanying Notes to Financial Statements are an integral part of the financial statements.

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STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
Kentucky Utilities Company
(Millions of Dollars)

	2015	2014	2013
Operating Revenues			
Retail and wholesale	**$ 1,708**	$ 1,723	$ 1,625
Electric revenue from affiliate	**20**	14	10
Total Operating Revenues	**1,728**	1,737	1,635
Operating Expenses			
Operation			
Fuel	**534**	561	529
Energy purchases	**18**	23	22
Energy purchases from affiliate	**37**	88	59
Other operation and maintenance	**435**	408	382
Depreciation	**220**	197	186
Taxes, other than income	**29**	27	24
Total Operating Expenses	**1,273**	1,304	1,202
Operating Income	**455**	433	433
Other Income (Expense) - net	**1**	(1)	(3)
Interest Expense	**82**	77	70
Income Before Income Taxes	**374**	355	360
Income Taxes	**140**	135	132
Net Income (a)	**$ 234**	$ 220	$ 228

(a) Net income approximates comprehensive income.

The accompanying Notes to Financial Statements are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
Kentucky Utilities Company

(Millions of Dollars)

	2015	2014	2013
Cash Flows from Operating Activities			
Net income	**$ 234**	$ 220	$ 228
Adjustments to reconcile net income to net cash provided			
by (used in) operating activities			
Depreciation	**220**	197	186
Amortization	**13**	11	14
Defined benefit plans - expense	**10**	5	18
Deferred income taxes and investment tax credits	**160**	224	69
Other	**(5)**	13	(3)
Change in current assets and current liabilities			
Accounts receivable	**5**	(9)	(44)
Accounts receivable from affiliates	**(1)**		7
Accounts payable	**(32)**	(10)	23
Accounts payable to affiliates	**(10)**	22	(8)
Unbilled revenues	**11**	4	(11)
Fuel, materials and supplies	**3**	(25)	10
Income tax receivable	**59**	(60)	
Taxes payable	**6**	(19)	7
Interest	**5**		1
Other	**4**	(5)	9
Other operating activities			
Defined benefit plans - funding	**(21)**	(5)	(65)
Settlement of interest rate swaps	**(44)**		43
Other assets	**(11)**	(4)	1
Other liabilities	**2**	7	10
Net cash provided by (used in) operating activities	**608**	566	495
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(519)**	(604)	(855)
Other investing activities	**7**	1	2
Net cash provided by (used in) investing activities	**(512)**	(603)	(853)
Cash Flows from Financing Activities			
Issuance of long-term debt	**500**		248
Retirement of long-term debt	**(250)**		
Net increase (decrease) in short-term debt	**(188)**	86	80
Debt issuance and credit facility costs	**(5)**	(2)	(3)
Payment of common stock dividends to parent	**(153)**	(148)	(124)
Contributions from parent		91	157
Net cash provided by (used in) financing activities	**(96)**	27	358
Net Increase (Decrease) in Cash and Cash Equivalents		(10)	
Cash and Cash Equivalents at Beginning of Period	**11**	21	21
Cash and Cash Equivalents at End of Period	**$ 11**	$ 11	$ 21
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	**$ 75**	$ 73	$ 61
Income taxes - net	**$ (84)**	$	$ 47

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)

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 11**	$ 11
Accounts receivable (less reserve: 2015, $2; 2014, $2)		
Customer	**117**	124
Other	**8**	6
Unbilled revenues	**80**	91
Accounts receivable from affiliates	**1**	
Fuel, materials and supplies	**147**	149
Prepayments	**8**	10
Income taxes receivable	**1**	60
Regulatory assets	**19**	4
Other current assets	**4**	2
Total Current Assets	**396**	457
Property, Plant and Equipment		
Regulated utility plant	**7,099**	5,977
Less: accumulated depreciation - regulated utility plant	**759**	611
Regulated utility plant, net	**6,340**	5,366
Construction work in progress	**267**	880
Property, Plant and Equipment, net	**6,607**	6,246
Other Noncurrent Assets		
Regulatory assets	**303**	268
Goodwill	**607**	607
Other intangibles	**50**	77
Other noncurrent assets	**48**	46
Total Other Noncurrent Assets	**1,008**	998
Total Assets	**$ 8,011**	$ 7,701

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)

	2015	2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 48**	$ 236
Long-term debt due within one year		250
Accounts payable	**88**	141
Accounts payable to affiliates	**39**	47
Customer deposits	**26**	27
Taxes	**20**	14
Price risk management liabilities to affiliates		33
Regulatory liabilities	**19**	5
Interest	**16**	11
Other current liabilities	**69**	41
Total Current Liabilities	**325**	805
Long-term Debt	**2,326**	1,829
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,046**	882
Investment tax credits	**93**	95
Accrued pension obligations	**46**	59
Asset retirement obligations	**336**	208
Regulatory liabilities	**492**	516
Other deferred credits and noncurrent liabilities	**60**	101
Total Deferred Credits and Other Noncurrent Liabilities	**2,073**	1,861
Commitments and Contingent Liabilities (Notes 6 and 15)		
Stockholder's Equity		
Common stock - no par value (a)	**308**	308
Additional paid-in capital	**2,596**	2,596
Earnings reinvested	**383**	302
Total Equity	**3,287**	3,206
Total Liabilities and Equity	**$ 8,011**	$ 7,701

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at December 31, 2015 and December 31, 2014.

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, 2012	37,818	$ 308	$ 2,348	$ 126	$ 1	$ 2,783
Net income				228		228
Capital contributions from LKE			157			157
Cash dividends declared on common stock				(124)		(124)
December 31, 2013	37,818	$ 308	$ 2,505	$ 230	$ 1	$ 3,044
Net income				$ 220		$ 220
Capital contributions from LKE			$ 91			91
Cash dividends declared on common stock				(148)		(148)
Other comprehensive income (loss)					$ (1)	(1)
December 31, 2014	37,818	$ 308	$ 2,596	$ 302	$	$ 3,206
Net income				$ 234		$ 234
Cash dividends declared on common stock				(153)		(153)
December 31, 2015	37,818	$ 308	$ 2,596	$ 383	$	$ 3,287

(a) Shares in thousands. All common shares of KU stock are owned by LKE.

The accompanying Notes to Financial Statements are an integral part of the financial statements.

COMBINED NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

(All Registrants)

General

Capitalized terms and abbreviations appearing in the combined notes to financial statements are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above or within the applicable disclosure. Within combined disclosures, amounts are disclosed for any Registrant when significant.

Business and Consolidation

(PPL)

PPL is a utility holding company that, through its regulated subsidiaries, is primarily engaged in: 1) the distribution of electricity in the U.K.; 2) the generation, transmission, distribution and sale of electricity and the distribution and sale of natural gas, primarily in Kentucky; and 3) the transmission, distribution and sale of electricity in Pennsylvania. Headquartered in Allentown, PA, PPL's principal subsidiaries are PPL Global, LKE (including its principal subsidiaries, LG&E and KU) and PPL Electric. PPL's corporate level financing subsidiary is PPL Capital Funding.

WPD, a subsidiary of PPL Global, through indirect wholly owned subsidiaries operates distribution networks providing electricity service in the U.K. WPD serves end-users in South Wales and southwest and central England. Its principal subsidiaries are WPD (South Wales), WPD (South West), WPD (East Midlands) and WPD (West Midlands).

PPL consolidates WPD on a one-month lag. Material events, such as debt issuances that occur in the lag period, are recognized in the current period financial statements. Events that are significant but not material are disclosed.

(PPL and PPL Electric)

PPL Electric is a cost-based rate-regulated utility subsidiary of PPL. PPL Electric's principal business is the transmission and distribution of electricity to serve retail customers in its franchised territory in eastern and central Pennsylvania and the regulated supply of electricity to retail customers in that territory as a PLR.

(PPL, LKE, LG&E and KU)

LKE is a utility holding company with cost-based rate-regulated utility operations through its subsidiaries, LG&E and KU. LG&E and KU are engaged in the generation, transmission, distribution and sale of electricity. LG&E also engages in the distribution and sale of natural gas. LG&E and KU maintain their separate identities and serve customers in Kentucky under their respective names. KU also serves customers in Virginia (under the Old Dominion Power name) and in Tennessee under the KU name.

(PPL)

"Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income includes the activities of PPL Energy Supply, substantially representing PPL's former Supply segment, which was spun off and distributed to PPL shareowners on June 1, 2015. PPL Energy Supply's assets and liabilities have been reclassified on PPL's Balance Sheet at December 31, 2014 to "Current assets of discontinued operations", "Noncurrent assets of discontinued operations", "Current liabilities of discontinued operations" and "Noncurrent liabilities of discontinued operations". These assets and liabilities were distributed and removed from PPL's Balance Sheet in the second quarter of 2015. In addition, the Statements of Cash Flows separately report the cash flows of the discontinued operations. See Note 8 for additional information.

(All Registrants)

The financial statements of the Registrants include each company's own accounts as well as the accounts of all entities in which the company has a controlling financial interest. Entities for which a controlling financial interest is not demonstrated through voting interests are evaluated based on accounting guidance for Variable Interest Entities (VIEs). The Registrants consolidate a VIE when they are determined to have a controlling interest in the VIE, and thus are the primary beneficiary of the entity. The Registrants are not the primary beneficiary in any VIEs. Investments in entities in which a company has the ability to exercise significant influence but does not have a controlling financial interest are accounted for under the equity method. All other investments are carried at cost or fair value. All significant intercompany transactions have been eliminated.

The financial statements of PPL, LKE, LG&E and KU include their share of any undivided interests in jointly owned facilities, as well as their share of the related operating costs of those facilities. See Note 12 for additional information.

Regulation

(PPL)

WPD operates in an incentive-based regulatory structure under distribution licenses granted by Ofgem. Electricity distribution revenues are set by Ofgem for a given time period through price control reviews that are not directly based on cost recovery. The price control formula that governs WPD's allowed revenue is designed to provide economic incentives to minimize operating, capital and financing costs. As a result, WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP and does not record regulatory assets and liabilities.

(All Registrants)

PPL Electric, LG&E and KU are cost-based rate-regulated utilities for which rates are set by regulators to enable PPL Electric, LG&E and KU to recover the costs of providing electric or gas service, as applicable, and to provide a reasonable return to shareholders. Base rates are generally established based on a future test period. As a result, the financial statements are subject to the accounting for certain types of regulation as prescribed by GAAP and reflect the effects of regulatory actions. Regulatory assets are recognized for the effect of transactions or events where future recovery of underlying costs is probable in regulated customer rates. The effect of such accounting is to defer certain or qualifying costs that would otherwise currently be charged to expense. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. In certain cases, regulatory liabilities are recorded based on an understanding or agreement with the regulator that rates have been set to recover 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 6 for additional details regarding regulatory matters.

Accounting Records *(All Registrants)*

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.

(All Registrants)

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 2014 and 2013 financial statements have been changed to conform to the current presentation. These reclassifications did not affect the Registrants' net income or equity.

Earnings Per Share *(PPL)*

EPS is computed using the two-class method, which is an earnings allocation method for computing EPS that treats a participating security as having rights to earnings that would otherwise have been available to common shareowners. Share-based payment awards that provide recipients a non-forfeitable right to dividends or dividend equivalents are considered participating securities.

Price Risk Management

(All Registrants)

Interest rate contracts are used to hedge exposure to change 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 exposures, primarily associated with PPL's investments in U.K. subsidiaries. Similar derivatives may receive different accounting treatment, depending on management's intended use and documentation.

Certain contracts may not meet the definition of a derivative because they lack a notional amount or a net settlement provision. In cases where there is no net settlement provision, markets are periodically assessed to determine whether market mechanisms have evolved that would facilitate net settlement. Certain derivative contracts may be excluded from the requirements of derivative accounting treatment because NPNS has been elected. These contracts are accounted for using accrual accounting. Contracts that have been classified as derivative contracts are reflected on the balance sheets at fair value. The portion of derivative positions that deliver within a year are included in "Current Assets" and "Current Liabilities," while the portion of derivative positions that deliver beyond a year are recorded in "Other Noncurrent Assets" and "Deferred Credits and Other Noncurrent Liabilities." See Note 17 to the Financial Statements for additional information.

(PPL)

Processes exist that allow for subsequent review and validation of the contract information as it relates to interest rate and foreign currency derivatives. See Note 17 for more information. The accounting department provides the treasury department with guidelines on appropriate accounting classifications for various contract types and strategies. Examples of accounting guidelines provided to the treasury department staff include, but are not limited to:

- Transactions to lock in an interest rate prior to a debt issuance can be designated as cash flow hedges, to the extent the forecasted debt issuances remain probable of occurring.

- Cross-currency transactions to hedge interest and principal repayments can be designated as cash flow hedges.

- Transactions 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 cash flow or net investment hedge treatment are marked to fair value through earnings. These transactions generally include foreign currency forwards and options to hedge GBP 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 at PPL Electric, LG&E and KU if approved by the appropriate regulatory body. These transactions generally include the effect of interest rate swaps that are included in customer rates.

(All Registrants)

Cash inflows and outflows related to derivative instruments are included as a component of operating, investing or financing activities on the Statements of Cash Flows, depending on the classification of the hedged items.

PPL and its subsidiaries have elected not to offset net derivative positions against the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) under master netting arrangements.

(PPL and PPL Electric)

To meet its obligation as a PLR to its customers, PPL Electric has entered into certain contracts that meet the definition of a derivative. However, NPNS has been elected for these contracts.

See Notes 16 and 17 for additional information on derivatives.

Revenue

Operating Revenues *(PPL)*

For the years ended December 31, the Statements of Income "Operating Revenues" line item contains revenue from the following:

	2015	2014	2013
Domestic electric and gas revenues (a)	$ 5,239	$ 5,209	$ 4,842
U.K. operating revenues (b)	2,410	2,621	2,403
Domestic - other	20	22	18
Total	$ 7,669	$ 7,852	$ 7,263

(a) Represents revenues from cost-based rate-regulated generation, transmission and/or distribution in Pennsylvania, Kentucky, Virginia and Tennessee, including regulated wholesale revenue.
(b) Primarily represents regulated electricity distribution revenues from the operation of WPD's distribution networks.

Revenue Recognition

(All Registrants)

Operating revenues are primarily 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 meters being read and bills rendered at the end of the month. For LKE, LG&E and KU, unbilled revenues for a month are calculated by multiplying an estimate of unbilled kWh by the estimated average cents per kWh. For PPL Electric, unbilled revenues for a month are calculated by multiplying the actual unbilled kWh by the estimated average cents per kWh. Any difference between estimated and actual revenues is adjusted the following month.

(PPL)

WPD is currently operating under RIIO - ED1, which commenced on April 1, 2015. Ofgem has adopted a price control mechanism that establishes the amount of base demand revenue WPD can earn during the price control period, subject to certain true-ups, and provides for an increase or reduction in revenues based on incentives or penalties for exceeding or underperforming relative to pre-established targets. WPD's allowed revenue primarily includes base demand revenue, incentive adjustments, adjustments for over or under-recovery and adjustments related to the DPCR4 line loss close out.

As the regulatory model is incentive based rather than a cost recovery model, WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP. Therefore, the accounting treatment of adjustments to base demand revenue and/or allowed revenue is evaluated based on revenue recognition and contingency guidance.

Unlike prior price control reviews, base demand revenue under RIIO - ED1 will be adjusted during the price control period. The most significant of those adjustments are:

- Inflation True-Up - The base demand revenue for the RIIO-ED1 period was set in 2012/13 prices. Therefore an inflation factor as determined by forecasted RPI, provided by HM Treasury, is applied to base demand revenue.

Forecasted RPI is trued up to actuals and affects future base demand revenue two regulatory years later. This revenue change is called the "TRU" adjustment. The projected TRU for the 2015/16 regulatory year is a $45 million reduction to revenue and will reduce base demand revenue in calendar years 2017 and 2018 by $30 million and $15 million, respectively.

- Annual Iteration Process - The RIIO-ED1 price control period also includes an Annual Iteration Process (AIP). This will allow future base demand revenues agreed with the regulator as part of the price control review to be updated during the price control period for financial adjustments including tax, pensions and cost of debt, legacy price control adjustments from preceding price control periods and adjustments relating to actual and allowed total expenditure together with the Totex Incentive Mechanism (TIM). Under the TIM, WPD's DNOs are able to retain 70% of any amounts not spent against the RIIO-ED1 plan and bear 70% of any over-spends. The AIP calculates an incremental change to base demand revenue, known as the "MOD" adjustment. The MOD provided by Ofgem in November 2016 will include the TIM for the 2015/16 regulatory year as well as the cost of debt calculation based on the 10-year trailing average to October 2016. This projected MOD of $11 million will reduce base demand revenue for calendar years 2017 and 2018 by $5 million and $6 million, respectively.

As both MOD and TRU are changes to future base demand revenues as determined by Ofgem, under applicable GAAP, liabilities for these adjustments have not been recorded.

In addition to base demand revenue, certain other items are added or subtracted to arrive at allowed revenue. The most significant of these are:

- Incentives - Ofgem has established incentive mechanisms to provide significant opportunities to enhance overall returns by improving network efficiency, reliability and customer service. Based on applicable GAAP, incentive revenues are not recorded as assets and are included in revenues when they are billed to customers.

- DPCR4 Line Loss Adjustment - For regulatory years 2015/16 through 2018/19 allowed revenue will also be reduced to reflect Ofgem's final decision on the DPCR4 line loss incentives and penalties mechanism. WPD has a liability recorded related to this future revenue reduction and, therefore, this will not impact future earnings. See Note 6 to the Financial Statements for additional information.

- Correction Factor - During the price control period, WPD's revenue is decoupled from volume and WPD sets its tariffs to recover allowed revenue. However, in any fiscal period, WPD's revenue could be negatively affected if its tariffs and the volume delivered do not fully recover the allowed revenue for a particular period. Conversely, WPD could also over-recover revenue. Over and under-recoveries are subtracted from or added to allowed revenue in future years, known as the "Correction Factor" or "K-factor." Over and under-recovered amounts arising from 2014/15 onwards and refunded/recovered under RIIO-ED1 will be refunded/recovered on a two year lag (previously one year). Therefore the 2014/15 over/under-recovery adjustment will occur in 2016/17. In 2016/17 under this mechanism, WPD will recover the £5 per residential network customer reduction given through reduced tariffs in 2014/15 (approximately $56 million) as that amount is currently considered an under-recovery.

Under applicable GAAP, WPD does not record a receivable for under-recoveries, but does record a liability for over-recoveries. K-factor is measured as of the end of the regulatory year, March 31. While WPD estimates over-recoveries and records a liability when it is probable that there will be an over-recovered position at the end of the regulatory-year, weather-related volume changes and other factors such as sales mix can affect the over or under-recovery between the end of PPL's calendar year and the end of the regulatory year. .

Accounts Receivable

(All Registrants)

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.

(PPL and PPL Electric)

In accordance with a PUC-approved purchase of accounts receivable program, PPL Electric purchases certain accounts receivable from alternative electricity suppliers at a discount, which reflects a provision for uncollectible accounts. The alternative electricity suppliers have no continuing involvement or interest in the purchased accounts receivable. The purchased accounts receivable are initially recorded at fair value using a market approach based on the purchase price paid and are classified as Level 2 in the fair value hierarchy. During 2015, 2014 and 2013, PPL Electric purchased $1.3 billion, $1.1 billion and $985 million of accounts receivable from unaffiliated third parties. During 2015, 2014 and 2013, PPL Electric purchased $146 million, $336 million and $294 million of accounts receivable from PPL EnergyPlus. PPL Electric's purchases from PPL EnergyPlus for 2015 include purchases through May 31, 2015, which is the period during which PPL Electric and PPL EnergyPlus were affiliated entities. As a result of the June 1, 2015 spinoff of PPL Energy Supply and creation of Talen Energy, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are included as purchases from an unaffiliated third party.

Allowance for Doubtful Accounts *(All Registrants)*

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					
2015	$ 44	$ 49	$ (2)	$ 50	$ 41
2014	43	49		48	44
2013	41	38	4 (b)	40	43
PPL Electric					
2015	$ 17	$ 39		$ 40	$ 16
2014	18	34		35	17
2013	18	32		32	18
LKE					
2015	$ 25	$ 9	$ (2)	$ 9	$ 23
2014	22	14		11	25
2013	19	4	4 (b)	5	22
LG&E					
2015	$ 2	$ 2		$ 3	$ 1
2014	2	5	$ (1)(b)	4	2
2013	1	2	1 (b)	2	2
KU					
2015	$ 2	$ 5		$ 5	$ 2
2014	4	8	$ (3)(b)	7	2
2013	2	3	3 (b)	4	4

(a) Primarily related to uncollectible accounts written off.
(b) Primarily related to capital projects, thus the provision was recorded as an adjustment to construction work in progress.

Cash

Cash Equivalents *(All Registrants)*

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Restricted Cash and Cash Equivalents *(PPL and PPL Electric)*

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 included in "Other current assets", while the noncurrent portion is included in "Other noncurrent assets."

At December 31, the balances of restricted cash and cash equivalents included the following.

	PPL		PPL Electric	
	2015	2014	2015	2014
Low carbon network fund (a)	$ 22	$ 19		
Other	11	12	$ 2	$ 3
	$ 33	$ 31	$ 2	$ 3

(a) Funds received by WPD, which are to be spent on approved initiatives to support a low carbon environment.

Fair Value Measurements *(All Registrants)*

The Registrants value certain financial and nonfinancial assets and liabilities at fair value. Generally, the most significant fair value measurements relate to price risk management assets and liabilities, investments in securities in defined benefit plans, and cash and cash equivalents. PPL and its subsidiaries use, as appropriate, a market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models) and/or a cost approach (generally, replacement cost) to measure the fair value of an asset or liability. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk.

The Registrants classify fair value measurements within one of three levels in the fair value hierarchy. The level assigned to a fair value measurement is based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are as follows:

- **Level 1** - quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

- **Level 2** - inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for substantially the full term of the asset or liability.

- **Level 3** - unobservable inputs that management believes are predicated on the assumptions market participants would use to measure the asset or liability at fair value.

Assessing the significance of a particular input requires judgment that considers factors specific to the asset or liability. As such, the Registrants' assessment of the significance of a particular input may affect how the assets and liabilities are classified within the fair value hierarchy.

Investments

(All Registrants)

Generally, the original maturity date of an investment and management's intent and ability to sell an investment prior to its original maturity determine the classification of investments as either short-term or long-term. Investments that would otherwise be classified as short-term, but are restricted as to withdrawal or use for other than current operations or are clearly designated for expenditure in the acquisition or construction of noncurrent assets or for the liquidation of long-term debts, are classified as long-term.

Short-term Investments

Short-term investments generally include certain deposits as well as securities that are considered highly liquid or provide for periodic reset of interest rates. Investments with original maturities greater than three months and less than a year, as well as investments with original maturities of greater than a year that management has the ability and intent to sell within a year, are included in "Short-term investments" ("Other current assets" if not significant) on the Balance Sheets.

Cost Method Investment *(PPL, 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 "Other noncurrent assets" on the PPL, LKE, LG&E and KU 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 120 MW for LG&E and approximately 53 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 are 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 13 and 18 for additional discussion of the power purchase agreement.

Long-Lived and Intangible Assets

Property, Plant and Equipment

(All Registrants)

PP&E is recorded at original cost, unless impaired. PP&E acquired in business combinations is recorded at fair value at the time of acquisition, 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. 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 Electric records net costs of removal when incurred as a regulatory asset. The regulatory asset is subsequently amortized through depreciation over a five-year period, which is recoverable in customer rates in accordance with regulatory practices.

AFUDC is capitalized at PPL Electric as part of the construction costs for cost-based rate-regulated projects for which a return on such costs is recovered after the project is placed in service. The debt component of AFUDC is credited to "Interest Expense" and the equity component is credited to "Other Income (Expense) - net" on the Statements of Income. LG&E and KU generally do not record AFUDC, except for certain instances in KU's FERC approved rates charged to its municipal customers, as a return is provided on construction work in progress.

(PPL)

PPL capitalizes interest costs as part of construction costs. Capitalized interest, including the debt component of AFUDC for PPL, was as follows.

	PPL
2015	$ 11
2014	16
2013	15

Depreciation

(All Registrants)

Depreciation is recorded over the estimated useful lives of property using various methods including the straight-line, composite and group methods. When a component of PP&E that was depreciated under the composite or group method is retired, the original cost is charged to accumulated depreciation. When all or a significant portion of an operating unit that was depreciated under the composite or group method is retired or sold, the property and the related accumulated depreciation account is reduced and any gain or loss is included in income, unless otherwise required by regulators.

The following percentages are the weighted-average annual rates of depreciation at December 31.

	2015				
	PPL	**PPL Electric**	**LKE**	**LG&E**	**KU**
Regulated utility plant	2.57	2.46	3.69	3.65	3.71
	2014				
	PPL	**PPL Electric**	**LKE**	**LG&E**	**KU**
Regulated utility plant	2.92	2.46	3.80	4.05	3.63

(PPL)

Effective January 1, 2015, after completing a review of the useful lives of its distribution network assets, WPD extended the weighted average useful lives of these assets to 69 years from 55 years for GAAP reporting of depreciation expense. For 2015, this change in useful lives resulted in lower depreciation expense of $84 million ($66 million after-tax or $0.10 per share).

(All Registrants)

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price paid over the fair value of the identifiable net assets acquired in a business combination.

Other acquired intangible assets are initially measured based on their fair value. Intangibles that have finite useful lives are amortized over their useful lives based upon the pattern in which the economic benefits of the intangible assets are consumed or otherwise used. Costs incurred to obtain an initial license and renew or extend terms of licenses are capitalized as intangible assets.

When determining the useful life of an intangible asset, including intangible assets that are renewed or extended, PPL and its subsidiaries consider the expected use of the asset; the expected useful life of other assets to which the useful life of the intangible asset may relate; legal, regulatory, or contractual provisions that may limit the useful life; the company's historical experience as evidence of its ability to support renewal or extension; the effects of obsolescence, demand, competition, and other economic factors; and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

PPL, LKE, LG&E and KU account for emission allowances as intangible assets. 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.

A long-lived asset classified as held and used is impaired when the carrying amount of the asset exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If impaired, the asset's carrying value is written down to its fair value.

A long-lived asset classified as held for sale is impaired when the carrying amount of the asset (disposal group) exceeds its fair value less cost to sell. If impaired, the asset's (disposal group's) carrying value is written down to its fair value less cost to sell.

PPL, LKE, LG&E and KU review goodwill for impairment at the reporting unit level annually or more frequently when events or circumstances indicate that the carrying amount of a reporting unit may be greater than the unit's fair value. Additionally, goodwill must be tested for impairment in circumstances when a portion of goodwill has been allocated to a business to be disposed. PPL's, LKE's, LG&E's and KU's reporting units are at the operating segment level.

PPL, LKE, LG&E and KU may elect either to initially make a qualitative evaluation about the likelihood of an impairment of goodwill or to bypass the qualitative evaluation and test goodwill for impairment using a 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.

PPL (for its U.K. Regulated and Kentucky Regulated segments), and individually, LKE, LG&E and KU elected to bypass step zero and quantitatively tested the goodwill of these reporting units for impairment in the fourth quarter of 2015 and no impairment was recognized.

Asset Retirement Obligations (*PPL, LKE, LG&E and KU*)

PPL and its subsidiaries record liabilities to reflect various legal obligations associated with the retirement of long-lived assets. Initially, this obligation is measured at fair value and offset with an increase in the value of the capitalized asset, which is depreciated over the asset's useful life. Until the obligation is settled, the liability is increased through the recognition of accretion expense classified within "Other operation and maintenance" on the Statements of Income to reflect changes in the obligation due to the passage of time. The accretion and depreciation expenses recorded by LG&E and 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 19 for additional information on AROs.

Compensation and Benefits

Defined Benefits *(All Registrants)*

Certain PPL subsidiaries sponsor various defined benefit pension and other postretirement plans. An asset or liability is recorded to recognize the funded status of all defined benefit plans with an offsetting entry to AOCI or, for LG&E, KU and PPL Electric, to regulatory assets or liabilities. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets.

The expected return on plan assets is determined based on a market-related value of plan assets, which is calculated by rolling forward the prior year market-related value with contributions, disbursements and long-term expected return on investments. One-fifth of the difference between the actual value and the expected value is added (or subtracted if negative) to the expected value to determine the new market-related value.

PPL uses an accelerated amortization method for the recognition of gains and losses for its defined benefit pension plans. Under the accelerated method, actuarial gains and losses in excess of 30% of the plan's projected benefit obligation are amortized on a straight-line basis over one-half of the 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 6 for a discussion of the regulatory treatment of defined benefit costs and Note 11 for a discussion of defined benefits.

Stock-Based Compensation *(PPL, PPL Electric and LKE)*

PPL has several stock-based compensation plans for purposes of granting stock options, restricted stock, restricted stock units and performance units to certain employees as well as stock units and restricted stock units to directors. PPL grants most stock-based awards in the first quarter of each year. PPL and its subsidiaries recognize compensation expense for stock-based awards based on the fair value method. 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 10 for a discussion of stock-based compensation. All awards are recorded as equity or a liability on the Balance Sheets. Stock-based compensation is primarily included in "Other operation and maintenance" on the Statements of Income. Stock-based compensation expense for PPL Electric and LKE includes an allocation of PPL Services' expense.

Taxes

Income Taxes

(All Registrants)

PPL and its domestic subsidiaries file a consolidated U.S. federal income tax return.

Significant management judgment is required in developing the Registrants' provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken in tax returns, valuation allowances on deferred tax assets and whether the undistributed earnings of WPD are considered indefinitely reinvested.

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 including management's conclusion that the undistributed earnings of WPD are considered indefinitely reinvested. Based on this conclusion, PPL Global does not record U.S. taxes on WPD's undistributed earnings.

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 Electric, LKE, LG&E and KU)

The income tax provision for 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 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.

	2015	2014
PPL Electric	$ 56	$ (25)
LKE	(10)	136
LG&E	4	74
KU	(5)	60

Taxes, Other Than Income *(All Registrants)*

The Registrants present sales taxes in "Other current liabilities" and PPL presents value-added taxes in "Taxes" on the Balance Sheets. These taxes are not reflected on the Statements of Income. See Note 5 for details on taxes included in "Taxes, other than income" on the Statements of Income.

Other

(All Registrants)

Leases

The Registrants evaluate whether arrangements entered into contain leases for accounting purposes. See Note 9 for additional information.

Fuel, Materials and Supplies

Fuel, natural gas stored underground and materials and supplies are valued at the lower of cost or net realizable value 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, LKE, LG&E and KU)

"Fuel, materials and supplies" on the Balance Sheets consisted of the following at December 31.

	PPL		LKE		LG&E		KU	
	2015	2014	2015	2014	2015	2014	2015	2014
Fuel	$ 168	$ 166	$ 168	$ 166	$ 71	$ 66	$ 97	$ 100
Natural gas stored underground (a)	42	54	42	54	42	54		
Materials and supplies	147	161	88	91	38	42	50	49
Total	$ 357	$ 381	$ 298	$ 311	$ 151	$ 162	$ 147	$ 149

(a) The majority of LKE's and LG&E's natural gas stored underground is held to serve retail customers.

Guarantees *(All Registrants)*

Generally, the initial measurement of a guarantee liability is the fair value of the guarantee at its inception. However, there are certain guarantees excluded from the scope of accounting guidance and other guarantees that are not subject to the initial recognition and measurement provisions of accounting guidance that only require disclosure. See Note 13 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 generally translated at average exchange rates prevailing during the period included in PPL's results of operations. Adjustments resulting from foreign currency translation are recorded in AOCI.

Gains or losses relating to foreign currency transactions are recognized in "Other Income (Expense) - net" on the Statements of Income. See Note 15 for additional information.

New Accounting Guidance Adopted *(All Registrants)*

Reporting of Discontinued Operations

Effective January 1, 2015, the Registrants prospectively adopted accounting guidance that changes the criteria for determining what should be classified as a discontinued operation and the related presentation and disclosure requirements. A discontinued operation may include a component of an entity or a group of components of an entity, or a business activity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on the entity's operations and financial results when any of the following occurs: (1) The components of an entity or group of components of an entity meets the criteria to be classified as held for sale, (2) The component of an entity or group of components of an entity is disposed of by sale, or (3) The component of an entity or group of components of an entity is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spinoff).

As a result of the spinoff on June 1, 2015, PPL Energy Supply has been reported as a discontinued operation under the new discontinued operations guidance. See Note 8 for additional information.

Fair Value Measurement for Investments in Certain Entities that Calculate Net Asset Value per Share

Effective December 31, 2015, the Registrants retrospectively adopted accounting guidance that removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using net asset value per share and the requirement to make certain disclosures for all investments that are eligible to be measured using net asset value per share.

The adoption of this guidance resulted in the Registrants no longer categorizing investments for which fair value is measured using net asset value per share in the fair value hierarchy, and did not have a significant impact on the Registrants. See Note 11 for additional information.

Presentation of Debt Issuance Costs

Effective December 31, 2015, the Registrants retrospectively adopted accounting guidance to simplify the presentation of debt issuance costs. The guidance requires certain debt issuance costs to be presented on the balance sheet as a direct deduction from the carrying amount of the associated debt liability.

The adoption of this guidance required the Registrants to reclassify debt issuance costs not associated with a line of credit from noncurrent assets to Long-term debt, and did not have a significant impact on the Registrants. See Note 7 for additional information.

Balance Sheet Classification of Deferred Taxes

Effective October 1, 2015, the Registrants retrospectively adopted accounting guidance to simplify the presentation of deferred taxes which requires that deferred tax assets and deferred tax liabilities be classified as noncurrent on the balance sheet.

The adoption of this guidance required the Registrants to reclassify deferred tax assets and deferred tax liabilities from current to noncurrent on the balance sheet, and did not have a significant impact on the Registrants. The following table presents the amounts reclassified from current deferred tax assets and liabilities to noncurrent deferred tax liabilities on the balance sheets as of December 31, 2014.

	Assets	Liabilities
PPL	$ 125	
PPL Electric	58	
LKE	16	
KU	2	
Discontinued Operations	8	$ 4

2. Segment and Related Information

(PPL)

PPL is organized into three segments: U.K. Regulated, Kentucky Regulated and Pennsylvania Regulated. PPL's segments are segmented by geographic location.

The U.K. Regulated segment consists of PPL Global which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from British pound sterling into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs, and allocated financing costs.

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations of LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain financing costs are allocated to the Kentucky Regulated segment.

The Pennsylvania Regulated segment consists of PPL Electric, a regulated public utility engaged in the distribution and transmission of electricity.

"Corporate and Other" primarily includes financing costs incurred at the corporate level that have not been allocated or assigned to the segments, as well as certain other unallocated costs, which is presented to reconcile segment information to PPL's consolidated results.

On June 1, 2015, PPL completed the spinoff of PPL Energy Supply, which substantially represented PPL's Supply segment. As a result of this transaction, PPL no longer has a Supply segment. See Note 8 for additional information.

Financial data for the segments are:

Income Statement Data	2015	2014	2013
Operating Revenues from external customers (a)			
U.K. Regulated	$ 2,410	$ 2,621	$ 2,403
Kentucky Regulated	3,115	3,168	2,976
Pennsylvania Regulated	2,124	2,044	1,870
Corporate and Other	20	19	14
Total	$ 7,669	$ 7,852	$ 7,263
Depreciation			
U.K. Regulated	$ 242	$ 337	$ 300
Kentucky Regulated	382	354	334
Pennsylvania Regulated	214	185	178
Corporate and Other	45	47	31
Total	$ 883	$ 923	$ 843

Income Statement Data	2015	2014	2013
Amortization (b)			
U.K. Regulated	$ 6	$ 17	$ 19
Kentucky Regulated	27	25	22
Pennsylvania Regulated	26	19	19
Corporate and Other		4	6
Total	$ 59	$ 65	$ 66
Unrealized (gains) losses on derivatives and other hedging activities (c)			
U.K. Regulated	$ (88)	$ (199)	$ 44
Kentucky Regulated	11	12	12
Total	$ (77)	$ (187)	$ 56
Interest Expense			
U.K. Regulated	$ 417	$ 461	$ 425
Kentucky Regulated	232	219	212
Pennsylvania Regulated	130	122	108
Corporate and Other	92	41	33
Total	$ 871	$ 843	$ 778
Income from Continuing Operations Before Income Taxes			
U.K. Regulated	$ 1,249	$ 1,311	$ 993
Kentucky Regulated	547	501	484
Pennsylvania Regulated	416	423	317
Corporate and Other (d)	(144)	(106)	(66)
Total	$ 2,068	$ 2,129	$ 1,728
Income Taxes (e)			
U.K. Regulated	$ 128	$ 329	$ 71
Kentucky Regulated	221	189	179
Pennsylvania Regulated	164	160	108
Corporate and Other (d)	(48)	14	2
Total	$ 465	$ 692	$ 360
Deferred income taxes and investment tax credits (f)			
U.K. Regulated	$ 45	$ 94	$ (45)
Kentucky Regulated	236	449	254
Pennsylvania Regulated	220	87	127
Corporate and Other (d)	(73)	36	51
Total	$ 428	$ 666	$ 387
Net Income			
U.K. Regulated	$ 1,121	$ 982	$ 922
Kentucky Regulated	326	312	307
Pennsylvania Regulated	252	263	209
Corporate and Other (d)	(96)	(120)	(68)
Discontinued Operations (g)	(921)	300	(240)
Total	$ 682	$ 1,737	$ 1,130

Cash Flow Data	2015	2014	2013
Expenditures for long-lived assets			
U.K. Regulated	$ 1,242	$ 1,438	$ 1,280
Kentucky Regulated	1,210	1,262	1,434
Pennsylvania Regulated	1,107	957	942
Corporate and Other	11	66	26
Total	$ 3,570	$ 3,723	$ 3,682

	As of December 31,	
	2015	2014
Balance Sheet Data		
Total Assets		
U.K. Regulated	$ 16,669	$ 15,944
Kentucky Regulated	13,756	13,022
Pennsylvania Regulated	8,511	7,706
Corporate and Other (h)	365	909
Discontinued Operations		11,025
Total	$ 39,301	$ 48,606

	2015	2014	2013
Geographic Data			
Revenues from external customers			
U.K.	$ 2,410	$ 2,621	$ 2,403
U.S.	5,259	5,231	4,860
Total	$ 7,669	$ 7,852	$ 7,263

	As of December 31,	
	2015	2014
Long-Lived Assets		
U.K.	$ 12,487	$ 11,942
U.S.	18,569	16,890
Total	$ 31,056	$ 28,832

(a) See Note 1 for additional information on Operating Revenues.
(b) Represents non-cash expense items that include amortization of regulatory assets, debt discounts and premiums, debt issuance costs, emission allowances and RECs.
(c) Includes unrealized gains and losses from economic activity. See Note 17 for additional information.
(d) 2015 and 2014 include certain costs related to the spinoff of PPL Energy Supply, including deferred income tax expense, transition costs and separation benefits for PPL Services employees. See Note 8 for additional information.
(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."
(g) 2015 includes an $879 million loss on the spinoff of PPL Energy Supply and five months of Supply segment earnings. 2014 includes a gain of $237 million ($137 million after-tax) on the sale of the Montana hydroelectric generating facilities. 2013 includes a charge of $697 million ($413 million after-tax) for the termination of the lease of the Colstrip coal-fired electric generating facility. See Note 8 for additional information on these transactions.
(h) Primarily consists of unallocated items, including cash, PP&E and the elimination of inter-segment transactions.

(PPL Electric, LKE, LG&E and KU)

PPL Electric has two operating segments that are aggregated into a single reportable segment. LKE, LG&E and KU each operate within a single operating segment.

3. Preferred Securities

(PPL)

PPL is authorized to issue up to 10 million shares of preferred stock. No PPL preferred stock was issued or outstanding in 2015, 2014 or 2013.

(PPL Electric)

PPL Electric is authorized to issue up to 20,629,936 shares of preferred stock. No PPL Electric preferred stock was issued or outstanding in 2015, 2014 or 2013. Prior to October 31, 2013, PPL Electric was authorized to issue up to 10 million shares of preference stock.

(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 2015, 2014 or 2013.

(KU)

KU is authorized to issue up to 5,300,000 shares of preferred stock and 2,000,000 shares of preference stock without par value. KU had no preferred or preference stock issued or outstanding in 2015, 2014 or 2013.

4. Earnings Per Share

(PPL)

Basic EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding during the applicable period. Diluted EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding, increased by incremental shares that would be outstanding if potentially dilutive non-participating securities were converted to common shares as calculated using the Treasury Stock Method or If-Converted Method, as applicable. Incremental non-participating securities that have a dilutive impact are detailed in the table below.

Reconciliations of the amounts of income and shares of PPL common stock (in thousands) for the periods ended December 31 used in the EPS calculation are:

	2015	2014	2013
Income (Numerator)			
Income from continuing operations after income taxes	$ 1,603	$ 1,437	$ 1,368
Less amounts allocated to participating securities	6	7	7
Income from continuing operations after income taxes available to PPL common shareowners - Basic	1,597	1,430	1,361
Plus interest charges (net of tax) related to Equity Units (a)		9	44
Income from continuing operations after income taxes available to PPL common shareowners - Diluted	$ 1,597	$ 1,439	$ 1,405
Income (loss) from discontinued operations (net of income taxes) available to PPL common shareowners - Basic and Diluted	$ (921)	$ 300	$ (238)
Net income	$ 682	$ 1,737	$ 1,130
Less amounts allocated to participating securities	2	9	6
Net income available to PPL common shareowners - Basic	680	1,728	1,124
Plus interest charges (net of tax) related to Equity Units (a)		9	44
Net income available to PPL common shareowners - Diluted	$ 680	$ 1,737	$ 1,168
Shares of Common Stock (Denominator)			
Weighted-average shares - Basic EPS	669,814	653,504	608,983
Add incremental non-participating securities:			
Share-based payment awards (b)	2,772	1,910	1,062
Equity Units (a)		10,559	52,568
Forward sale agreements and purchase contracts (b)			460
Weighted-average shares - Diluted EPS	672,586	665,973	663,073
Basic EPS			
Available to PPL common shareowners:			
Income from continuing operations after income taxes	$ 2.38	$ 2.19	$ 2.24
Income (loss) from discontinued operations (net of income taxes)	(1.37)	0.45	(0.39)
Net Income	$ 1.01	$ 2.64	$ 1.85
Diluted EPS			
Available to PPL common shareowners:			
Income from continuing operations after income taxes	$ 2.37	$ 2.16	$ 2.12
Income (loss) from discontinued operations (net of income taxes)	(1.36)	0.45	(0.36)
Net Income	$ 1.01	$ 2.61	$ 1.76

(a) In 2014 and 2013, the If-Converted Method was applied to the Equity Units prior to settlement. See Note 7 for additional information on the Equity Units, including the issuance of PPL common stock to settle the Purchase contracts.
(b) The Treasury Stock Method was applied to non-participating share-based payment awards and forward sale agreements.

For the year ended December 31, PPL issued common stock related to stock-based compensation plans and DRIP as follows (in thousands):

	2015
Stock-based compensation plans (a)	4,853
DRIP	1,728

(a) Includes stock options exercised, vesting of performance units, vesting of restricted stock and restricted stock units and conversion of stock units granted to directors.

See Note 7 for additional information on common stock issued under ATM Program.

For the years ended December 31, the following shares (in thousands) were excluded from the computations of diluted EPS because the effect would have been antidilutive.

	2015	2014	2013
Stock options	1,087	1,816	4,446
Performance units	36	5	55
Restricted stock units		31	29

5. Income and Other Taxes

(PPL)

"Income from Continuing Operations Before Income Taxes" included the following.

	2015	2014	2013
Domestic income	$ 968	$ 922	$ 669
Foreign income	1,100	1,207	1,059
Total	$ 2,068	$ 2,129	$ 1,728

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 the U.K.

Significant components of PPL's deferred income tax assets and liabilities were as follows.

	2015	2014
Deferred Tax Assets		
Deferred investment tax credits	$ 50	$ 52
Regulatory obligations	123	131
Accrued pension costs	217	200
Federal loss carryforwards (a)	587	129
State loss carryforwards (b)	319	225
Federal and state tax credit carryforwards	201	196
Foreign capital loss carryforwards	387	446
Foreign loss carryforwards	4	6
Foreign - pensions	171	182
Foreign - regulatory obligations	12	23
Foreign - other	8	11
Contributions in aid of construction	139	138
Domestic - other	209	194
Unrealized losses on qualifying derivatives	15	46
Valuation allowances (b)	(662)	(622)
Total deferred tax assets	1,780	1,357
Deferred Tax Liabilities		
Domestic plant - net	3,875	3,079
Taxes recoverable through future rates	162	156
Other regulatory assets	332	322
Reacquired debt costs	28	31
Foreign plant - net	777	854
Domestic - other	24	17
Total deferred tax liabilities	5,198	4,459
Net deferred tax liability	$ 3,418	$ 3,102

(a) Increase in Federal loss carryforwards primarily relates to the extension of bonus depreciation and the impact of bonus depreciation related to the provision to return adjustments.
(b) Includes $77 million of deferred tax assets related to state loss carryforwards and related valuation allowances previously reflected on the PPL Energy Supply Segment. The deferred tax assets and related valuation allowance remain with PPL after the spinoff.

State deferred taxes are determined on a by entity, by jurisdiction basis. As a result, $22 million of net deferred tax assets are shown as "Other noncurrent assets" on the Balance Sheet.

At December 31, PPL had the following loss and tax credit carryforwards.

	2015	Expiration
Loss carryforwards		
Federal net operating losses (a)	$ 1,660	2029-2035
Federal charitable contributions	15	2020
State net operating losses (a) (b)	5,269	2017-2035
State charitable contributions	34	2016-2020
Foreign net operating losses (c)	21	Indefinite
Foreign capital losses (d)	2,152	Indefinite
Credit carryforwards		
Federal investment tax credit	125	2025-2028
Federal alternative minimum tax credit	40	Indefinite
Federal - other (e)	29	2016-2035
State - other	5	2022

(a) Includes an insignificant amount of federal and state net operating loss carryforwards from excess tax deductions related to stock compensation for which a tax benefit will be recorded in Equity when realized.
(b) A valuation allowance of $254 million has been recorded against the deferred tax assets for these losses.
(c) A valuation allowance of $4 million has been recorded against the deferred tax assets for these losses.
(d) A valuation allowance of $387 million has been recorded against the deferred tax assets for these losses.
(e) A valuation allowance of $12 million has been recorded against the deferred tax assets for these credits.

State capital loss and foreign tax credit carryforwards were insignificant at December 31, 2015.

Valuation allowances have been established for the amount that, more likely than not, will not be realized. The changes in deferred tax valuation allowances were as follows.

	Balance at Beginning of Period	Additions: Charged to Income	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
2015	$ 622	$ 24	$ 77 (b)	$ 61 (a)	$ 662
2014	585	57	6	26	622
2013	632	25		72 (a)	585

(a) The reductions of the U.K. statutory income tax rates in 2015 and 2013 resulted in $44 million and $67 million in reductions 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 Acts 2015 and 2013.
(b) Valuation allowance related to deferred tax assets previously reflected on the PPL Energy Supply Segment. The deferred tax assets and related valuation allowance remain with PPL after the spinoff.

PPL Global does not 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, 2015 and 2014 were $4.6 billion and $3.7 billion, respectively. 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 in the event of repatriation to the U.S.

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 as follows.

	2015	2014	2013
Income Tax Expense (Benefit)			
Current - Federal	$ (26)	$ 18	$ (102)
Current - State	25	26	
Current - Foreign	89	152	181
Total Current Expense	88	196	79
Deferred - Federal	699	299	259
Deferred - State	68	120	84
Deferred - Foreign	41	96	(53)
Total Deferred Expense, excluding operating loss carryforwards	808	515	290
Investment tax credit, net - Federal	(4)	(5)	(5)
Tax expense (benefit) of operating loss carryforwards			
Deferred - Federal (a)	(396)	8	14
Deferred - State	(31)	(22)	(18)
Total Tax Expense (Benefit) of Operating Loss Carryforwards	(427)	(14)	(4)
Total income taxes from continuing operations	$ 465	$ 692	$ 360
Total income tax expense - Federal	$ 273	$ 320	$ 166
Total income tax expense - State	62	124	66
Total income tax expense - Foreign	130	248	128
Total income taxes from continuing operations	$ 465	$ 692	$ 360

(a) Increase in Federal loss carryforwards primarily relates to the extension of bonus depreciation and the impact of bonus depreciation related to provision to return adjustments.

In the table above, the following income tax expense (benefits) are excluded from income taxes from continuing operations.

	2015	2014	2013
Discontinued operations - PPL Energy Supply Segment	$ (30)	$ 198	$ (180)
Stock-based compensation recorded to Additional Paid-in Capital		(4)	(2)
Valuation allowance on state deferred taxes related to issuance costs of Purchase Contracts recorded to Additional Paid-in Capital			(2)
Other comprehensive income	(2)	(190)	159
Valuation allowance on state deferred taxes recorded to other comprehensive income	(4)		(7)
Total	$ (36)	$ 4	$ (32)

	2015	2014	2013
Reconciliation of Income Tax Expense			
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 35%	$ 724	$ 745	$ 605
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	31	28	17
Valuation allowance adjustments (a)	24	55	24
Impact of lower U.K. income tax rates (b)	(176)	(180)	(144)
U.S. income tax on foreign earnings - net of foreign tax credit (c)	8	63	21
Federal and state tax reserves adjustments (d)	(22)	(1)	(49)
Impact of the U.K. Finance Acts on deferred tax balances (b)	(91)	(1)	(97)
Depreciation not normalized	(5)	(7)	(8)
State deferred tax rate change (e)		(1)	15
Interest benefit on U.K. financing entities	(20)	(5)	(7)
Other	(8)	(4)	(17)
Total increase (decrease)	(259)	(53)	(245)
Total income taxes from continuing operations	$ 465	$ 692	$ 360
Effective income tax rate	22.5%	32.5%	20.8%

(a) During 2015, PPL recorded $24 million of deferred income tax expense related to deferred tax valuation allowances. PPL recorded state deferred income tax expense of $12 million primarily related to increased Pennsylvania net operating loss carryforwards expected to be unutilized and $12 million of federal deferred income tax expense primarily related to federal tax credit carryforwards that are expected to expire as a result of lower future taxable earnings due to the extension of bonus depreciation.

As a result of the PPL Energy Supply spinoff announcement, PPL recorded $50 million of deferred income tax expense during 2014 to adjust the valuation allowance on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the future earnings of PPL Energy Supply. See Note 8 for additional information on the spinoff.

During 2013, PPL recorded $23 million of state deferred income tax expense related to a deferred tax valuation allowance primarily due to a decrease in projected future taxable income at PPL Energy Supply over the remaining carryforward period of Pennsylvania net operating losses.

(b) The U.K. Finance Act 2015, enacted in November 2015, reduced the U.K. statutory income tax rate from 20% to 19% effective April 1, 2017 and from 19% to 18% effective April 1, 2020. As a result, PPL reduced its net deferred tax liabilities and recognized a deferred tax benefit during 2015 related to both rate decreases.

The U.K. Finance Act 2013, enacted in July 2013, reduced the U.K. statutory income tax rate from 23% to 21% effective April 1, 2014 and from 21% to 20% effective April 1, 2015. As a result, PPL reduced its net deferred tax liabilities and recognized a deferred tax benefit during 2013 related to both rate decreases.

(c) During 2015, PPL recorded lower income taxes primarily attributable to a decrease in taxable dividends.

During 2014, PPL recorded $47 million of income tax expense primarily attributable to taxable dividends.

During 2013, PPL recorded $28 million of income tax expense resulting from increased taxable dividends offset by a $19 million income tax benefit associated with a ruling obtained from the IRS impacting the recalculation of 2010 U.K. earnings and profits that was reflected on an amended 2010 U.S. tax return.

(d) In 2015, PPL recorded a $12 million tax benefit related to the settlement of the IRS audit for the tax years 1998-2011.

In May 2013, the Supreme Court ruled that the U.K. Windfall Profits Tax (WPT) imposed on privatized utilities, including WPD, is a creditable tax for U.S. federal income tax purposes. As a result of the Supreme Court ruling, PPL recorded a tax benefit of $44 million during 2013, of which $19 million relates to interest.

In 2013, PPL recorded a federal and state income tax reserve benefit of $7 million related to stranded cost securitization. The reserve balance at December 31, 2013 related to stranded costs securitization was zero.

(e) During each period, PPL recorded adjustments related to its December 31 state deferred tax liabilities as a result of annual changes in state apportionment and the impact on the future estimated state income tax rate.

	2015	2014	2013
Taxes, other than income			
State gross receipts (a)	$ 89	$ 102	$ 98
Foreign property	148	157	147
Domestic Other	62	58	53
Total	$ 299	$ 317	$ 298

(a) The decrease in 2015 was primarily due to the settlement of a 2011 gross receipts tax audit resulting in the reversal of $17 million of previously recognized reserves.

(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.

	2015	2014
Deferred Tax Assets		
Accrued pension costs	$ 92	$ 85
Contributions in aid of construction	111	110
Regulatory obligations	56	39
State loss carryforwards	27	30
Federal loss carryforwards (a)	146	51
Other	87	54
Total deferred tax assets	519	369
Deferred Tax Liabilities		
Electric utility plant - net	1,803	1,453
Taxes recoverable through future rates	135	132
Reacquired debt costs	18	20
Other regulatory assets	213	173
Other	13	16
Total deferred tax liabilities	2,182	1,794
Net deferred tax liability	$ 1,663	$ 1,425

(a) Increase in Federal loss carryforwards primarily relates to the extension of bonus depreciation and the impact of bonus depreciation related to the provision to return adjustments.

At December 31, PPL Electric had the following loss carryforwards.

	2015	Expiration
Loss carryforwards		
Federal net operating losses	$ 411	2031-2035
Federal charitable contributions	3	2020
State net operating losses	410	2030-2032
State charitable contributions	13	2016-2020

Credit carryforwards were insignificant at December 31, 2015.

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were as follows.

	2015	2014	2013
Income Tax Expense (Benefit)			
Current - Federal	$ (80)	$ 60	$ (15)
Current - State	23	15	(4)
Total Current Expense (Benefit)	(57)	75	(19)
Deferred - Federal	287	70	109
Deferred - State	12	16	16
Total Deferred Expense, excluding operating loss carryforwards	299	86	125
Investment tax credit, net - Federal		(1)	(1)
Tax expense (benefit) of operating loss carryforwards			
Deferred - Federal	(75)		4
Deferred - State	(3)		(1)
Total Tax Expense (Benefit) of Operating Loss Carryforwards	(78)		3
Total income tax expense	$ 164	$ 160	$ 108
Total income tax expense - Federal	$ 132	$ 129	$ 97
Total income tax expense - State	32	31	11
Total income tax expense	$ 164	$ 160	$ 108

	2015	2014	2013
Reconciliation of Income Taxes			
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 146	$ 148	$ 111
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	25	22	16
Federal and state tax reserves adjustments (a)	2	(1)	(9)
Federal and state income tax return adjustments	(2)	1	(1)
Depreciation not normalized	(4)	(6)	(6)
Other	(3)	(4)	(3)
Total increase (decrease)	18	12	(3)
Total income tax expense	$ 164	$ 160	$ 108
Effective income tax rate	39.4%	37.8%	34.1%

(a) PPL Electric recorded a tax benefit of $7 million during 2013 to federal and state income tax reserves related to stranded cost securitization. The reserve balance at December 31, 2013 related to stranded costs securitization was zero.

	2015	2014	2013
Taxes, other than income			
State gross receipts (a)	$ 89	$ 102	$ 98
Property and other	5	5	5
Total	$ 94	$ 107	$ 103

(a) The decrease in 2015 was primarily due to the settlement of a 2011 gross receipts tax audit resulting in the reversal of $17 million of previously recognized reserves.

(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.

	2015	2014
Deferred Tax Assets		
Federal loss carryforwards (a)	$ 280	$ 46
State loss carryforwards	35	36
Tax credit carryforwards	181	182
Regulatory liabilities	66	92
Accrued pension costs	53	53
Income taxes due to customers	17	20
Deferred investment tax credits	50	51
Derivative liability	18	45
Other	55	44
Valuation allowances	(12)	
Total deferred tax assets	743	569
Deferred Tax Liabilities		
Plant - net	2,076	1,639
Regulatory assets	119	143
Other	11	12
Total deferred tax liabilities	2,206	1,794
Net deferred tax liability	$ 1,463	$ 1,225

(a) Increase in Federal loss carryforwards primarily relates to the extension of bonus depreciation and the impact of bonus depreciation related to the provision to return adjustments.

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.

	2015	Expiration
Loss carryforwards		
Federal net operating losses	$ 801	2029-2035
State net operating losses	934	2028-2035
State capital losses	1	2016
Credit carryforwards		
Federal investment tax credit	125	2025-2028
Federal alternative minimum tax credit	28	Indefinite
Federal - other	27	2016-2035
State - other	5	2022

Changes in deferred tax valuation allowances were:

	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
2015		$ 12 (a)		$ 12
2014	$ 4		$ 4 (b)	
2013	5		1 (b)	4

(a) Represents tax credits expiring in 2016 through 2020 that are more likely than not to expire before being utilized.
(b) Primarily related to the expiration of state capital loss carryforwards.

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:

	2015	2014	2013
Income Tax Expense (Benefit)			
Current - Federal	$ 2	$ (247)	$ (59)
Current - State	1	8	10
Total Current Expense (Benefit)	3	(239)	(49)
Deferred - Federal	405	437	244
Deferred - State	32	23	20
Total Deferred Expense, excluding benefits of operating loss carryforwards	437	460	264
Investment tax credit, net - Federal	(3)	(4)	(4)
Tax benefit of operating loss carryforwards			
Deferred - Federal	(198)	(8)	(4)
Deferred - State			(1)
Total Tax Benefit of Operating Loss Carryforwards	(198)	(8)	(5)
Total income tax expense from continuing operations (a)	$ 239	$ 209	$ 206
Total income tax expense - Federal	$ 206	$ 178	$ 177
Total income tax expense - State	33	31	29
Total income tax expense from continuing operations (a)	$ 239	$ 209	$ 206

(a) Excludes current and deferred federal and state tax expense (benefit) recorded to Discontinued Operations of less than $1 million in 2015 and 2014, and $1 million in 2013. Also, excludes deferred federal and state tax expense (benefit) recorded to OCI of less than $(1) million in 2015, $(36) million in 2014 and $18 million in 2013.

	2015	2014	2013
Reconciliation of Income Taxes			
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 211	$ 194	$ 193
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	22	20	20
Amortization of investment tax credit	(3)	(4)	(4)
Valuation allowance adjustment (a)	12		
Other	(3)	(1)	(3)
Total increase (decrease)	28	15	13
Total income tax expense from continuing operations	$ 239	$ 209	$ 206
Effective income tax rate	39.6%	37.8%	37.4%

(a) Represents a valuation allowance against tax credits expiring from 2016 through 2020 that are more likely than not to expire before being utilized.

	2015	2014	2013
Taxes, other than income			
Property and other	$ 57	$ 52	$ 48
Total	$ 57	$ 52	$ 48

(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.

	2015	2014
Deferred Tax Assets		
Federal loss carryforwards (a)	$ 76	
Regulatory liabilities	38	$ 51
Deferred investment tax credits	13	14
Income taxes due to customers	17	18
Derivative liability	18	32
Other	15	9
Total deferred tax assets	177	124

	2015	2014
Deferred Tax Liabilities		
Plant - net	896	698
Regulatory assets	75	90
Accrued pension costs	28	28
Other	7	8
Total deferred tax liabilities	1,006	824
Net deferred tax liability	$ 829	$ 700

(a) Increase in Federal loss carryforwards primarily relates to the extension of bonus depreciation.

LG&E expects to have adequate levels of taxable income to realize its recorded deferred income tax assets.

At December 31, 2015, LG&E had $218 million of federal net operating loss carryforwards that expire in 2035, $1 million of federal credit carryforwards that expire from 2031 to 2035 and $2 million of state credit carryforwards that expire in 2022.

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:

	2015	2014	2013
Income Tax Expense (Benefit)			
Current - Federal	$ (15)	$ (25)	$ 52
Current - State	3	10	16
Total Current Expense (Benefit)	(12)	(15)	68
Deferred - Federal	190	114	33
Deferred - State	13	6	(2)
Total Deferred Expense, excluding benefits of operating loss carryforwards	203	120	31
Investment tax credit, net - Federal	(1)	(2)	(2)
Tax benefit of operating loss carryforwards			
Deferred - Federal	(76)		(3)
Total Tax Benefit of Operating Loss Carryforwards	(76)		(3)
Total income tax expense	$ 114	$ 103	$ 94
Total income tax expense - Federal	$ 98	$ 87	$ 80
Total income tax expense - State	16	16	14
Total income tax expense	$ 114	$ 103	$ 94

	2015	2014	2013
Reconciliation of Income Taxes			
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 105	$ 95	$ 90
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	11	10	10
Amortization of investment tax credit	(1)	(2)	(2)
Other	(1)		(4)
Total increase (decrease)	9	8	4
Total income tax expense	$ 114	$ 103	$ 94
Effective income tax rate	38.1%	37.9%	36.6%

	2015	2014	2013
Taxes, other than income			
Property and other	$ 28	$ 25	$ 24
Total	$ 28	$ 25	$ 24

(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.

	2015	2014
Deferred Tax Assets		
Federal loss carryforwards (a)	$ 97	
Regulatory liabilities	28	$ 41
Deferred investment tax credits	36	37
Income taxes due to customers		2
Derivative liability		13
Other	7	7
Total deferred tax assets	168	100
Deferred Tax Liabilities		
Plant - net	1,164	922
Regulatory assets	44	53
Other	6	7
Total deferred tax liabilities	1,214	982
Net deferred tax liability	$ 1,046	$ 882

(a) Increase in Federal loss carryforwards primarily relates to the extension of bonus depreciation.

KU expects to have adequate levels of taxable income to realize its recorded deferred income tax assets.

At December 31, 2015, KU had $279 million of federal net operating loss carryforwards that expire in 2035 and $2 million of state credit carryforwards that expire in 2022.

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:

	2015	2014	2013
Income Tax Expense (Benefit)			
Current - Federal	$ (21)	$ (95)	$ 51
Current - State	1	6	12
Total Current Expense (Benefit)	(20)	(89)	63
Deferred - Federal	240	212	66
Deferred - State	19	14	8
Total Deferred Expense, excluding benefits of operating loss carryforwards	259	226	74
Investment tax credit, net - Federal	(2)	(2)	(2)
Tax benefit of operating loss carryforwards			
Deferred - Federal	(97)		(3)
Total Tax Benefit of Operating Loss Carryforwards	(97)		(3)
Total income tax expense (a)	$ 140	$ 135	$ 132
Total income tax expense - Federal	$ 120	$ 115	$ 112
Total income tax expense - State	20	20	20
Total income tax expense (a)	$ 140	$ 135	$ 132

(a) Excludes deferred federal and state tax expense (benefit) recorded to OCI of less than $(1) million in 2015, 2014 and 2013.

	2015	2014	2013
Reconciliation of Income Taxes			
Federal income tax on Income Before Income Taxes at			
statutory tax rate - 35%	$ 131	$ 124	$ 126
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	13	13	14
Amortization of investment tax credit	(2)	(2)	(2)
Other	(2)		(6)
Total increase (decrease)	9	11	6
Total income tax expense	$ 140	$ 135	$ 132
Effective income tax rate	37.4%	38.0%	36.7%

	2015	2014	2013
Taxes, other than income			
Property and other	$ 29	$ 27	$ 24
Total	$ 29	$ 27	$ 24

Unrecognized Tax Benefits *(All Registrants)*

PPL or its subsidiaries file tax returns in four major tax jurisdictions. The income tax provisions for 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 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, 2015, these jurisdictions, as well as the tax years that are no longer subject to examination, were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
U.S. (federal)	2011 and prior	2011 and prior	2011 and prior	2011 and prior	2011 and prior
Pennsylvania (state)	2011 and prior	2011 and prior			
Kentucky (state)	2010 and prior		2010 and prior	2010 and prior	2010 and prior
U.K. (foreign)	2012 and prior				

Other *(PPL)*

In 2015, PPL recorded a tax benefit of $24 million, related to the settlement of the IRS audit for tax years 1998-2011. Of this amount, $12 million is reflected in Income from Continuing Operations After Income Taxes.

6. Utility Rate Regulation

Regulatory Assets and Liabilities

(All Registrants)

PPL, PPL Electric, LKE, LG&E and KU reflect the effects of regulatory actions in the financial statements for their cost-based rate-regulated utility operations. Regulatory assets and liabilities are classified as current if, upon initial recognition, the entire amount related to that item will be recovered or refunded within a year of the balance sheet date.

WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP and does not record regulatory assets and liabilities. See Note 1 for additional information.

(PPL, LKE, LG&E and KU)

LG&E is subject to the jurisdiction of the KPSC and FERC, and KU is subject to the jurisdiction of the KPSC, FERC, 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 adjustments for certain net investments and costs recovered separately through other means. As such, LG&E and KU generally earn a return on regulatory assets.

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 recovery of costs as well as a return on distribution rate base (net utility plant plus a working capital allowance less plant-related deferred taxes and other miscellaneous additions and deductions). PPL Electric's transmission revenues are billed in accordance with a FERC tariff that allows for recovery of transmission costs incurred, a return on transmission-related rate base (net utility plant plus a working capital allowance less plant-related deferred taxes and other miscellaneous additions and deductions) and an automatic annual update. See "Transmission Formula Rate" below for additional information on this tariff. All regulatory assets and liabilities are excluded from distribution and transmission return on investment calculations; therefore, generally no return is earned on PPL Electric's regulatory assets.

(All Registrants)

The following table provides information about the regulatory assets and liabilities of cost-based rate-regulated utility operations at December 31.

	PPL		PPL Electric	
	2015	2014	2015	2014
Current Regulatory Assets:				
Environmental cost recovery	$ 24	$ 5		
Gas supply clause	1	15		
Transmission service charge	10	6	$ 10	$ 6
Other	13	11	3	6
Total current regulatory assets (a)	$ 48	$ 37	$ 13	$ 12
Noncurrent Regulatory Assets:				
Defined benefit plans	$ 809	$ 720	$ 469	$ 372
Taxes recoverable through future rates	326	316	326	316
Storm costs	93	124	30	46
Unamortized loss on debt	68	77	42	49
Interest rate swaps	141	122		
Accumulated cost of removal of utility plant	137	114	137	114
AROs	143	79		
Other	16	10	2	
Total noncurrent regulatory assets	$ 1,733	$ 1,562	$ 1,006	$ 897
Current Regulatory Liabilities:				
Generation supply charge	$ 41	$ 28	$ 41	$ 28
Demand side management	8	2		
Gas supply clause	6	6		
Transmission formula rate	48	42	48	42
Fuel adjustment clause	14			
Storm damage expense	16	3	16	3
Other	12	10	8	3
Total current regulatory liabilities	$ 145	$ 91	$ 113	$ 76
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 691	$ 693		
Coal contracts (b)	17	59		
Power purchase agreement - OVEC (b)	83	92		
Net deferred tax assets	23	26		
Act 129 compliance rider	22	18	$ 22	$ 18
Defined benefit plans	24	16		
Interest rate swaps	82	84		
Other	3	4		
Total noncurrent regulatory liabilities	$ 945	$ 992	$ 22	$ 18

	LKE		LG&E		KU	
	2015	2014	2015	2014	2015	2014
Current Regulatory Assets:						
Environmental cost recovery	$ 24	$ 5	$ 13	$ 4	$ 11	$ 1
Gas supply clause	1	15	1	15		
Fuel adjustment clause		4		2		2
Gas line tracker	1		1			
Other	9	1	1		8	1
Total current regulatory assets	$ 35	$ 25	$ 16	$ 21	$ 19	$ 4
Noncurrent Regulatory Assets:						
Defined benefit plans	$ 340	$ 348	$ 215	$ 215	$ 125	$ 133
Storm costs	63	78	35	43	28	35
Unamortized loss on debt	26	28	17	18	9	10
Interest rate swaps	141	122	98	89	43	33
AROs	143	79	57	28	86	51
Plant retirement costs	6				6	
Other	8	10	2	4	6	6
Total noncurrent regulatory assets	$ 727	$ 665	$ 424	$ 397	$ 303	$ 268
Current Regulatory Liabilities:						
Demand side management	$ 8	$ 2	$ 4	$ 1	$ 4	$ 1
Gas supply clause	6	6	6	6		
Fuel adjustment clause	14		2		12	
Gas line tracker		3		3		
Other	4	4	1		3	4
Total current regulatory liabilities	$ 32	$ 15	$ 13	$ 10	$ 19	$ 5
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal of utility plant	$ 691	$ 693	$ 301	$ 302	$ 390	$ 391
Coal contracts (b)	17	59	7	25	10	34
Power purchase agreement - OVEC (b)	83	92	57	63	26	29
Net deferred tax assets	23	26	23	24		2
Defined benefit plans	24	16			24	16
Interest rate swaps	82	84	41	42	41	42
Other	3	4	2	2	1	2
Total noncurrent regulatory liabilities	$ 923	$ 974	$ 431	$ 458	$ 492	$ 516

(a) For PPL, these amounts are included in "Other current assets" on the Balance Sheets.
(b) These liabilities were recorded as offsets to certain intangible assets that were recorded at fair value upon the acquisition of LKE by PPL.

Following is an overview of selected regulatory assets and liabilities detailed in the preceding tables. Specific developments with respect to certain of these regulatory assets and liabilities are discussed in "Regulatory Matters."

Defined Benefit Plans

(All Registrants)

Defined benefit plan regulatory assets and liabilities represent the portion of unrecognized transition obligation, prior service cost and net actuarial gains and losses that will be recovered in defined benefit plans expense through future base rates based upon established regulatory practices and generally, are amortized over the average remaining service lives of plan participants. These regulatory assets and liabilities are adjusted at least annually or whenever the funded status of defined benefit plans is re-measured. Of the regulatory asset and liability balances recorded, costs of $46 million for PPL, $18 million for PPL Electric, $28 million for LKE, $19 million for LG&E and $9 million for KU are expected to be amortized into net periodic defined benefit costs in 2016 in accordance with PPL's, PPL Electric's, LKE's, LG&E's and KU's pension accounting policy.

(PPL, LKE, LG&E and KU)

As a result of the 2014 Kentucky rate case settlement that became effective July 1, 2015, the difference between pension cost calculated in accordance with LG&E and KU's pension accounting policy and pension cost calculated using a 15 year amortization period for actuarial gains and losses is recorded as a regulatory asset. As of December 31, 2015, the balances were $10 million for PPL and LKE, $6 million for LG&E and $4 million for KU. Of the costs expected to be amortized into net periodic defined benefit costs in 2016, $10 million for PPL and LKE, $6 million for LG&E and $4 million for KU are expected to be recorded as a regulatory asset in 2016.

(All Registrants)

Storm Costs

PPL Electric, LG&E and KU have the ability to request from the PUC, KPSC and VSCC, as applicable, the authority to treat expenses related to specific extraordinary storms as a regulatory asset and defer such costs for regulatory accounting and reporting purposes. Once such authority is granted, LG&E and KU can request recovery of those expenses in a base rate case and begin amortizing the costs when recovery starts. PPL Electric can recover qualifying expenses caused by major storm events, as defined in its retail tariff, over three years through the Storm Damage Expense Rider commencing in the application year after the storm occurred. LG&E's and KU's regulatory assets for storm costs are being amortized through various dates ending in 2020.

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, 2035 for LG&E and through 2040 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.

PPL Electric does not accrue for costs of removal. When costs of removal are incurred, PPL Electric records the costs as a regulatory asset. Such deferral is included in rates and amortized over the subsequent five-year period.

(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.

Transmission Service Charge (TSC)

PPL Electric is charged by PJM for transmission service-related costs applicable to its PLR customers. PPL Electric passes these costs on to customers, who receive basic generation supply service through the PUC-approved TSC cost recovery mechanism. The TSC contains a reconciliation mechanism whereby any over- or under-recovery from customers is either refunded to, or recovered from, customers through the adjustment factor determined for the subsequent year.

Transmission Formula Rate

PPL Electric's transmission revenues are billed in accordance with a FERC-approved Open Access Transmission Tariff that utilizes a formula-based rate recovery mechanism. Under this formula, rates are put into effect in June of each year based upon prior year actual expenditures and current year forecasted capital additions. Rates are then adjusted the following year to reflect actual annual expenses and capital additions. Any difference between the revenue requirement in effect for the prior year and actual expenditures incurred for that year is recorded as a regulatory asset or regulatory liability.

Storm Damage Expense

In accordance with the PUC's December 2012 final rate case order, PPL Electric proposed the establishment of a Storm Damage Expense Rider (SDER) with the PUC. In April 2014, the PUC issued a final order approving the SDER with a January 1, 2015 effective date. On June 20, 2014, the Office of Consumer Advocate (OCA) filed a petition requesting the Commonwealth Court of Pennsylvania to reverse and remand the April 2014 order, which petition remains outstanding. On

January 15, 2015, the PUC issued an order modifying the effective date of the SDER to February 1, 2015. See below under "Regulatory Matters - Pennsylvania Activities" for additional information on the SDER.

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, Phase I of 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. Phase II of PPL's energy efficiency and conservation plan allows PPL Electric to recover the maximum $185 million cost of the program over the three year period June 1, 2013 through May 31, 2016. 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.

(PPL, LKE, LG&E and KU)

Environmental Cost Recovery

Kentucky law permits LG&E and KU to recover the costs, including a return of operating expenses and a return of and on capital invested, of complying with the Clean Air Act and those federal, state or local environmental requirements which apply to coal combustion wastes and by-products from coal-fired 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. As a result of the 2014 Kentucky rate case settlement that became effective July 1, 2015, LG&E and KU were authorized to earn a 10% return on equity for all their existing ECR plans. 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.

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, 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 typically 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 to generate electricity, including transportation costs, from the costs embedded in base rates are adjusted in LG&E's and KU's rates. The KPSC requires 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 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

LG&E's and 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. LG&E's and KU's rates contain a DSM provision which includes a rate recovery mechanism that provides for concurrent recovery of DSM costs and incentives, and allows for the recovery of DSM revenues from lost sales associated with the DSM programs. Additionally, LG&E and KU earn 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

(PPL, LKE, LG&E and KU)

Periodically, LG&E and KU enter into forward-starting interest rate swaps with PPL that have terms identical to forward-starting swaps entered into by PPL with third parties. Net realized gains and losses on all of these swaps are probable of recovery through regulated rates; as such, any gains and losses on these derivatives are included in regulatory assets or liabilities and will be recognized in "Interest Expense" on the Statements of Income over the life of the underlying debt at the time the underlying hedged interest expense is recorded. In September 2015, first mortgage bonds totaling $1.05 billion were issued (LG&E issued $550 million and KU issued $500 million) and all outstanding forward-starting interest rate swaps were terminated. Net cash settlements of $88 million were paid on the swaps that were terminated (LG&E and KU each paid $44 million). Net realized losses on these terminated swaps will be recovered through regulated rates. As such, the net settlements were recorded in regulatory assets and are being recognized in "Interest Expense" on the Statements of Income over the life of the new debt that matures in 2025 and 2045. There were no forward starting interest rate swaps outstanding at December 31, 2015. See Note 17 for additional information related to the forward-starting interest rate swaps.

Net cash settlements of $86 million were received on forward starting interest rate swaps that were terminated in 2013 (LG&E and KU each received $43 million). Net realized gains on these terminated swaps will be returned through regulated rates. As such, the net settlements were recorded as regulatory liabilities and are being recognized in "Interest Expense" on the Statements of Income over the life of the associated debt that matures in 2043.

(PPL, LKE and LG&E)

In addition to the terminated forward starting interest rate swaps, realized amounts associated with LG&E's other interest rate swaps, including a terminated swap contract from 2008, are recoverable through rates based on an order from the KPSC, LG&E's unrealized losses and gains 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 or loss related to the 2008 terminated swap contract is to be recovered through 2035.

AROs

As discussed in Note 1, the accretion and depreciation expenses related to LG&E's and 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.

Gas Line Tracker

The GLT authorizes LG&E to recover its incremental operating expenses, depreciation, property taxes, and its cost of capital including a return on equity for capital associated with the five year gas service riser, leak mitigation and customer service line ownership programs. As a result of the 2014 Kentucky rate case settlement that became effective July 1, 2015, LG&E is authorized to earn a 10% return on equity for the GLT mechanism. As part of this program, LG&E makes necessary repairs and assumes ownership of natural gas lines. LG&E annually files projected costs in October to become effective on the first billing cycle in January. After the completion of a plan year, LG&E submits a balancing adjustment filing to the KPSC to amend rates charged for the differences between the actual costs and actual GLT charges for the preceding year. The regulatory assets or liabilities represent the amounts that have been under- or over-recovered due to these timing differences.

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.

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.

Plant Retirement Costs

The 2014 Kentucky rate case settlement that became effective July 1, 2015, provided for deferred recovery of costs associated with Green River's remaining coal-fired generating units through their retirement date, which occurred in September 2015. These costs include inventory write-downs and separation benefits and will be amortized over three years.

Regulatory Matters

U.K. Activities *(PPL)*

RIIO-ED1

On April 1, 2015, the RIIO-ED1 eight-year price control period commenced for WPD's four DNOs.

Ofgem Review of Line Loss Calculation

In 2014, Ofgem issued its final decision on the DPCR4 line loss incentives and penalties mechanism. As a result, during 2014 WPD increased its liability by $65 million for over-recovery of line losses with a reduction to "Operating Revenues" on the Statement of Income. In 2013, WPD had recorded an increase of $45 million to the liability with a reduction to "Operating Revenues" on the Statement of Income. Other activity impacting the liability included reductions in the liability that have been included in tariffs and foreign exchange movements. WPD began refunding the liability to customers on April 1, 2015 and will continue through March 31, 2019. The liability at December 31, 2015 and 2014 was $61 million and $99 million.

Kentucky Activities

(PPL, LKE, LG&E and KU)

Rate Case Proceedings

On June 30, 2015, the KPSC approved a rate case settlement agreement providing for increases in the annual revenue requirements associated with KU base electricity rates of $125 million and LG&E base gas rates of $7 million. The annual revenue requirement associated with base electricity rates at LG&E was not changed. Although the settlement did not establish a specific return on equity with respect to the base rates, an authorized 10% return on equity will be utilized in the ECR and GLT mechanisms. The settlement agreement provides for deferred recovery of costs associated with KU's retirement of Green River Units 3 and 4. The new regulatory asset will be amortized over three years. The settlement also provides regulatory asset treatment for the difference between pension expense calculated in accordance with LG&E and

KU's pension accounting policy and pension expense using a 15 year amortization period for actuarial gains and losses. The new rates and all elements of the settlement became effective July 1, 2015.

KPSC Landfill Proceedings

On May 22, 2015, LG&E and KU filed an application with the KPSC for a declaratory order that the existing CPCN and ECR approvals regarding the initial phases of construction and rate recovery of the landfill for management of CCRs at the Trimble County Station remain in effect. The current design of the proposed landfill provides for construction in substantially the same location as originally proposed with approximately the same storage capacity and expected useful life. On May 20, 2015, the owner of an underground limestone mine filed a complaint with the KPSC requesting it to revoke the CPCN for the Trimble County landfill and limit recovery of costs for the Ghent Station landfill on the grounds that, as a result of cost increases, the proposed landfill no longer constitutes the least cost alternative for CCR management. The KPSC has initiated its own investigation, consolidated the proceedings, and ordered an accelerated procedural schedule. The KPSC conducted a hearing on the matter in September 2015. On December 15, 2015, the KPSC issued an order affirming LG&E and KU's existing CPCN and ECR authority for Phase 1 of the Trimble County and Ghent landfills and related facilities, and that the landfills are the least cost options for disposing of the combustion wastes. Additionally, the order requires LG&E and KU to file a CPCN prior to constructing Phases 2 and 3 at the Ghent landfill and Phases 2 through 4 at the Trimble County landfill. The order also requires LG&E and KU to submit status update reports every three months on Phase 1 of Trimble County landfill. Phase 1 of construction at Trimble County will commence after the required state permits are obtained. Phase 1 of the Ghent landfill was completed in December 2014.

CPCN and ECR Filings

On January 29, 2016, LG&E and KU submitted applications to the KPSC for CPCNs and for ECR rate treatment regarding upcoming environmental construction projects relating to the EPA's regulations addressing the handling of coal combustion byproducts and MATS. The construction projects are expected to begin in 2016 and continue through 2023 and are estimated to cost approximately $316 million at LG&E and $678 million at KU. The applications request an authorized 10% return on equity with respect to LG&E and KU's ECR mechanism consistent with the 2014 Kentucky rate case approved in June 2015.

Pennsylvania Activities *(PPL and PPL Electric)*

Act 11 authorizes the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, the use of a DSIC. Such alternative ratemaking procedures and mechanisms provide opportunity for accelerated cost-recovery and, therefore, are important to PPL Electric as it is in a period of significant capital investment to maintain and enhance the reliability of its delivery system, including the replacement of aging distribution assets

Rate Case Proceeding

On March 31, 2015, PPL Electric filed a request with the PUC for an increase in its annual distribution revenue requirement of approximately $167.5 million. The application was based on a fully projected future test year of January 1, 2016 through December 31, 2016. On September 3, 2015, PPL Electric filed with the PUC Administrative Law Judge a petition for approval of a settlement agreement under which PPL Electric would be permitted to increase its annual distribution rates by $124 million, effective January 1, 2016. On November 19, 2015, the PUC entered a final order adopting the Administrative Law Judge's recommended decision. The new rates became effective January 1, 2016.

Distribution System Improvement Charge (DSIC)

On March 31, 2015, PPL Electric filed a petition requesting a waiver of the DSIC cap of 5% of billed revenues and approval to increase the maximum allowable DSIC from 5% to 7.5% for service rendered after January 1, 2016. PPL Electric filed the petition concurrently with its 2015 rate case and the Administrative Law Judge granted PPL Electric's request to consolidate these two proceedings. Under the terms of the settlement agreement discussed above, PPL Electric agreed to withdraw the petition without prejudice to re-file it at a later date.

In September 2012, PPL Electric filed its LTIIP describing projects eligible for inclusion in the DSIC and, in an order entered on May 23, 2013, the PUC approved PPL Electric's proposed DSIC with an initial rate effective July 1, 2013, subject to refund after hearings. The PUC also assigned four technical recovery calculation issues to the Office of Administrative Law Judge for hearing and preparation of a recommended decision. In November 2015, the PUC issued an opinion and order approving PPL Electric's Petition with minor modifications.

Storm Damage Expense Rider (SDER)

In its December 2012 final rate case order, the PUC directed PPL Electric to file a proposed SDER. The SDER is a reconcilable automatic adjustment clause under which PPL Electric annually will compare actual storm costs to storm costs allowed in base rates and refund or recoup any differences from customers. In March 2013, PPL Electric filed its proposed SDER with the PUC and, as part of that filing, requested recovery of the 2012 qualifying storm costs related to Hurricane Sandy. PPL Electric proposed that the SDER become effective January 1, 2013 at a zero rate with qualifying storm costs incurred in 2013 and the 2012 Hurricane Sandy costs be included in rates effective January 1, 2014. In April 2014, the PUC issued a final order approving the SDER with a January 1, 2015 effective date and initially including actual storm costs compared to collections for December 2013 through November 2014. As a result, PPL Electric reduced its regulatory liability by $12 million in March 2014. Also, as part of the April 2014 order, PPL Electric was authorized to recover Hurricane Sandy storm damage costs through the SDER of $29 million over a three-year period beginning January 1, 2015.

In June 2014, the Office of Consumer Advocate (OCA) filed a petition with the Commonwealth Court of Pennsylvania requesting that the Court reverse and remand the April 2014 order permitting PPL Electric to establish the SDER. In December 2015, the Commonwealth Court issued an Opinion affirming the PUC's April 2014 Order. On January 15, 2015, the PUC issued a final order closing an investigation related to a separate OCA complaint concerning PPL Electric's October 2014 preliminary SDER calculation and modified the effective date of the SDER to February 1, 2015.

In the PUC rate case settlement agreement approved by the Commission in November 2015, it was determined that reportable storm damage expenses to be recovered annually through base rates will be set at $15 million. The SDER will recover from customers or refund to customers, as appropriate, only applicable expenses from reportable storms that are greater than or less than $15 million recovered annually through base rates. Beginning January 1, 2018, the amortized 2011 storm expense of $5 million will be included in the base rate component of the SDER.

Act 129

Act 129 requires Pennsylvania Electric Distribution Companies (EDCs) to meet specified goals for reduction in customer electricity usage and peak demand by specified dates. EDCs not meeting the requirements of Act 129 are subject to significant penalties. In November 2015, PPL Electric filed with the PUC its Act 129 Phase III Energy Efficiency and Conservation Plan for the period June 1, 2016 through May 31, 2021. In January 2016, PPL Electric and the other parties reached a settlement in principle. The settlement is subject to PUC approval. This matter remains pending before the PUC.

Act 129 also requires Default Service Providers (DSP) to provide electricity generation supply service to customers pursuant to a PUC-approved default service procurement plan through auctions, requests for proposal and bilateral contracts at the sole discretion of the DSP. Act 129 requires a mix of spot market purchases, short-term contracts and long-term contracts (4 to 20 years), with long-term contracts limited to 25% of load unless otherwise approved by the PUC. A DSP is able to recover the costs associated with its default service procurement plan.

PPL Electric has received PUC approval of biannual DSP procurement plans for all periods required under Act 129. In January 2016, PPL Electric filed a Petition for Approval of a new DSP procurement plan with the PUC for the period June 1, 2017 through May 31, 2021. A Prehearing Conference is scheduled for March 2016. This proceeding remains pending before the PUC. PPL Electric cannot predict the outcome of this proceeding.

Smart Meter Rider (SMR)

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 are able to recover the costs of providing smart metering technology. All of PPL Electric's metered customers currently have advanced meters installed at their service locations capable of many of the functions required under Act 129. PPL Electric conducted pilot projects and technical evaluations of its current advanced metering technology and concluded that the current technology does not meet all of the requirements of Act 129. PPL Electric recovered the cost of its pilot programs and evaluations through a cost recovery mechanism, the Smart Meter Rider. In August 2013, PPL Electric filed with the PUC an annual report describing the actions it was taking under its Smart Meter Plan during 2013 and its planned actions for 2014. PPL Electric also submitted revised SMR charges that became effective January 1, 2014. In June 2014, PPL Electric filed its final Smart Meter Plan with the PUC. In that plan, PPL Electric proposes by the end of 2019 to replace all of its current meters with new meters that meet the Act 129 requirements. The total cost of the project is estimated to be approximately $471 million, of which approximately $406 million is expected to be capital. PPL Electric proposes to recover these costs through the SMR which the PUC previously approved for recovery of such costs. On April 30, 2015, the Administrative Law Judge assigned by the PUC to review PPL Electric's Smart Meter Plan issued a recommended decision approving the plan with minor modifications. On September 3, 2015, the PUC entered a final order approving the Smart Meter Plan with minor modifications.

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 (OATT) that utilizes a formula-based rate recovery mechanism. The formula rate is calculated, in part, based on financial results as reported in PPL Electric's annual FERC Form 1, filed under the FERC's Uniform System of Accounts.

FERC Wholesale Formula Rates (LKE and KU)

In September 2013, KU filed an application with the FERC to adjust the formula rate under which KU provided 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 a true-up. KU's application proposed an authorized return on equity of 10.7%. Certain elements, including the new formula rate, became effective April 23, 2014, subject to refund. In April 2014, nine municipalities submitted notices of termination, under the original notice period provisions, to cease taking power under the wholesale requirements contracts. Such terminations are to be effective in 2019, except in the case of one municipality with a 2017 effective date. In addition, a tenth municipality has become a transmission-only customer as of June 2015. In July 2014, KU agreed on settlement terms with the two municipal customers that did not provide termination notices and filed the settlement proposal with the FERC for its approval. In August 2014, the FERC issued an order on the interim settlement agreement allowing the proposed rates to become effective pending a final order. During the fourth quarter of 2015, the FERC approved the settlement agreement resolving the rate case with respect to these two municipalities, including approval of the formula rate with a true-up provision and authorizing a return on equity of 10% or the return on equity awarded to other parties in this case, whichever is lower. In August 2015, KU filed a partial settlement agreement with the nine terminating municipalities, resolving all but one open matter with one municipality. The settlement was approved by FERC in the fourth quarter of 2015, including authorizing the agreed-upon refunds, approving the formula rate with a true-up provision, and authorizing a 10.25% return on equity. Refunds to both the remaining municipals and the departing municipals were issued during the fourth quarter of 2015 totaling $3.4 million. A single remaining unresolved issue with one terminating municipality is in FERC litigation proceedings. Hearings on the dispute were conducted in January 2016 and preliminary rulings on the matter may occur in mid- or late-2016. KU cannot predict the ultimate outcome of this FERC proceeding, but the amounts under continuing dispute are not estimated to be significant.

7. Financing Activities

Credit Arrangements and Short-term Debt

(All Registrants)

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. For reporting purposes, on a consolidated basis, the credit facilities and commercial paper programs of PPL Electric, LKE, LG&E and KU also apply to PPL and the credit facilities and commercial paper programs of LG&E and KU also apply to LKE. The amounts borrowed below are recorded as "Short-term debt" on the Balance Sheets. The following credit facilities were in place at:

		December 31, 2015					December 31, 2014	
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity		Borrowed	Letters of Credit and Commercial Paper Issued
PPL								
U.K.								
WPD plc								
Syndicated Credit Facility (a) (c)	Dec. 2016	£ 210	£ 133		£ 77		£ 103	
WPD (South West)								
Syndicated Credit Facility (a) (c)	July 2020	245			245			
WPD (East Midlands)								
Syndicated Credit Facility (a) (c)	July 2020	300			300		64	
WPD (West Midlands)								
Syndicated Credit Facility (a) (c)	July 2020	300			300			
Uncommitted Credit Facilities		40		£ 4	36			£ 5
Total U.K. Credit Facilities (b)		£ 1,095	£ 133	£ 4	£ 958		£ 167	£ 5
U.S.								
PPL Capital Funding								
Syndicated Credit Facility (c) (d)	Nov. 2018	$ 300		$ 151	$ 149			
Syndicated Credit Facility (c) (d)	July 2019	300		300				
Bilateral Credit Facility (c) (d)	Mar. 2016	150		20	130			$ 21
Total PPL Capital Funding Credit Facilities		$ 750		$ 471	$ 279			$ 21
PPL Electric								
Syndicated Credit Facility (c) (d)	July 2019	$ 300		$ 1	$ 299			$ 1
LKE								
Syndicated Credit Facility (c) (d) (f)	Oct. 2018	$ 75	$ 75				$ 75	
LG&E								
Syndicated Credit Facility (c) (d)	July 2019	$ 500		$ 142	$ 358			$ 264
KU								
Syndicated Credit Facility (c) (d)	July 2019	$ 400		$ 48	$ 352			$ 236
Letter of Credit Facility (c) (d) (e)	Oct. 2017	198		198				198
Total KU Credit Facilities		$ 598		$ 246	$ 352			$ 434

(a) The facilities contain financial covenants to maintain an interest coverage ratio of not less than 3.0 times consolidated earnings before income taxes, depreciation and amortization and total net debt not in excess of 85% of its RAV, calculated in accordance with the credit facility.
(b) WPD plc's amounts borrowed at December 31, 2015 and 2014 were USD-denominated borrowings of $200 million and $161 million, which bore interest at 1.83% and 1.86%. WPD (East Midlands) amount borrowed at December 31, 2014 was a GBP-denominated borrowing which equated to $100 million and bore interest at 1.00%. At December 31, 2015, the unused capacity under the U.K. credit facilities was approximately $1.4 billion.
(c) Each company pays customary fees under its respective facility and borrowings generally bear interest at LIBOR-based rates plus an applicable margin.
(d) The facilities contain a financial covenant requiring debt to total capitalization not to exceed 70% for PPL Capital Funding, PPL Electric, LKE, LG&E and KU, as calculated in accordance with the facilities and other customary covenants. Additionally, as it relates to the syndicated and bilateral credit facilities and subject to certain conditions, PPL Capital Funding may request that the capacity of its facility expiring in July 2019 be increased by up to $100 million and the facilities expiring in November 2018 and March 2016 may be increased by up to $30 million, PPL Electric, LG&E and KU each may request up to a $100 million increase in its facility's capacity and LKE may request up to a $25 million increase in its facility's capacity.
(e) 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.
(f) At December 31, 2015, LKE's interest rate on outstanding borrowings was 1.68%. At December 31, 2014, LKE's interest rate on outstanding borrowings was 1.67%.

In January 2016, WPD plc replaced its existing syndicated credit facility expiring in December 2016 with a new £210 million facility expiring in January 2021.

In January 2016, the expiration dates for the PPL Capital Funding and PPL Electric syndicated credit facilities expiring in July 2019 were extended to January 2021. PPL Capital Funding's capacity was increased to $700 million and PPL Electric's capacity was increased to $400 million. The expiration dates for the LG&E and KU syndicated credit facilities expiring in July 2019 were extended to December 2020. Additionally, subject to certain conditions, PPL Capital Funding and PPL Electric may each request up to a $250 million increase in its facility's capacity and LG&E and KU may each request up to a $100 million increase to the capacities of their facilities.

PPL, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's Syndicated Credit Facility. The following commercial paper programs were in place at:

	December 31, 2015								December 31, 2014		
	Weighted - Average Interest Rate		Capacity		Commercial Paper Issuances		Unused Capacity		Weighted - Average Interest Rate		Commercial Paper Issuances
PPL Capital Funding	0.78%	$	600	$	451	$	149				
PPL Electric			300				300				
LG&E	0.71%		350		142		208		0.42%	$	264
KU	0.72%		350		48		302		0.49%		236
Total		$	1,600	$	641	$	959			$	500

(PPL and LKE)

See Note 14 for discussion of intercompany borrowings.

Long-term Debt *(All Registrants)*

	Weighted-Average Rate (g)	Maturities (g)		December 31, 2015		2014
PPL						
U.S.						
Senior Unsecured Notes	3.87%	2018 - 2044	$	3,425	$	3,825
Senior Secured Notes/First Mortgage Bonds (a) (b) (c)	3.97%	2016 - 2045		6,874		6,074
Junior Subordinated Notes	6.31%	2067 - 2073		930		930
Total U.S. Long-term Debt				11,229		10,829
U.K.						
Senior Unsecured Notes (d)	5.33%	2016 - 2040		7,170		6,627
Index-linked Senior Unsecured Notes (e)	1.82%	2043 - 2056		772		732
Total U.K. Long-term Debt (f)				7,942		7,359
Total Long-term Debt Before Adjustments				19,171		18,188
Fair market value adjustments				30		37
Unamortized premium and (discount), net (e)				(28)		(52)
Unamortized debt issuance costs				(125)		(119)
Total Long-term Debt				19,048		18,054
Less current portion of Long-term Debt				485		1,000
Total Long-term Debt, noncurrent			$	18,563	$	17,054
PPL Electric						
Senior Secured Notes/First Mortgage Bonds (a) (b)	4.50%	2020 - 2045	$	2,864	$	2,614
Total Long-term Debt Before Adjustments				2,864		2,614
Unamortized discount				(13)		(12)
Unamortized debt issuance costs				(23)		(21)
Total Long-term Debt				2,828		2,581
Less current portion of Long-term Debt						100
Total Long-term Debt, noncurrent			$	2,828	$	2,481
LKE						
Senior Unsecured Notes	3.97%	2020 - 2021	$	725	$	1,125
First Mortgage Bonds (a) (c)	3.58%	2016 - 2045		4,010		3,460
Long-term debt to affiliate	3.50%	2025		400		
Total Long-term Debt Before Adjustments				5,135		4,585
Fair market value adjustments				(1)		(1)
Unamortized discount				(16)		(17)
Unamortized debt issuance costs				(30)		(24)
Total Long-term Debt				5,088		4,543
Less current portion of Long-term Debt				25		900
Total Long-term Debt, noncurrent			$	5,063	$	3,643

	Weighted-Average Rate (g)	Maturities (g)	December 31, 2015	December 31, 2014
LG&E				
First Mortgage Bonds (a) (c)	3.36%	2016 - 2045	$ 1,659	$ 1,359
Total Long-term Debt Before Adjustments			1,659	1,359
Fair market value adjustments			(1)	(1)
Unamortized discount			(4)	(5)
Unamortized debt issuance costs			(12)	(8)
Total Long-term Debt			1,642	1,345
Less current portion of Long-term Debt			25	250
Total Long-term Debt, noncurrent			$ 1,617	$ 1,095
KU				
First Mortgage Bonds (a) (c)	3.74%	2020 - 2045	$ 2,351	$ 2,101
Total Long-term Debt Before Adjustments			2,351	2,101
Unamortized discount			(10)	(10)
Unamortized debt issuance costs			(15)	(12)
Total Long-term Debt			2,326	2,079
Less current portion of Long-term Debt				250
Total Long-term Debt, noncurrent			$ 2,326	$ 1,829

(a) Includes PPL Electric's senior secured and first mortgage bonds that are secured by the lien of PPL Electric's 2001 Mortgage Indenture, which covers substantially all electric distribution plant and certain transmission plant owned by PPL Electric. The carrying value of PPL Electric's property, plant and equipment was approximately $6.7 billion and $5.8 billion at December 31, 2015 and 2014.

Includes LG&E's first mortgage bonds that are secured by the lien of the LG&E 2010 Mortgage Indenture which creates a lien, subject to certain exceptions and exclusions, on substantially all of LG&E's real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity and the storage and distribution of natural gas. The aggregate carrying value of the property subject to the lien was $4.2 billion and $3.7 billion at December 31, 2015 and 2014.

Includes KU's first mortgage bonds that are secured by the lien of the KU 2010 Mortgage Indenture which creates a lien, subject to certain exceptions and exclusions, on substantially all of KU's real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity. The aggregate carrying value of the property subject to the lien was $5.7 billion and $5.5 billion at December 31, 2015 and 2014.

(b) Includes PPL Electric's series of senior secured bonds that secure its obligations to make payments with respect to each series of Pollution Control Bonds that were issued by the LCIDA and the PEDFA on behalf of PPL Electric. These senior secured bonds were issued in the same principal amount, contain payment and redemption provisions that correspond to and bear the same interest rate as such Pollution Control Bonds. These senior secured bonds were issued under PPL Electric's 2001 Mortgage Indenture and are secured as noted in (a) above. This amount includes $224 million 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.

(c) Includes LG&E's and KU's series of first mortgage bonds that were issued to the respective trustees of tax-exempt revenue bonds to secure its respective obligations to make payments with respect to each series of bonds. The first mortgage bonds were issued in the same principal amounts, contain payment and redemption provisions that correspond to and bear the same interest rate as such tax-exempt revenue bonds. These first mortgage bonds were issued under the LG&E 2010 Mortgage Indenture and the KU 2010 Mortgage Indenture and are secured as noted in (a) above. The related tax-exempt revenue bonds were issued by various governmental entities, principally counties in Kentucky, on behalf of LG&E and KU. The related revenue bond documents allow LG&E and KU to convert the interest rate mode on the bonds from time to time to a commercial paper rate, daily rate, weekly rate, term rate of at least one year or, in some cases, an auction rate or a LIBOR index rate.

At December 31, 2015, the aggregate tax-exempt revenue bonds issued on behalf of LG&E and KU that were in a term rate mode totaled $418 million for LKE, comprised of $391 million and $27 million for LG&E and KU, respectively. At December 31, 2015, the aggregate tax-exempt revenue bonds issued on behalf of LG&E and KU that were in a variable rate mode totaled $507 million for LKE, comprised of $183 million and $324 million for LG&E and KU, respectively.

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 ($135 million for LG&E and $96 million for KU), 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 of the variable rate tax-exempt revenue bonds totaling $251 million at December 31, 2015 ($23 million for LG&E and $228 million for KU), are subject to tender for purchase by LG&E and KU at the option of the holder and to mandatory tender for purchase by LG&E and KU upon the occurrence of certain events.

(d) Includes £225 million ($339 million at December 31, 2015) of notes that may be redeemed, in total but not in part, on December 21, 2026, at the greater of the principal value or a value determined by reference to the gross redemption yield on a nominated U.K. Government bond.

(e) The principal amount of the notes issued by WPD (South West) and WPD (East Midlands) is adjusted based on changes in a specified index, as detailed in the terms of the related indentures. The adjustment to the principal amounts from 2014 to 2015 was an increase of approximately £4 million ($6 million) resulting from inflation. In addition, this amount includes £225 million ($339 million at December 31, 2015) of notes issued by

WPD (South West) that may be redeemed, in total by series, on December 1, 2026, at the greater of the adjusted principal value and a make-whole value determined by reference to the gross real yield on a nominated U.K. government bond.

(f) Includes £4.4 billion ($6.6 billion at December 31, 2015) of notes that may be put by the holders to the issuer for redemption if the long-term credit ratings assigned to the notes are withdrawn by any of the rating agencies (Moody's or S&P) or reduced to a non-investment grade rating of Ba1 or BB+ or lower in connection with a restructuring event which includes the loss of, or a material adverse change to, the distribution licenses under which the issuer operates.

(g) The table reflects principal maturities only, based on stated maturities or earlier put dates, and the weighted-average rates as of December 31, 2015.

None of the outstanding debt securities noted above have sinking fund requirements. The aggregate maturities of long-term debt, based on stated maturities or earlier put dates, for the periods 2016 through 2020 and thereafter are as follows:

	PPL	PPL Electric	LKE	LG&E	KU
2016	$ 485		$ 25	$ 25	
2017	294		194	194	
2018	348		98	98	
2019	40		40	40	
2020	1,301	$ 100	975		$ 500
Thereafter	16,703	2,764	3,803	1,302	1,851
Total	$ 19,171	$ 2,864	$ 5,135	$ 1,659	$ 2,351

(PPL)

In May 2013, PPL Capital Funding remarketed $1.150 billion of 4.625% Junior Subordinated Notes due 2018 that were originally issued in June 2010 as a component of PPL's 2010 Equity Units. In connection with the remarketing, PPL Capital Funding issued $300 million of 2.04% Junior Subordinated Notes due 2016 and $850 million of 2.77% Junior Subordinated Notes due 2018, which were simultaneously exchanged for three tranches of Senior Notes: $250 million of 1.90% Senior Notes due 2018, $600 million of 3.40% Senior Notes due 2023 and $300 million of 4.70% Senior Notes due 2043. The transaction was accounted for as a debt extinguishment, resulting in a $10 million loss on extinguishment of the Junior Subordinated Notes, recorded to "Interest Expense" on the Statement of Income. The transaction was considered non-cash activity that was excluded from the Statement of Cash Flows for the year ended December 31, 2013. Additionally, in July 2013, PPL issued 40 million shares of common stock at $28.73 per share to settle the 2010 Purchase Contracts. PPL received net cash proceeds of $1.150 billion, which were used to repay short-term and long-term debt and for general corporate purposes.

In March 2014, PPL Capital Funding remarketed $978 million of 4.32% Junior Subordinated Notes due 2019 that were originally issued in April 2011 as a component of PPL's 2011 Equity Units. In connection with the remarketing, PPL Capital Funding retired $228 million of the 4.32% Junior Subordinated Notes due 2019 and issued $350 million of 2.189% Junior Subordinated Notes due 2017 and $400 million of 3.184% Junior Subordinated Notes due 2019. Simultaneously, the newly issued Junior Subordinated Notes were exchanged for $350 million of 3.95% Senior Notes due 2024 and $400 million of 5.00% Senior Notes due 2044. The transaction was accounted for as a debt extinguishment, resulting in a $9 million loss on extinguishment of the Junior Subordinated Notes, recorded to "Interest Expense" on the Statement of Income. Except for the $228 million retirement of the 4.32% Junior Subordinated Notes and fees related to the transactions, the activity was non-cash and excluded from the Statement of Cash Flows for the year ended December 31, 2014. Additionally, in May 2014, PPL issued 31.7 million shares of common stock at $30.86 per share to settle the 2011 Purchase Contracts. PPL received net cash proceeds of $978 million, which were used to repay short-term debt and for general corporate purposes.

In November 2015, WPD plc issued £500 million aggregate nominal value of 3.625% Notes due 2023. WPD plc received proceeds of £495 million, which equated to $746 million at the time of issuance, net of a discount and underwriting fees, which will be used for general corporate purposes, including the re-financing of existing debt.

(PPL and PPL Electric)

In October 2015, PPL Electric issued $350 million of 4.15% First Mortgage Bonds due 2045. PPL Electric received proceeds of $345 million, net of a discount and underwriting fees, which were used to repay short-term debt and for general corporate purposes.

In December 2015, PPL Electric repaid the entire $100 million principal amount of its 4.95% Senior Secured Bonds upon maturity.

(PPL, LKE and LG&E)

In September 2015, LG&E issued $300 million of 3.30% First Mortgage Bonds due 2025 and $250 million of 4.375% First Mortgage Bonds due 2045. LG&E received proceeds of $298 million and $248 million, net of discounts and underwriting fees, which were used to repay short-term debt, to repay 1.625% First Mortgage Bonds that matured in November 2015 and for general corporate purposes.

(PPL, LKE and KU)

In September 2015, KU issued $250 million of 3.30% First Mortgage Bonds due 2025 and $250 million of 4.375% First Mortgage Bonds due 2045. KU received proceeds of $248 million for each issuance, net of discounts and underwriting fees, which were used to repay short-term debt, to repay 1.625% First Mortgage Bonds that matured in November 2015 and for general corporate purposes.

(PPL and LKE)

In November 2015, LKE borrowed $400 million from a PPL affiliate through the issuance of a 3.50% note payable due 2025. The proceeds were used to repay the entire $400 million principal amount of its 2.125% Senior Unsecured Notes which matured in November 2015. See Note 14 for more information related to intercompany borrowings.

Legal Separateness *(All Registrants)*

The subsidiaries of PPL are separate legal entities. PPL's subsidiaries are not liable for the debts of PPL. Accordingly, creditors of PPL may not satisfy their debts from the assets of PPL's subsidiaries absent a specific contractual undertaking by a subsidiary to pay PPL's creditors or as required by applicable law or regulation. Similarly, PPL is not liable for the debts of its subsidiaries, nor are its subsidiaries liable for the debts of one another. Accordingly, creditors of PPL's subsidiaries may not satisfy their debts from the assets of PPL or its other subsidiaries absent a specific contractual undertaking by PPL or its other subsidiaries to pay the creditors or as required by applicable law or regulation.

Similarly, the subsidiaries of PPL Electric and LKE are each separate legal entities. These subsidiaries are not liable for the debts of PPL Electric and LKE. Accordingly, creditors of PPL Electric and LKE may not satisfy their debts from the assets of their subsidiaries absent a specific contractual undertaking by a subsidiary to pay the creditors or as required by applicable law or regulation. Similarly, PPL Electric and LKE are not liable for the debts of their subsidiaries, nor are their subsidiaries liable for the debts of one another. Accordingly, creditors of these subsidiaries may not satisfy their debts from the assets of PPL Electric and LKE (or their other subsidiaries) absent a specific contractual undertaking by that parent or other subsidiary to pay such creditors or as required by applicable law or regulation.

(PPL)

ATM Program

In February 2015, PPL entered into two separate equity distribution agreements, pursuant to which PPL may sell, from time to time, up to an aggregate of $500 million of its common stock. During 2015, PPL issued 1,476,700 shares of common stock under the program at an average price of $33.41 per share, receiving net proceeds of $49 million.

Distributions and Related Restrictions

In November 2015, PPL declared its quarterly common stock dividend, payable January 4, 2016, at 37.75 cents per share (equivalent to $1.51 per annum). On February 4, 2016, PPL announced that the company is increasing its common stock dividend to 38 cents per share on a quarterly basis (equivalent to $1.52 per annum). Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors. See Note 8 for information regarding the June 1, 2015 distribution to PPL's shareowners of a newly formed entity, Holdco, which at closing owned all of the membership interests of PPL Energy Supply and all of the common stock of Talen Energy.

Neither PPL Capital Funding nor PPL may declare or pay any cash dividend or distribution on its capital stock during any period in which PPL Capital Funding defers interest payments on its 2007 Series A Junior Subordinated Notes due 2067 or 2013 Series B Junior Subordinated Notes due 2073. At December 31, 2015, no interest payments were deferred.

WPD subsidiaries have financing arrangements that limit their ability to pay dividends. However, PPL does not, at this time, expect that any of such limitations would significantly impact PPL's ability to meet its cash obligations.

(All Registrants)

PPL relies on dividends or loans from its subsidiaries to fund PPL's dividends to its common shareholders. The net assets of certain PPL subsidiaries are subject to legal restrictions. LKE primarily relies on dividends from its subsidiaries to fund its distributions to PPL. LG&E, KU and PPL Electric are subject to Section 305(a) of the Federal Power Act, which makes it unlawful for a public utility to make or pay a dividend from any funds "properly included in capital account." The meaning of this limitation has never been clarified under the Federal Power Act. LG&E, KU and PPL Electric believe, however, that this statutory restriction, as applied to their circumstances, would not be construed or applied by the FERC to prohibit the payment from retained earnings of dividends that are not excessive and are for lawful and legitimate business purposes. In February 2012, LG&E and KU petitioned the FERC requesting authorization to pay dividends in the future based on retained earnings balances calculated without giving effect to the impact of purchase accounting adjustments for 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, 2015, net assets of $2.7 billion ($1.1 billion for LG&E and $1.6 billion for KU) were restricted for purposes of paying dividends to LKE, and net assets of $2.9 billion ($1.2 billion for LG&E and $1.7 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.

8. Acquisitions, Development and Divestitures

(All Registrants)

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with, modify or terminate the projects. Any resulting transactions may impact future financial results.

(PPL)

Discontinued Operations

Spinoff of PPL Energy Supply

In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to spin off PPL Energy Supply and immediately combine it with Riverstone's competitive power generation businesses to form a new, stand-alone, publicly traded company named Talen Energy. The transaction was subject to customary closing conditions, including receipt of regulatory approvals from the NRC, FERC, DOJ and PUC, all of which were received by mid-April 2015. On April 29, 2015, PPL's Board of Directors declared the June 1, 2015 distribution to PPL's shareowners of record on May 20, 2015 of a newly formed entity, Holdco, which at closing owned all of the membership interests of PPL Energy Supply and all of the common stock of Talen Energy.

Immediately following the spinoff on June 1, 2015, Holdco merged with a special purpose subsidiary of Talen Energy, with Holdco continuing as the surviving company to the merger and as a wholly owned subsidiary of Talen Energy and the sole owner of PPL Energy Supply. Substantially contemporaneous with the spinoff and merger, RJS Power was contributed by its owners to become a subsidiary of Talen Energy. PPL shareowners received approximately 0.1249 shares of Talen Energy common stock for each share of PPL common stock they owned on May 20, 2015. Following completion of these transactions, PPL shareowners owned 65% of Talen Energy and affiliates of Riverstone owned 35%. The spinoff had no effect on the number of PPL common shares owned by PPL shareowners or the number of shares of PPL common stock outstanding. The transaction is intended to be tax-free to PPL and its shareowners for U.S. federal income tax purposes.

PPL has no continuing ownership interest in, control of, or affiliation with Talen Energy and Talen Energy Supply (formerly PPL Energy Supply).

Loss on Spinoff

In conjunction with the accounting for the spinoff, PPL evaluated whether the fair value of the Supply segment's net assets was less than the carrying value as of the June 1, 2015 spinoff date.

PPL considered several valuation methodologies to derive a fair value estimate of its Supply segment at the spinoff date. These methodologies included considering the closing "when-issued" Talen Energy market value on June 1, 2015 (the spinoff date), adjusted for the proportional share of the equity value attributable to the Supply segment, as well as, the valuation methods consistently used in PPL's goodwill impairment assessments - an income approach using a discounted cash flow analysis of the Supply segment and an alternative market approach considering market multiples of comparable companies.

Although the market value of Talen Energy approach utilized the most observable inputs of the three approaches, PPL considered certain limitations of the "when-issued" trading market for the spinoff transaction including the short trading duration, lack of liquidity in the market and anticipated initial Talen stock ownership base selling pressure, among other factors, and concluded that these factors limit the appropriateness of this input being solely determinative of the fair value of the Supply segment. As such, PPL also considered the other valuation approaches in estimating the overall fair value, but ultimately assigned the highest weighting to the Talen Energy market value approach.

The following table summarizes PPL's fair value analysis:

Approach	Weighting	Weighted Fair Value (in billions)
Talen Energy Market Value	50%	$ 1.4
Income/Discounted Cash Flow	30%	1.1
Alternative Market (Comparable Company)	20%	0.7
Estimated Fair Value		$ 3.2

A key assumption included in the fair value estimate is the application of a control premium of 25% in the two market approaches. PPL concluded it was appropriate to apply a control premium in these approaches as the goodwill impairment testing guidance was followed in determining the estimated fair value of the Supply segment, which had historically been a reporting unit for PPL. This guidance provides that the market price of an individual security (and thus the market capitalization of a reporting unit with publically traded equity securities) may not be representative of the fair value of the reporting unit. This guidance also indicates that substantial value may arise to a controlling shareholder from the ability to take advantage of synergies and other benefits that arise from control over another entity, and that the market price of a Company's individual share of stock does not reflect this additional value to a controlling shareholder. Therefore, the quoted market price need not be the sole measurement basis for determining the fair value, and including a control premium is appropriate in measuring the fair value of a reporting unit.

In determining the control premium, PPL reviewed premiums received during the last five years in market sales transactions obtained from observable independent power producer and hybrid utility transactions greater than $1 billion. Premiums for these transactions ranged from 5% to 42% with a median of approximately 25%. Given these metrics, PPL concluded a control premium of 25% to be reasonable for both of the market valuation approaches used.

Assumptions used in the discounted cash flow analysis included forward energy prices, forecasted generation, and forecasted operation and maintenance expenditures that were consistent with assumptions used in the Energy Supply portion of the recent Talen Energy business planning process and a market participant discount rate.

Using these methodologies and weightings, PPL determined the estimated fair value of the Supply segment (classified as Level 3) was below its carrying value of $4.1 billion and recorded a loss on the spinoff of $879 million in the second quarter of 2015, which is reflected in discontinued operations and is nondeductible for tax purposes. This amount served to reduce the basis of the net assets accounted for as a dividend at the June 1, 2015 spinoff date.

Costs of Spinoff

Following the announcement of the transaction to form Talen Energy, efforts were initiated to identify the appropriate staffing for Talen Energy and for PPL and its subsidiaries following completion of the spinoff. Organizational plans were substantially completed in 2014. The new organizational plans identified the need to resize and restructure the organizations and as a result, in 2014, estimated charges of $36 million for employee separation benefits were recorded related to 306 positions. Of this amount, $16 million related to 112 Energy Supply positions and is reflected in discontinued operations.

The remaining $20 million is primarily reflected in "Other operation and maintenance" on the PPL Consolidated Statements of Income. In 2015, the organizational structures were finalized for both PPL and Talen Energy which resulted in an additional charge of $10 million for employee separation benefits. Of this amount, $2 million related to Energy Supply positions and is reflected in discontinued operations. The remaining $8 million is reflected in "Other operation and maintenance" on the PPL Consolidated Statements of Income. The separation benefits include cash severance compensation, lump sum COBRA reimbursement payments and outplacement services. At December 31, 2015 and 2014, the recorded liabilities related to the separation benefits were $13 million and $20 million, which are included in "Other current liabilities" on the Balance Sheets.

Additional employee-related costs incurred primarily included accelerated stock-based compensation and prorated performance-based cash incentive and stock-based compensation awards, primarily for PPL Energy Supply employees and for PPL Services employees who became PPL Energy Supply employees in connection with the transaction. PPL Energy Supply recognized $24 million of these costs at the spinoff closing date in 2015, which are reflected in discontinued operations.

As the vesting for all PPL Energy Supply employees was accelerated and all remaining unrecognized compensation expense accelerated concurrently with the spinoff, PPL does not expect to recognize significant future compensation costs for equity awards held by former PPL Energy Supply employees. PPL's future stock-based compensation expense will not be significantly impacted by equity award adjustments that occurred as a result of the spinoff. Stock-based compensation expense recognized in future periods for PPL's outstanding awards will correspond to the unrecognized compensation expense as of the date of the spinoff, which reflects the unamortized balance of the original grant date fair value of the equity awards held by PPL employees.

PPL recorded $45 million and $27 million of third-party costs related to this transaction in 2015 and 2014. Of these costs, $32 million and $19 million were primarily for bank advisory, legal and accounting fees to facilitate the transaction, and are reflected in discontinued operations. An additional $13 million and $8 million of consulting and other costs were incurred in 2015 and 2014, related to the formation of the Talen Energy organization and to reconfigure the remaining PPL service functions. These costs are recorded primarily in "Other operation and maintenance" on the Statements of Income. No significant additional third-party costs are expected to be incurred.

At the close of the transaction in 2015, $72 million ($42 million after-tax) of cash flow hedges, primarily unamortized losses on PPL interest rate swaps recorded in AOCI and designated as cash flow hedges of PPL Energy Supply's future interest payments, were reclassified into interest expense and reflected in discontinued operations.

As a result of the June 2014 spinoff announcement, PPL recorded $50 million of deferred income tax expense in 2014, to adjust valuation allowances on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the future earnings of PPL Energy Supply.

Continuing Involvement (PPL and PPL Electric)

As a result of the spinoff, PPL and PPL Energy Supply entered into a Transition Services Agreement (TSA) that terminates no later than two years from the spinoff date. The TSA sets forth the terms and conditions for PPL and Talen Energy to provide certain transition services to one another. PPL will provide Talen Energy certain information technology, financial and accounting, human resource and other specified services. In 2015, PPL billed $25 million to Talen Energy for these services. In general, the fees for the transition services allow the provider to recover its cost of the services, including overheads, but without margin or profit.

Additionally, prior to the spinoff, through the annual competitive solicitation process, PPL EnergyPlus was awarded supply contracts for a portion of the PLR generation supply for PPL Electric, which were retained by Talen Energy Marketing as part of the spinoff transaction. PPL Electric's supply contracts with Talen Energy Marketing extend through November 2016. The energy purchases were previously included in PPL Electric's Statements of Income as "Energy purchases from affiliate" but were eliminated in PPL's Consolidated Statements of Income.

Subsequent to the spinoff, PPL Electric's energy purchases from Talen Energy Marketing were $27 million and are no longer considered affiliate transactions.

(PPL)

Summarized Results of Discontinued Operations

The operations of the Supply segment are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income. Following are the components of Discontinued Operations in the Statements of Income for the periods ended December 31:

	2015	2014	2013
Operating revenues	$ 1,427	$ 3,848	$ 4,648
Operating expenses	1,328	3,410	4,173
Other Income (Expense) - net	(21)	13	32
Interest expense (a)	150	190	228
Gain on sale of Montana Hydro Sale		237	
Loss on lease termination			(697)
Income tax expense (benefit)	(30)	198	(180)
Loss on spinoff	(879)		
Income (Loss) from Discontinued Operations (net of income taxes)	$ (921)	$ 300	$ (238)

(a) Includes interest associated with the Supply segment with no additional allocation as the Supply segment was sufficiently capitalized.

Summarized Assets and Liabilities of Discontinued Operations

The assets and liabilities of PPL's Supply segment for all periods prior to the spinoff are included in "Current assets of discontinued operations", "Noncurrent assets of discontinued operations", "Current liabilities of discontinued operations" and "Noncurrent liabilities of discontinued operations" on PPL's Balance Sheet. Net assets, after recognition of the loss on spinoff, of $3.2 billion were distributed to PPL shareowners in the June 1, 2015, spinoff of PPL Energy Supply. The following major classes of assets and liabilities were distributed and removed from PPL's Balance Sheet on June 1, 2015. Additionally, the following major classes of assets and liabilities were reclassified to discontinued operations as of December 31, 2014:

	Distribution on June 1, 2015	Discontinued Operations at December 31, 2014
Cash and cash equivalents (a)	$ 371	$ 352
Restricted cash and cash equivalents	156	176
Accounts receivable and unbilled revenues	334	504
Fuels, materials and supplies	415	455
Price risk management assets	784	1,079
Other current assets	46	26
Total Current Assets	2,106	2,592
Investments	999	980
PP&E, net	6,384	6,428
Goodwill	338	338
Other intangibles	260	257
Price risk management assets	244	239
Other noncurrent assets	63	69
Total Noncurrent Assets	8,288	8,311
Total assets	$ 10,394	$ 10,903
Short-term debt and long-term debt due within one year	$ 885	$ 1,165
Accounts payable	252	361
Price risk management liabilities	763	1,024
Other current liabilities	229	221
Total Current Liabilities	2,129	2,771

	Distribution on June 1, 2015		Discontinued Operations at December 31, 2014	
Long-term debt (excluding current portion)		1,917		1,677
Deferred income taxes		1,246		1,219
Price risk management liabilities		206		193
Accrued pension obligations		266		299
Asset retirement obligations		443		415
Other deferred credits and noncurrent liabilities		103		150
Total Noncurrent Liabilities		4,181		3,953
Total liabilities	$	6,310	$	6,724
Adjustment for loss on spinoff		879		
Net assets distributed	$	3,205		

(a) The distribution of PPL Energy Supply's cash and cash equivalents at June 1, 2015 is included in "Net cash provided by (used in) financing activities - discontinued operations" on the Statement of Cash Flows for the year ended December 31, 2015.

Montana Hydro Sale

In November 2014, PPL Montana completed the sale to NorthWestern of 633 MW of hydroelectric generating facilities located in Montana for approximately $900 million in cash. The proceeds from the sale remained with PPL and did not transfer to Talen Energy as a result of the spinoff of PPL Energy Supply. The sale included 11 hydroelectric power facilities and related assets, included in the Supply segment. A gain of $237 million ($137 million after-tax) was recorded on the sale of the hydroelectric power facilities.

In December 2013, to facilitate the sale of the Montana hydroelectric generating facilities, PPL Montana terminated its operating lease arrangement related to partial interests in the Colstrip coal-fired electric generating facility and acquired those interests collectively for $271 million. A loss of $697 million ($413 million after-tax) was recorded for the termination of the lease arrangement.

As the Montana hydroelectric power facilities were previously reported as a component of PPL Energy Supply and the Supply segment, the components of discontinued operations for these facilities contained in the Statements of Income are included in the disclosure above.

Development

Regional Transmission Line Expansion Plan *(PPL and PPL Electric)*

Susquehanna-Roseland

In 2007, PJM directed the construction of a new 150-mile, 500-kV 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 Pennsylvania portion of the Susquehanna-Roseland line and Public Service Electric & Gas Company to construct the New Jersey portion of the line. The line was energized, in May 2015. At December 31, 2015 and 2014, $648 million and $597 million of costs were capitalized and are included on the Balance Sheet primarily in "Regulated utility plant" for 2015 and "Construction work in progress" for 2014.

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 that includes three new substations and upgrades to adjacent facilities). The FERC granted the incentive for inclusion in rate base of all prudently incurred construction work in progress (CWIP) costs but denied the requested incentive for a 100 basis point adder to the return on equity.

In December 2012, PPL Electric submitted an application to the PUC requesting permission to site and construct the project. In January 2014, the PUC issued a Final Order approving the application. PPL Electric expects the project to be completed in 2016. At December 31, 2015, PPL Electric's estimated cost of the project was $335 million. At December 31, 2015 and 2014, $319 million and $183 million of costs were capitalized and are included on the Balance Sheet primarily in "Regulated utility plant" for 2015 and "Construction work in progress" for 2014.

Capacity Needs *(PPL, LKE, LG&E and KU)*

The Cane Run Unit 7 NGCC was put into commercial operation on June 19, 2015. As a result and to meet more stringent EPA regulations, LG&E retired one coal-fired generating unit at the Cane Run plant in March 2015 and retired the remaining two coal-fired generating units at the plant in June 2015. Additionally, KU retired the remaining two coal-fired generating units at the Green River plant on September 30, 2015. LG&E and KU incurred costs of $11 million and $6 million, respectively, directly related to these retirements including inventory write-downs and separation benefits. However, there were no gains or losses on the retirement of these units. See Note 6 for more information related to the regulatory recovery of the costs associated with the retirement of the Green River units.

In December 2014, a final order was issued by the KPSC approving the request to construct a 10 MW solar generation facility at E.W. Brown. LG&E and KU began construction activities in the fourth quarter of 2015 and project the plant to be placed into commercial operation by June 2016 at a cost of approximately $30 million.

9. Leases

(PPL, LKE, LG&E and KU)

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 the years ended December 31 for operating leases was as follows:

	2015	2014	2013
PPL	$ 49	$ 51	$ 56
LKE	24	18	18
LG&E	12	7	7
KU	11	10	10

Total future minimum rental payments for all operating leases are estimated to be:

	PPL	LKE	LG&E	KU
2016	$ 33	$ 25	$ 14	$ 10
2017	28	23	14	9
2018	24	21	13	7
2019	14	12	7	5
2020	11	9	4	5
Thereafter	31	22	10	11
Total	$ 141	$ 112	$ 62	$ 47

10. Stock-Based Compensation

(PPL, PPL Electric and LKE)

In 2012, shareowners approved the SIP. This equity plan replaced the ICP and incorporated 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 are deferred and payable in shares of PPL common stock at the end of the restriction period. Dividend equivalents on restricted stock unit awards granted under the ICP and the ICPKE 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 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)	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 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 restriction 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 units granted under the ICPKE may also be granted the right to receive dividend equivalents through the end of the restriction period or until the award is forfeited. Restricted stock and restricted stock units are subject to forfeiture or accelerated payout under the plan provisions for termination, retirement, disability and death of employees. Restrictions lapse on restricted stock and restricted stock units 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:

	2015	2014	2013
PPL	$ 34.50	$ 31.50	$ 30.30
PPL Electric	34.41	31.81	30.55
LKE	34.89	30.98	30.00

Restricted stock and restricted stock unit activity for 2015 was:

	Restricted Shares/Units	Weighted-Average Grant Date Fair Value Per Share
PPL		
Nonvested, beginning of period	3,485,520	$ 30.07
Granted	1,028,009	34.50
Anti-dilution adjustments (a)	247,098	N/A
Vested	(3,055,205)	29.34
Forfeited	(25,947)	30.70
Nonvested, end of period (b)	1,679,475	29.65
PPL Electric		
Nonvested, beginning of period	286,811	$ 30.04
Transfer between registrants	(22,730)	29.56
Granted	75,213	34.41
Anti-dilution adjustments (a)	18,661	N/A
Vested	(127,507)	29.12
Forfeited	(9,363)	30.51
Nonvested, end of period	221,085	29.48
LKE		
Nonvested, beginning of period	341,468	$ 29.76
Transfer between registrants	4,300	31.74
Granted	98,360	34.89
Anti-dilution adjustments (a)	24,587	N/A
Vested	(149,752)	28.55
Nonvested, end of period	318,963	29.65

(a) Includes adjustment to all restricted stock units granted prior to the spinoff of PPL Energy Supply as provided for under the anti-dilution provisions of PPL's stock-based compensation Plans.
(b) Excludes 1,226,193 restricted stock units for which restrictions lapsed for former PPL Energy Supply employees as a result of the spinoff, but for which distribution will not occur until the end of the original restriction period of the awards.

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:

	2015	2014	2013
PPL	$ 28	$ 11	$ 12
PPL Electric	4	2	3
LKE	4		1

Performance Units

Performance units are intended to encourage and reward future corporate performance. Performance units represent a target number of shares (Target Award) of PPL's common stock that the recipient would receive upon PPL's attainment of the applicable performance goal. Performance is determined based on total shareowner return during a three-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 the Philadelphia Stock Exchange Utility Index. Awards are payable on a graduated basis based on thresholds that measure PPL's performance relative to peers that comprise the applicable index on which each years' awards are measured. Awards can be paid up to 200% of the Target Award or forfeited with no payout if performance is below a minimum established performance threshold. Dividends payable during the performance cycle accumulate and are converted into additional performance units and are payable in shares of PPL common stock upon completion of the performance period based on the 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.

Beginning in 2014, the fair value of performance units granted to retirement-eligible employees is recognized as compensation expense on a straight-line basis over a one-year period, the minimum vesting period required for an employee to be entitled to payout of the awards. For employees who are not retirement-eligible, compensation expense is recognized over the shorter of the three-year performance period or the period until the employee is retirement-eligible, with a minimum vesting and recognition period of one-year. The fair value of performance units granted in 2013 and prior years is recognized as compensation expense on a straight-line basis over the three-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 uses a mix of historic and implied volatility to value awards.

The weighted-average assumptions used in the model were:

	2015	2014	2013
Expected stock volatility	15.90%	15.80%	15.50%
Expected life	3 years	3 years	3 years

The weighted-average grant date fair value of performance units granted was:

	2015	2014	2013
PPL	$ 36.76	$ 34.55	$ 34.15
PPL Electric	37.93	34.43	33.97
LKE	37.10	34.12	33.84

Performance unit activity for 2015 was:

	Performance Units	Weighted-Average Grant Date Fair Value Per Share
PPL		
Nonvested, beginning of period	1,171,716	$ 33.77
Granted	481,197	36.76
Anti-dilution adjustment (a)	90,251	N/A
Vested	(509,139)	32.12
Forfeited	(240,485)	33.35
Nonvested, end of period (b)	993,540	33.09
PPL Electric		
Nonvested, beginning of period	59,615	$ 33.77
Transfer between registrants	(3,676)	35.80
Granted	21,798	37.93
Anti-dilution adjustment (a)	4,627	N/A
Vested	(8,497)	31.38
Forfeited	(6,196)	31.38
Nonvested, end of period	67,671	33.05
LKE		
Nonvested, beginning of period	173,946	$ 33.32
Granted	66,439	37.10
Anti-dilution adjustment (a)	13,207	N/A
Vested	(30,921)	31.35
Forfeited	(29,507)	31.36
Nonvested, end of period	193,164	32.96

(a) Includes adjustment to all performance units granted prior to the spinoff of PPL Energy Supply as provided for under the anti-dilution provisions of PPL's stock-based compensation Plans.
(b) Excludes 322,429 performance units for which the service vesting requirement was waived for former PPL Energy Supply employees as a result of the spinoff, but for which the ultimate number of shares to be distributed will depend on the actual attainment of the performance goals at the end of the specified performance periods.

The total fair value of performance units vesting for the year ended December 31, 2015 and 2014 was $6 million and $5 million for PPL and insignificant for PPL Electric and LKE.

Stock Options

PPL's CGNC eliminated the use of stock options and changed its long-term incentive mix to 60% performance units and 40% performance-contingent restricted stock units, resulting in 100% performance-based long-term incentive mix for equity awards granted beginning in January 2014.

Under the Plans, stock options had been granted with an option exercise price per share not less than the fair value of PPL's common stock on the date of grant. Options outstanding at December 31, 2015, 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 uses a mix of historic and implied volatility to value awards. 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. The assumptions used in the model were:

	2013
Risk-free interest rate	1.15%
Expected option life	6.48 years
Expected stock volatility	18.50%
Dividend yield	5.00%

The weighted-average grant date fair value of options granted was:

	2013
PPL	$ 2.18
PPL Electric	2.19
LKE	2.18

Stock option activity for 2015 was:

	Number of Options	Weighted Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (years)	Aggregate Total Intrinsic Value
PPL				
Outstanding at beginning of period	9,042,962	$ 30.93		
Anti-dilution adjustment (a)	907,737	28.06		
Exercised	(3,559,874)	27.35		
Forfeited	(5,676)	26.67		
Outstanding at end of period	6,385,149	28.54	5.2	$ 42
Options exercisable at end of period	5,683,535	28.78	5.0	36
PPL Electric				
Outstanding at beginning of period	507,920	$ 30.04		
Transfer between registrants	(15,339)	29.60		
Anti-dilution adjustment (a)	44,859	28.06		
Exercised	(224,007)	27.20		
Outstanding at end of period	313,433	27.79	5.2	$ 2
Options exercisable at end of period	263,443	28.02	4.8	2

LKE	Number of Options	Weighted Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (years)	Aggregate Total Intrinsic Value
Outstanding at beginning of period	623,317	$ 28.64		
Anti-dilution adjustment (a)	43,236	28.06		
Exercised	(240,897)	28.04		
Outstanding at end of period	425,656	26.08	6.7	$ 3
Options exercisable at end of period	277,101	25.80	6.5	2

(a) Adjustments to prior year grants under the anti-dilution provisions of PPL's stock-based compensation Plans as a result of the spinoff of PPL Energy Supply.

Substantially all stock option awards are expected to vest.

For 2015, 2014 and 2013, PPL received $97 million, $67 million and $31 million in cash from stock options exercised. The related income tax benefits realized were not significant.

The total intrinsic value of stock options exercised for 2015, 2014 and 2013 were $21 million, $13 million and $6 million.

Compensation Expense

Compensation expense for restricted stock, restricted stock units, performance units and stock options accounted for as equity awards, which for PPL Electric and LKE includes an allocation of PPL Services' expense, was:

	2015	2014	2013
PPL	$ 33	$ 30	$ 25
PPL Electric	14	12	10
LKE	8	8	8

See Note 8 for details of the costs recognized in discontinued operations related to the accelerated vesting of awards for former PPL Energy Supply employees.

The income tax benefit related to above compensation expense was as follows:

	2015	2014	2013
PPL	$ 14	$ 12	$ 11
PPL Electric	6	5	4
LKE	3	3	3

The income tax benefit PPL realized from stock-based awards vested or exercised was not significant for 2015, 2014 or 2013.

At December 31, 2015, 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	$ 8	1.6 years
PPL Electric	2	1.6 years
LKE	1	1.4 years

11. Retirement and Postemployment Benefits

(All Registrants)

Defined Benefits

The majority of PPL's subsidiaries domestic employees are eligible for pension benefits under non-contributory defined benefit pension plans with benefits based on length of service and final average pay, as defined by the plans. Effective January 1, 2012, PPL's primary defined benefit pension plan was closed to all newly hired salaried employees. Effective July 1, 2014, PPL's primary defined benefit pension plan was closed to all newly hired bargaining unit employees. Newly hired employees are eligible to participate in the PPL Retirement Savings Plan, a 401(k) savings plan with enhanced employer contributions.

The defined benefit pension plans of LKE and its subsidiaries were closed to new salaried and bargaining unit employees hired after December 31, 2005. Employees hired after December 31, 2005 receive additional company contributions above the standard matching contributions to their savings plans.

Effective April 1, 2010, the principal defined benefit pension plan applicable to WPD (South West) and WPD (South Wales) was closed to most new employees, except for those meeting specific grandfathered participation rights. WPD Midlands' defined benefit plan had been closed to new members, except for those meeting specific grandfathered participation rights, prior to acquisition. New employees not eligible to participate in the plans are offered benefits under a defined contribution plan.

PPL and certain of its subsidiaries also provide supplemental retirement benefits to executives and other key management employees through unfunded nonqualified retirement plans.

The majority of employees of PPL's domestic subsidiaries are eligible for certain health care and life insurance benefits upon retirement through contributory plans. Effective January 1, 2014, the PPL Postretirement Medical Plan was closed to all newly hired salaried employees. Effective July 1, 2014, the PPL Postretirement Medical Plan was closed to all newly hired bargaining unit employees. Postretirement health benefits may be paid from 401(h) accounts established as part of the PPL Retirement Plan and the LG&E and KU Retirement Plan within the PPL Services Corporation Master Trust, funded VEBA trusts and company funds. WPD does not sponsor any postretirement benefit plans other than pensions.

(PPL)

The following table provides the components of net periodic defined benefit costs for PPL's domestic (U.S.) and WPD's (U.K.) pension and other postretirement benefit plans for the years ended December 31.

	Pension Benefits								
	U.S.			U.K.			Other Postretirement Benefits		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Net periodic defined benefit costs (credits):									
Service cost	$ 96	$ 97	$ 119	$ 79	$ 71	$ 69	$ 11	$ 12	$ 13
Interest cost	194	224	205	314	354	320	26	31	29
Expected return on plan assets	(258)	(287)	(283)	(523)	(521)	(465)	(26)	(26)	(25)
Amortization of:									
Prior service cost (credit)	7	20	22			1	1		
Actuarial (gain) loss	84	28	77	158	132	150		1	6
Net periodic defined benefit costs (credits) prior to termination benefits	123	82	140	28	36	75	12	18	23
Termination benefits		13				3			
Net periodic defined benefit costs (credits)	$ 123	$ 95	$ 140	$ 28	$ 36	$ 78	$ 12	$ 18	$ 23

	Pension Benefits								
	U.S.			U.K.			Other Postretirement Benefits		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI and Regulatory Assets/Liabilities - Gross:									
Divestiture (a)	$ (353)						$ (6)		
Net (gain) loss	63	$ 574	$ (304)	$ 508	$ 354	$ 76	(9)	$ 22	$ (67)
Prior service cost (credit)	18	(8)						7	
Amortization of:									
Prior service (cost) credit	(7)	(20)	(22)			(1)	(1)		
Actuarial gain (loss)	(85)	(28)	(77)	(158)	(132)	(150)		(1)	(6)
Total recognized in OCI and regulatory assets/liabilities (b)	(364)	518	(403)	350	222	(75)	(16)	28	(73)
Total recognized in net periodic defined benefit costs, OCI and regulatory assets/liabilities (b)	$ (241)	$ 613	$ (263)	$ 378	$ 258	$ 3	$ (4)	$ 46	$ (50)

(a) As a result of the spinoff of PPL Energy Supply, amounts in AOCI were allocated to certain former active and inactive employees of PPL Energy Supply and included in the distribution. See Note 8 for additional details.
(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		
	2015	2014	2013	2015	2014	2013
OCI	$ (269)	$ 319	$ (210)	$ 12	$ 7	$ (37)
Regulatory assets/liabilities	(95)	199	(193)	(28)	21	(36)
Total recognized in OCI and regulatory assets/liabilities	$ (364)	$ 518	$ (403)	$ (16)	$ 28	$ (73)

The estimated amounts to be amortized from AOCI and regulatory assets/liabilities into net periodic defined benefit costs in 2016 are as follows:

	Pension Benefits	
	U.S.	U.K.
Prior service cost (credit)	$ 8	
Actuarial (gain) loss	49	$ 151
Total	$ 57	$ 151
Amortization from Balance Sheet:		
AOCI	$ 12	$ 151
Regulatory assets/liabilities	45	
Total	$ 57	$ 151

(LKE)

The following table provides the components of net periodic defined benefit costs for LKE's pension and other postretirement benefit plans for the years ended December 31.

	Pension Benefits			Other Postretirement Benefits		
	2015	2014	2013	2015	2014	2013
Net periodic defined benefit costs (credits):						
Service cost	$ 26	$ 21	$ 26	$ 5	$ 4	$ 5
Interest cost	68	66	62	9	9	8
Expected return on plan assets	(88)	(82)	(82)	(6)	(4)	(5)
Amortization of:						
Prior service cost (credit)	7	5	5	3	2	3
Actuarial (gain) loss (a)	37	12	33		(1)	
Net periodic defined benefit costs (credit)	$ 50	$ 22	$ 44	$ 11	$ 10	$ 11
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI and Regulatory Assets/Liabilities - Gross:						
Net (gain) loss	$ 20	$ 162	$ (116)	$ (15)	$ 26	$ (14)
Prior service cost (credit)	19	23			6	
Amortization of:						
Prior service (cost) credit	(7)	(5)	(5)	(3)	(2)	(3)
Actuarial gain (loss)	(37)	(12)	(33)		1	
Total recognized in OCI and regulatory assets/liabilities	(5)	168	(154)	(18)	31	(17)
Total recognized in net periodic defined benefit costs, OCI and regulatory assets/liabilities	$ 45	$ 190	$ (110)	$ (7)	$ 41	$ (6)

(a) As a result of the 2014 Kentucky rate case settlement that became effective July 1, 2015, the difference between actuarial (gain)/loss calculated in accordance with LKE's pension accounting policy and actuarial (gain)/loss calculated using a 15 year amortization period was $9 million.

For LKE's pension and other postretirement benefits, the amounts recognized in OCI and regulatory assets/liabilities for the years ended December 31 were as follows:

	Pension Benefits			Other Postretirement Benefits		
	2015	2014	2013	2015	2014	2013
OCI	$ 4	$ 84	$ (46)	$ (2)	$ 9	$ (1)
Regulatory assets/liabilities	(9)	84	(108)	(16)	22	(16)
Total recognized in OCI and regulatory assets/liabilities	$ (5)	$ 168	$ (154)	$ (18)	$ 31	$ (17)

The estimated amounts to be amortized from AOCI and regulatory assets/liabilities into net periodic defined benefit costs for LKE in 2016 are as follows.

	Pension Benefits	Other Postretirement Benefits
Prior service cost (credit)	$ 8	$ 2
Actuarial (gain) loss	20	
Total	$ 28	$ 2
Amortization from Balance Sheet:		
AOCI	$ 2	$ 1
Regulatory assets/liabilities	26	1
Total	$ 28	$ 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.

	Pension Benefits		
	2015	2014	2013
Net periodic defined benefit costs (credits):			
Service cost	$ 1	$ 1	$ 2
Interest cost	14	15	14
Expected return on plan assets	(20)	(19)	(20)
Amortization of:			
Prior service cost (credit)	3	2	2
Actuarial (gain) loss (a)	11	6	14
Net periodic defined benefit costs (credits)	$ 9	$ 5	$ 12
Other Changes in Plan Assets and Benefit Obligations			
Recognized in Regulatory Assets - Gross:			
Net (gain) loss	$ 8	$ 14	$ (20)
Prior service cost (credit)	10	9	
Amortization of:			
Prior service (cost) credit	(3)	(2)	(2)
Actuarial gain (loss)	(11)	(6)	(14)
Total recognized in regulatory assets/liabilities	4	15	(36)
Total recognized in net periodic defined benefit costs and regulatory assets	$ 13	$ 20	$ (24)

(a) As a result of the 2014 Kentucky rate case settlement that became effective July 1, 2015, the difference between actuarial (gain)/loss calculated in accordance with LG&E's pension accounting policy and actuarial (gain)/loss calculated using a 15 year amortization period was $3 million.

The estimated amounts to be amortized from regulatory assets into net periodic defined benefit costs for LG&E in 2016 are as follows.

	Pension Benefits
Prior service cost (credit)	$ 5
Actuarial (gain) loss	7
Total	$ 12

(All Registrants)

The following net periodic defined benefit costs (credits) were charged to operating expense or regulatory assets, excluding amounts charged to construction and other non-expense accounts. The U.K. pension benefits apply to PPL only.

	Pension Benefits						Other Postretirement Benefits		
	U.S.			U.K.					
	2015	2014	2013	2015	2014	2013	2015	2014	2013
PPL	$ 71	$ 45	$ 72	$ (21)	$ (9)	$ 33	$ 8	$ 10	$ 13
PPL Electric (a)	15	12	18					2	3
LKE (b)	37	17	32				8	7	8
LG&E (b)	12	5	14				4	4	4
KU (a) (b)	9	3	9				2	2	2

(a) PPL Electric and KU do not directly sponsor any defined benefit plans. PPL Electric and KU were allocated these costs of defined benefit plans sponsored by PPL Services (for PPL Electric) and by LKE (for KU), based on their participation in those plans, which management believes are reasonable.
(b) As a result of the 2014 Kentucky rate case settlement that became effective July 1, 2015, the difference between net periodic defined benefit costs calculated in accordance with LKE's, LG&E's and KU's pension accounting policy and the net periodic defined benefit costs calculated using a 15 year amortization period for gains and losses is recorded as a regulatory asset. Of the costs charged to operating expense or regulatory assets, excluding amounts charged to construction and other non-expense accounts, $4 million for LG&E and $1 million for KU were recorded as regulatory assets.

In the table above LG&E amounts include costs for the specific plans its 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		
	2015	2014	2013	2015	2014	2013
LG&E	$ 5	$ 2	$ 5	$ 4	$ 4	$ 4

(PPL, LKE and LG&E)

PPL, LKE and LG&E adopted the new mortality tables issued by the Society of Actuaries in October 2014 (RP-2014 base tables) for all U.S. defined benefit pension and other postretirement benefit plans at December 31, 2015. In addition, PPL, LKE and LG&E updated the basis for estimating projected mortality improvements and selected the IRS BB-2D two-dimensional improvement scale on a generational basis for all U.S. defined benefit pension and other postretirement benefit plans. These new mortality assumptions reflect the recognition of both improved life expectancies and the expectation of continuing improvements in life expectancies. The use of the new base tables and improvement scale resulted in an increase to U.S. defined benefit pension and other postretirement benefit obligations, an increase to future expense and a decrease in funded status.

The following weighted-average assumptions were used in the valuation of the benefit obligations at December 31. The U.K. pension benefits apply to PPL only.

	Pension Benefits					
	U.S.		U.K.		Other Postretirement Benefits	
	2015	2014	2015	2014	2015	2014
PPL						
Discount rate	4.59%	4.25%	3.68%	3.85%	4.48%	4.09%
Rate of compensation increase	3.93%	3.91%	4.00%	4.00%	3.91%	3.86%
LKE						
Discount rate	4.56%	4.25%			4.49%	4.06%
Rate of compensation increase	3.50%	3.50%			3.50%	3.50%
LG&E						
Discount rate	4.49%	4.20%				

The following weighted-average assumptions were used to determine the net periodic defined benefit costs for the years ended December 31. The U.K. pension benefits apply to PPL only.

	Pension Benefits								
	U.S.			U.K.			Other Postretirement Benefits		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
PPL									
Discount rate	4.25%	5.12%	4.22%	3.85%	4.41%	4.27%	4.09%	4.91%	4.00%
Rate of compensation increase	3.91%	3.97%	3.98%	4.00%	4.00%	4.00%	3.86%	3.96%	3.97%
Expected return on plan assets (a)	7.00%	7.00%	7.03%	7.19%	7.19%	7.16%	6.06%	5.96%	5.94%
LKE									
Discount rate	4.25%	5.18%	4.24%				4.06%	4.91%	3.99%
Rate of compensation increase	3.50%	4.00%	4.00%				3.50%	4.00%	4.00%
Expected return on plan assets (a)	7.00%	7.00%	7.10%				6.82%	6.75%	6.76%
LG&E									
Discount rate	4.20%	5.13%	4.20%						
Expected return on plan assets (a)	7.00%	7.00%	7.10%						

(a) The expected long-term rates of return for pension and other postretirement benefits are based on management's projections using a best-estimate of expected returns, volatilities and correlations for each asset class. Each plan's specific current and expected asset allocations are also considered in developing a reasonable return assumption.

(PPL and LKE)

The following table provides the assumed health care cost trend rates for the years ended December 31:

	2015	2014	2013
PPL and LKE			
Health care cost trend rate assumed for next year			
- obligations	6.8%	7.2%	7.6%
- cost	7.2%	7.6%	8.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			
- obligations	5.0%	5.0%	5.0%
- cost	5.0%	5.0%	5.5%
Year that the rate reaches the ultimate trend rate			
- obligations	2020	2020	2020
- cost	2020	2020	2019

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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 2015:

	One Percentage Point	
	Increase	Decrease
Effect on accumulated postretirement benefit obligation		
PPL	$ 6	$ (5)
LKE	5	(4)

(PPL)

The funded status of PPL's plans at December 31 was as follows:

	Pension Benefits				Other Postretirement Benefits	
	U.S.		U.K.			
	2015	2014	2015	2014	2015	2014
Change in Benefit Obligation						
Benefit Obligation, beginning of period	$ 5,399	$ 4,428	$ 8,523	$ 8,143	$ 716	$ 650
Service cost	96	97	79	71	11	12
Interest cost	194	224	314	354	26	31
Participant contributions			15	16	13	12
Plan amendments	19	(7)				6
Actuarial (gain) loss	(193)	887	200	747	(37)	59
Divestiture (a)	(1,416)				(76)	
Termination benefits		13				
Gross benefits paid (b)	(236)	(243)	(391)	(411)	(58)	(55)
Federal subsidy					1	1
Currency conversion			(336)	(397)		
Benefit Obligation, end of period	3,863	5,399	8,404	8,523	596	716
Change in Plan Assets						
Plan assets at fair value, beginning of period	4,462	4,009	7,734	7,284	484	446
Actual return on plan assets	2	600	205	895	(2)	62
Employer contributions	158	96	366	311	17	15
Participant contributions			15	16	13	12
Divestiture (a)	(1,159)				(80)	
Gross benefits paid (b)	(236)	(243)	(391)	(411)	(53)	(51)
Currency conversion			(304)	(361)		
Plan assets at fair value, end of period	3,227	4,462	7,625	7,734	379	484
Funded Status, end of period	$ (636)	$ (937)	$ (779)	$ (789)	$ (217)	$ (232)
Amounts recognized in the Balance Sheets consist of:						
Noncurrent asset					$ 2	$ 1
Current liability	$ (10)	$ (10)		$ (1)	(3)	(3)
Noncurrent liability	(626)	(668)	$ (779)	(788)	(216)	(196)
Noncurrent liability of discontinued operations		(259)				(34)
Net amount recognized, end of period	$ (636)	$ (937)	$ (779)	$ (789)	$ (217)	$ (232)
Amounts recognized in AOCI and regulatory assets/liabilities (pre-tax) consist of:						
Prior service cost (credit)	$ 53	$ 41			$ 1	
Net actuarial (gain) loss	977	1,353	$ 2,684	$ 2,334	37	$ 54
Total (c)	$ 1,030	$ 1,394	$ 2,684	$ 2,334	$ 38	$ 54
Total accumulated benefit obligation for defined benefit pension plans	$ 3,590	$ 4,946	$ 7,747	$ 7,867		

(a) As a result of the spinoff of PPL Energy Supply, obligations and assets attributable to certain former active and inactive employees of PPL Energy Supply were transferred to Talen Energy plans.
(b) Certain U.S. pension plans offered a limited-time program in 2014 during which terminated vested participants could elect to receive their accrued pension benefit as a one-time lump sum payment. Gross benefits paid includes $33 million of lump-sum cash payments made to terminated vested participants in 2014 in connection with these offerings.
(c) WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP and as a result, does not record regulatory assets/liabilities.

For PPL's U.S. pension and other postretirement benefit plans, the amounts recognized in AOCI and regulatory assets/liabilities at December 31 were as follows:

	U.S. Pension Benefits 2015	U.S. Pension Benefits 2014	Other Postretirement Benefits 2015	Other Postretirement Benefits 2014
AOCI	$ 275	$ 714	$ 18	$ 30
Regulatory assets/liabilities	755	680	20	24
Total	$ 1,030	$ 1,394	$ 38	$ 54

The following tables provide information on pension plans where the projected benefit obligation (PBO) or accumulated benefit obligation (ABO) exceed the fair value of plan assets:

	U.S. PBO in excess of plan assets 2015	U.S. PBO in excess of plan assets 2014	U.K. PBO in excess of plan assets 2015	U.K. PBO in excess of plan assets 2014
Projected benefit obligation	$ 3,863	$ 5,399	$ 8,404	$ 8,523
Fair value of plan assets	3,227	4,462	7,625	7,734

	U.S. ABO in excess of plan assets 2015	U.S. ABO in excess of plan assets 2014	U.K. ABO in excess of plan assets 2015	U.K. ABO in excess of plan assets 2014
Accumulated benefit obligation	$ 3,590	$ 4,946	$ 3,532	$ 3,592
Fair value of plan assets	3,227	4,462	3,287	3,321

(LKE)

The funded status of LKE's plans at December 31 was as follows:

	Pension Benefits 2015	Pension Benefits 2014	Other Postretirement Benefits 2015	Other Postretirement Benefits 2014
Change in Benefit Obligation				
Benefit Obligation, beginning of period	$ 1,608	$ 1,328	$ 234	$ 193
Service cost	26	21	5	4
Interest cost	68	66	9	9
Participant contributions			7	7
Plan amendments (a)	19	23		6
Actuarial (gain) loss	(74)	253	(22)	32
Gross benefits paid (b)	(59)	(83)	(18)	(17)
Federal subsidy			1	
Benefit Obligation, end of period	1,588	1,608	216	234
Change in Plan Assets				
Plan assets at fair value, beginning of period	1,301	1,173	82	74
Actual return on plan assets	(7)	173		10
Employer contributions	54	38	17	8
Participant contributions			7	7
Gross benefits paid (b)	(59)	(83)	(18)	(17)
Plan assets at fair value, end of period	1,289	1,301	88	82
Funded Status, end of period	$ (299)	$ (307)	$ (128)	$ (152)
Amounts recognized in the Balance Sheets consist of:				
Noncurrent asset			$ 2	$ 2
Current liability	$ (3)	$ (3)	(3)	(3)
Noncurrent liability	(296)	(304)	(127)	(151)
Net amount recognized, end of period	$ (299)	$ (307)	$ (128)	$ (152)
Amounts recognized in AOCI and regulatory assets/liabilities (pre-tax) consist of:				
Prior service cost (credit)	$ 54	$ 43	$ 9	$ 12
Net actuarial (gain) loss	338	354	(19)	(4)
Total	$ 392	$ 397	$ (10)	$ 8
Total accumulated benefit obligation for defined benefit pension plans	$ 1,452	$ 1,461		

(a) The pension plans were amended in December 2015 allowing terminated vested participants to elect to receive their accrued pension benefit as a one-time lump-sum payment effective January 1, 2016. The projected benefit obligation increased by $19 million as a result of the amendment.

The plans were amended in December 2014 to enhance the early retirement factors for all plan participants retiring on or after January 1, 2015. These modifications resulted in an increase of $23 million in the plans' projected benefit obligations as of December 31, 2014.

(b) Certain LKE pension plans offered a limited-time program in 2014 during which terminated vested participants could elect to receive their accrued pension benefit as a one-time lump-sum payment. The gross benefits paid includes $33 million of lump-sum cash payments made to terminated vested participants during 2014 in connection with these offerings.

The amounts recognized in AOCI and regulatory assets/liabilities at December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2015	2014	2015	2014
AOCI	$ 70	$ 65	$ 7	$ 8
Regulatory assets/liabilities	322	332	(17)	
Total	$ 392	$ 397	$ (10)	$ 8

The following tables provide information on pension plans where the projected benefit obligation (PBO) or accumulated benefit obligations (ABO) exceed the fair value of plan assets:

	PBO in excess of plan assets	
	2015	2014
Projected benefit obligation	$ 1,588	$ 1,608
Fair value of plan assets	1,289	1,301

	ABO in excess of plan assets	
	2015	2014
Accumulated benefit obligation	$ 1,452	$ 1,461
Fair value of plan assets	1,289	1,301

(LG&E)

The funded status of LG&E's plan at December 31, was as follows:

	Pension Benefits	
	2015	2014
Change in Benefit Obligation		
Benefit Obligation, beginning of period	$ 331	$ 291
Service cost	1	1
Interest cost	14	15
Plan amendments (a)	10	9
Actuarial (gain) loss	(15)	36
Gross benefits paid (b)	(15)	(21)
Benefit Obligation, end of period	326	331
Change in Plan Assets		
Plan assets at fair value, beginning of period	301	281
Actual return on plan assets	(2)	41
Employer contributions	13	
Gross benefits paid (b)	(15)	(21)
Plan assets at fair value, end of period	297	301
Funded Status, end of period	$ (29)	$ (30)
Amounts recognized in the Balance Sheets consist of:		
Noncurrent liability	$ (29)	$ (30)
Net amount recognized, end of period	$ (29)	$ (30)
Amounts recognized in regulatory assets (pre-tax) consist of:		
Prior service cost (credit)	$ 29	$ 22
Net actuarial (gain) loss	95	98
Total	$ 124	$ 120
Total accumulated benefit obligation for defined benefit pension plan	$ 326	$ 330

(a) The plan was amended in December 2015 allowing terminated vested participants to elect to receive their accrued pension benefit as a one-time lump-sum payment effective January 1, 2016. The projected benefit obligation increased by $10 million as a result of the amendment.

The plan was amended in December 2014 to enhance the early retirement factors for all plan participants retiring on or after January 1, 2015. The projected benefit obligation increased by $9 million as a result of the amendment.

(b) LG&E's pension plan offered a limited-time program in 2014 during which terminated vested participants could elect to receive their accrued pension benefit as a one-time lump-sum payment. The gross benefits paid includes $8 million of lump-sum cash payments made to terminated vested participants in 2014 in connection with this offering.

LG&E's pension plan had projected and accumulated benefit obligations in excess of plan assets at December 31, 2015 and 2014.

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:

	2015	2014
Pension	$ 26	$ 27
Other postretirement benefits	77	85

(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. As a result of the spinoff of PPL Energy Supply, pension and other postretirement plans were remeasured resulting in adjustments to PPL Electric's allocated balances of $56 million, reflected as a non-cash contribution on the Statement of Equity. The actuarially determined obligations of current active employees and retirees are used as a basis to allocate total plan activity, including active and retiree costs and obligations. Allocations to PPL Electric resulted in liabilities at December 31 as follows.

	2015	2014
Pension	$ 183	$ 212
Other postretirement benefits	67	40

(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.

	2015	2014
Pension	$ 46	$ 59
Other postretirement benefits	42	52

Plan Assets - U.S. Pension Plans

(PPL, LKE and LG&E)

PPL's primary legacy pension plan and 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 of PPL and LKE. The investment strategy for the Master Trust is to achieve a risk-adjusted return on a mix of assets that, in combination with PPL's funding policy, will ensure that sufficient assets are available to provide long-term growth and liquidity for benefit payments, while also managing the duration of the assets to complement the duration of the liabilities. The Master Trust benefits from a wide diversification of asset types, investment fund strategies and external investment fund managers, and therefore has no significant concentration of risk.

The investment policy of the Master Trust outlines investment objectives and defines the responsibilities of the EBPB, external investment managers, investment advisor and trustee and custodian. The investment policy is reviewed annually by PPL's Board of Directors.

The EBPB created a risk management framework around the trust assets and pension liabilities. This framework considers the trust assets as being composed of three sub-portfolios: growth, immunizing and liquidity portfolios. The growth portfolio is comprised of investments that generate a return at a reasonable risk, including equity securities, certain debt securities and alternative investments. The immunizing portfolio consists of debt securities, generally with long durations, and derivative positions. The immunizing portfolio is designed to offset a portion of the change in the pension liabilities due to changes in interest rates. The liquidity portfolio consists primarily of cash and cash equivalents.

Target allocation ranges have been developed for each portfolio 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 as of the end of 2015 are presented below.

The asset allocation for the trust and the target allocation by portfolio at December 31 are as follows:

	Percentage of trust assets		2015 Target Asset Allocation (a)
	2015 (a)	2014	
Growth Portfolio	**51%**	**51%**	**50%**
Equity securities	25%	26%	
Debt securities (b)	13%	13%	
Alternative investments	13%	12%	
Immunizing Portfolio	**47%**	**47%**	**48%**
Debt securities (b)	42%	44%	
Derivatives	5%	3%	
Liquidity Portfolio	**2%**	**2%**	**2%**
Total	100%	100%	100%

(a) Allocations exclude consideration of a group annuity contract held by the LG&E and KU Retirement Plan.
(b) Includes commingled debt funds, which PPL treats as debt securities for asset allocation purposes.

(LKE)

LKE has pension plans, including LG&E's plan, whose assets are invested solely in the Master Trust, which is fully disclosed below. The fair value of these plans' assets of $1.3 billion at December 31, 2015 and 2014 represents an interest of approximately 40% and 28% in the Master Trust.

(LG&E)

LG&E has a pension plan whose assets are invested solely in the Master Trust, which is fully disclosed below. The fair value of this plan's assets of $297 million and $301 million at December 31, 2015 and 2014 represents an interest of approximately 9% and 6% in the Master Trust.

(PPL, LKE and LG&E)

The fair value of net assets in the Master Trust by asset class and level within the fair value hierarchy was:

	December 31, 2015				December 31, 2014			
		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	$ 225	$ 225			$ 246	$ 246		
Equity securities:								
U.S.:								
Large-cap	87	87			114	114		
Large-cap fund measured at NAV (a)	197				318			
Small-cap	85	85			145	145		
International equity fund at NAV (a)	454				615			
Commingled debt measured at NAV (a)	514				818			
Debt securities:								
U.S. Treasury and U.S. government sponsored agency	501	492	$ 9		723	706	$ 17	
Residential/commercial backed securities	3		3		2		2	
Corporate	747		737	$ 10	1,109		1,088	$ 21
International government	4		4		8		8	
Other	7		7		9		9	

	December 31, 2015				December 31, 2014			
		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 measured at NAV (a)	70				90			
Real estate measured at NAV (a)	118				148			
Private equity measured at NAV (a)	81				104			
Hedge funds measured at NAV (a)	171				223			
Derivatives:								
Interest rate swaps and swaptions	80		80		92		92	
Other	11		11		12		12	
Insurance contracts	32			32	33			33
PPL Services Corporation Master Trust assets, at fair value	3,387	$ 889	$ 851	$ 42	4,809	$ 1,211	$ 1,228	$ 54
Receivables and payables, net (b)	(49)				(41)			
401(h) accounts restricted for other postretirement benefit obligations	(111)				(136)			
Total PPL Services Corporation Master Trust pension assets (c)	$ 3,227				$ 4,632			

(a) In accordance with accounting guidance certain investments that are measured at fair value using the net asset value per share (NAV), or its equivalent, practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.
(b) Receivables and payables represent amounts for investments sold/purchased but not yet settled along with interest and dividends earned but not yet received.
(c) As a result of the spinoff of PPL Energy Supply, $1,159 million of assets were transferred to Talen Energy in 2015, attributable to former active and inactive employees of PPL Energy Supply that had participated in PPL's pension plan. An additional $170 million of assets of the PPL Montana pension plan transferred to Talen Energy, as that entire plan was assumed by Talen Energy.

A reconciliation of the Master Trust assets classified as Level 3 at December 31, 2015 is as follows:

	Corporate debt	Insurance contracts	Total
Balance at beginning of period	$ 21	$ 33	$ 54
Actual return on plan assets			
Relating to assets still held at the reporting date		2	2
Relating to assets sold during the period	(1)		(1)
Purchases, sales and settlements	(10)	(3)	(13)
Balance at end of period	$ 10	$ 32	$ 42

A reconciliation of the Master Trust assets classified as Level 3 at December 31, 2014 is as follows:

	Corporate debt	Insurance contracts	Total
Balance at beginning of period	$ 23	$ 37	$ 60
Actual return on plan assets			
Relating to assets still held at the reporting date	(1)	1	
Relating to assets sold during the period	(1)		(1)
Purchases, sales and settlements		(5)	(5)
Balance at end of period	$ 21	$ 33	$ 54

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 and exchange traded funds (ETFs).

Investments in commingled equity and debt funds are categorized as equity securities. Investments in commingled equity funds include funds that invest in U.S. and international equity securities. Investments in commingled debt funds include funds that invest in a diversified portfolio of emerging market debt obligations, as well as funds that invest in investment grade long-duration fixed-income securities.

The fair value measurements of debt securities are generally based on evaluations that reflect observable market information, such as actual trade information for identical securities or for similar securities, adjusted for observable differences. The fair value of debt securities is generally measured using a market approach, including the use of pricing models which incorporate observable inputs. Common inputs include benchmark yields, relevant trade data, broker/dealer bid/ask prices, benchmark securities and credit valuation adjustments. When necessary, the fair value of debt securities is measured using the income approach, which incorporates similar observable inputs as well as payment data, future predicted cash flows, collateral performance and new issue data. For the Master Trust, these securities represent investments in securities issued by U.S. Treasury and U.S. government sponsored agencies; investments securitized by residential mortgages, auto loans, credit cards and other pooled loans; investments in investment grade and non-investment grade bonds issued by U.S. companies across several industries; investments in debt securities issued by foreign governments and corporations.

Investments in commodities represent ownership interest of a commingled fund that is invested in a portfolio of exchange-traded futures and forward contracts in 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. Redemptions can be made the 15th calendar day and the last calendar day of the month with a specified notification period. The fund's fair value is based upon a value as calculated by the fund's administrator.

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 Master Trust has unfunded commitments of $27 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 most 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 within 60 to 95 days with 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 - U.S. Other Postretirement Benefit Plans

The investment strategy with respect to other postretirement benefit obligations is to fund VEBA trusts and/or 401(h) accounts with voluntary contributions and to invest in a tax efficient manner. Excluding the 401(h) accounts included in the Master Trust, other postretirement benefit plans are invested in a mix of assets for long-term growth with an objective of earning returns that provide liquidity as required for benefit payments. These plans benefit from diversification of asset types, investment fund strategies and investment fund managers, and therefore, have no significant concentration of risk. Equity securities include investments in domestic large-cap commingled funds. Ownership interests in commingled funds that invest entirely in debt securities are classified as equity securities, but treated as debt securities for asset allocation and target allocation purposes. Ownership interests in money market funds are treated as cash and cash equivalents for asset allocation and target allocation purposes. The asset allocation for the PPL VEBA trusts, excluding LKE, and the target allocation, by asset class, at December 31 are detailed below.

	Percentage of plan assets		Target Asset Allocation
	2015	2014	2015
Asset Class			
U.S. Equity securities	48%	49%	45%
Debt securities (a)	50%	49%	50%
Cash and cash equivalents (b)	2%	2%	5%
Total	100%	100%	100%

(a) Includes commingled debt funds and debt securities.
(b) Includes money market funds.

LKE's other postretirement benefit plan is invested primarily in a 401(h) account, as disclosed in the PPL Services Corporation Master Trust, with insignificant amounts invested in money market funds within VEBA trusts for liquidity.

The fair value of assets in the U.S. other postretirement benefit plans by asset class and level within the fair value hierarchy was:

	December 31, 2015				December 31, 2014			
		Fair Value Measurement Using				Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Money market funds	$ 6	$ 6			$ 9	$ 9		
U.S. Equity securities:								
Large-cap equity fund measure at NAV (a)	129				169			
Commingled debt fund measured at NAV (a)	109				136			
Debt securities:								
Municipalities	23		$ 23		33		$ 33	
Total VEBA trust assets, at fair value	267	$ 6	$ 23		347	$ 9	$ 33	
Receivables and payables, net (b)	1				1			
401(h) account assets	111				136			
Total other postretirement benefit plan assets (c)	$ 379				$ 484			

(a) In accordance with accounting guidance certain investments that are measured at fair value using the net asset value per share (NAV), or its equivalent, practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.
(b) Receivables and payables represent amounts for investments sold/purchased but not yet settled along with interest and dividends earned but not yet received.
(c) As a result of the spinoff of PPL Energy Supply, $80 million of assets were transferred to Talen Energy in 2015, attributable to former active employees of PPL Energy Supply that had participated in PPL's other postretirement benefit plan.

Investments in money market funds represent investments in funds that invest primarily in a diversified portfolio of investment grade money market instruments, including, but not limited to, commercial paper, notes, repurchase agreements and other evidences of indebtedness with a maturity not exceeding 13 months from the date of purchase. The primary objective of the fund is a level of current income consistent with stability of principal and liquidity. Redemptions can be made daily on this fund.

Investments in large-cap equity securities represent investments in a passively managed equity index fund that invests in securities and a combination of other collective funds. Fair value measurements are not obtained from a quoted price in an active market but are based on firm quotes of net asset values per share as provided by the trustee of the fund. Redemptions can be made daily on this fund.

Investments in commingled debt securities represent investments in a fund that invests in a diversified portfolio of investment grade long-duration fixed income securities. Redemptions can be made weekly on these funds.

Investments in municipalities represent investments in a diverse mix of tax-exempt municipal securities. The fair value measurements for these securities are based on recently executed transactions for identical securities or for similar securities.

Plan Assets - U.K. Pension Plans *(PPL)*

The overall investment strategy of WPD's pension plans is developed by each plan's independent trustees in its Statement of Investment Principles in compliance with the U.K. Pensions Act of 1995 and other U.K. legislation. The trustees' primary focus is to ensure that assets are sufficient to meet members' benefits as they fall due with a longer term objective to reduce investment risk. The investment strategy is intended to maximize investment returns while not incurring excessive volatility in the funding position. WPD's plans are invested in a wide diversification of asset types, fund strategies and fund managers; and therefore, have no significant concentration of risk. Commingled funds that consist entirely of debt securities are traded as equity units, but treated by WPD as debt securities for asset allocation and target allocation purposes. These include investments in U.K. corporate bonds and U.K. gilts.

The asset allocation and target allocation at December 31 of WPD's pension plans are detailed below.

	Percentage of plan assets		Target Asset Allocation
	2015	2014	2015
Asset Class			
Cash and cash equivalents	1%	1%	
Equity securities			
U.K.	3%	3%	4%
European (excluding the U.K.)	2%	3%	3%
Asian-Pacific	2%	2%	2%
North American	3%	3%	3%
Emerging markets	10%	9%	10%
Currency	1%	2%	1%
Global Tactical Asset Allocation	31%	29%	31%
Debt securities (a)	40%	42%	39%
Alternative investments	7%	6%	7%
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, 2015				December 31, 2014			
		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	$ 55	$ 55			$ 57	$ 57		
Equity securities measured at NAV (a) :								
U.K. companies	274				239			
European companies (excluding the U.K.)	190				198			
Asian-Pacific companies	132				142			
North American companies	220				227			
Emerging markets companies	284				309			
Global Equities	500				397			
Currency	39				190			
Other	2,384				2,263			
Commingled debt:								
U.K. corporate bonds	2				92			
U.K. gilts	3				913			
Debt Securities:								
U.K. corporate bonds	364		$ 364		344		$ 344	
U.K. gilts	2,645		2,645		1,927		1,927	
Alternative investments:								
Real estate measured at NAV (a)	533				436			
Fair value - U.K. pension plans	$ 7,625	$ 55	$ 3,009		$ 7,734	$ 57	$ 2,271	

(a) In accordance with accounting guidance certain investments that are measured at fair value using the net asset value per share (NAV), or its equivalent, practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Except for investments in real estate, the fair value measurements of WPD's pension plan assets are based on the same inputs and measurement techniques used to measure the U.S. pension plan assets described above.

Investments in equity securities represent actively and passively managed funds that are measured against various equity indices. Other comprises a range of investment strategies which invest in a variety of assets including equities, bonds, currencies, real estate and forestry held in unitized funds.

U.K. corporate bonds include investment grade corporate bonds of companies from diversified U.K. industries.

U.K. gilts include gilts, index-linked gilts and swaps intended to track a portion of the plans' liabilities.

Investments in real estate represent holdings in a U.K. unitized fund that owns and manages U.K. industrial and commercial real estate with a strategy of earning current rental income and achieving capital growth. The fair value measurement of the fund is based upon a net asset value per share, which is based on the value of underlying properties that are independently appraised in accordance with Royal Institution of Chartered Surveyors valuation standards at least annually with quarterly valuation updates based on recent sales of similar properties, leasing levels, property operations and/or market conditions. The fund may be subject to redemption restrictions in the unlikely event of a large forced sale in order to ensure other unit holders are not disadvantaged.

Expected Cash Flows - U.S. Defined Benefit Plans *(PPL)*

PPL's U.S. defined benefit pension plans have the option to utilize available prior year credit balances to meet current and future contribution requirements. However, PPL contributed $30 million to its U.S. pension plans in January 2016.

PPL sponsors various non-qualified supplemental pension plans for which no assets are segregated from corporate assets. PPL expects to make approximately $10 million of benefit payments under these plans in 2016.

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 $13 million to its other postretirement benefit plans in 2016.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the plans and the following federal subsidy payments are expected to be received by PPL.

		Other Postretirement	
	Pension	Benefit Payment	Expected Federal Subsidy
2016	$ 234	$ 54	$ 1
2017	245	53	1
2018	250	53	1
2019	259	53	1
2020	261	52	1
2021-2025	1,333	244	2

(LKE)

LKE's defined benefit pension plans have the option to utilize available prior year credit balances to meet current and future contribution requirements. However, LKE contributed $30 million to its pension plans in January 2016.

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 2016.

LKE is not required to make contributions to its other postretirement benefit plan but has historically funded this plan in amounts equal to the postretirement benefit costs recognized. Continuation of this past practice would cause LKE to contribute a projected $13 million to its other postretirement benefit plan in 2016.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the plans and the following federal subsidy payments are expected to be received by LKE.

		Other Postretirement	
	Pension	Benefit Payment	Expected Federal Subsidy
2016	$ 95	$ 13	
2017	100	14	
2018	102	15	$ 1
2019	105	16	
2020	107	16	
2021-2025	550	85	2

(LG&E)

LG&E's defined benefit pension plan has the option to utilize available prior year credit balances to meet current and future contribution requirements. However, LG&E contributed $7 million to its pension plan in January 2016.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the plan.

	Pension
2016	$ 23
2017	25
2018	24
2019	25
2020	25
2021-2025	111

Expected Cash Flows - U.K. Pension Plans *(PPL)*

The pension plans of WPD are subject to formal actuarial valuations every three years, which are used to determine funding requirements. Contribution requirements for periods after April 1, 2014 were evaluated in accordance with the valuations performed as of March 31, 2013. WPD expects to make contributions of approximately $364 million in 2016. WPD is currently permitted to recover in current rates approximately 78% of their pension 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 plans.

	Pension
2016	$ 379
2017	384
2018	391
2019	397
2020	402
2021-2025	2,074

Savings Plans *(All Registrants)*

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:

	2015	2014	2013
PPL	$ 34	$ 33	$ 29
PPL Electric	6	6	6
LKE	16	15	13
LG&E	5	5	7
KU	4	4	6

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.

See Note 8 for a discussion of separation benefits recognized in 2015 and 2014 related to the spinoff of PPL Energy Supply. Separation benefits were not significant in 2013.

12. Jointly Owned Facilities

(PPL, LKE, LG&E and KU)

At December 31, 2015 and 2014, the Balance Sheets reflect the owned interests in the facilities listed below.

	Ownership Interest	Electric Plant	Accumulated Depreciation	Construction Work in Progress
PPL and LKE				
December 31, 2015				
Generating Plants				
Trimble County Unit 1	75.00%	$ 399	$ 44	$ 6
Trimble County Unit 2	75.00%	1,013	141	27
December 31, 2014				
Generating Plants				
Trimble County Unit 1	75.00%	$ 309	$ 51	$ 59
Trimble County Unit 2	75.00%	1,002	122	32
LG&E				
December 31, 2015				
Generating Plants				
E.W. Brown Units 6-7	38.00%	$ 40	$ 12	
Paddy's Run Unit 13 & E.W. Brown Unit 5	53.00%	47	10	$ 1
Trimble County Unit 1	75.00%	399	44	6
Trimble County Unit 2	14.25%	210	28	12
Trimble County Units 5-6	29.00%	29	6	
Trimble County Units 7-10	37.00%	71	14	
Cane Run Unit 7	22.00%	115	1	1
E.W. Brown Solar Unit	39.00%			4
December 31, 2014				
Generating Plants				
E.W. Brown Units 6-7	38.00%	$ 40	$ 10	
Paddy's Run Unit 13 & E.W. Brown Unit 5	53.00%	47	7	
Trimble County Unit 1	75.00%	309	51	$ 59
Trimble County Unit 2	14.25%	205	23	15
Trimble County Units 5-6	29.00%	29	5	
Trimble County Units 7-10	37.00%	70	11	
Cane Run Unit 7	22.00%			113
KU				
December 31, 2015				
Generating Plants				
E.W. Brown Units 6-7	62.00%	$ 65	$ 19	
Paddy's Run Unit 13 & E.W. Brown Unit 5	47.00%	43	9	$ 1
Trimble County Unit 2	60.75%	803	113	15
Trimble County Units 5-6	71.00%	70	15	
Trimble County Units 7-10	63.00%	121	23	
Cane Run Unit 7	78.00%	411	6	5
E.W. Brown Solar Unit	61.00%			6
December 31, 2014				
Generating Plants				
E.W. Brown Units 6-7	62.00%	$ 65	$ 15	$ 1
Paddy's Run Unit 13 & E.W. Brown Unit 5	47.00%	42	6	
Trimble County Unit 2	60.75%	797	98	17
Trimble County Units 5-6	71.00%	70	11	
Trimble County Units 7-10	63.00%	120	18	1
Cane Run Unit 7	78.00%			403

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.

13. Commitments and Contingencies

(PPL)

All commitments, contingencies and guarantees associated with PPL Energy Supply and its subsidiaries were retained by Talen Energy and its subsidiaries at the spinoff date without recourse to PPL.

Energy Purchase Commitments *(PPL, LKE, LG&E and KU)*

LG&E and KU enter into purchase contracts to supply the coal and natural gas requirements for generation facilities and LG&E's gas supply operations. These contracts include the following commitments:

Contract Type	Maximum Maturity Date
Coal	2022
Coal Transportation and Fleeting Services	2024
Natural Gas Storage	2024
Natural Gas Transportation	2026

LG&E and KU have a power purchase agreement with OVEC expiring in June 2040. See footnote (f) to the table in "Guarantees and Other Assurances" below for information on the OVEC power purchase contract. 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 are projected as follows:

	LG&E	KU	Total
2016	$ 18	$ 8	$ 26
2017	19	8	27
2018	19	8	27
2019	19	9	28
2020	20	9	29
Thereafter	435	193	628
	$ 530	$ 235	$ 765

LG&E and KU had total energy purchases under the OVEC power purchase agreement for the years ended December 31 as follows:

	2015	2014	2013
LG&E	$ 15	$ 17	$ 18
KU	7	8	8
Total	$ 22	$ 25	$ 26

Legal Matters

(All Registrants)

PPL and its subsidiaries are involved in legal proceedings, claims and litigation in the ordinary course of business. PPL and its subsidiaries cannot predict the outcome of such matters, or whether such matters may result in material liabilities, unless otherwise noted.

WKE Indemnification *(PPL and LKE)*

See footnote (e) to the table in "Guarantees and Other Assurances" below for information on an LKE indemnity relating to its former WKE lease, including related legal proceedings.

(PPL, LKE, LG&E and KU)

Cane Run Environmental Claims

In December 2013, six residents, on behalf of themselves and others similarly situated, filed a class action complaint against LG&E and PPL in the U.S. District Court for the Western District of Kentucky alleging violations of the Clean Air Act and RCRA. In addition, these plaintiffs assert common law claims of nuisance, trespass and negligence. These plaintiffs seek injunctive relief and civil penalties, plus costs and attorney fees, for the alleged statutory violations. Under the common law claims, these plaintiffs seek monetary compensation and punitive damages for property damage and diminished property values for a class consisting of residents within four miles of the plant. In their individual capacities, these plaintiffs seek compensation for alleged adverse health effects. In response to a motion to dismiss filed by PPL and LG&E, in July 2014, the court dismissed the plaintiffs' RCRA claims and all but one Clean Air Act claim, but declined to dismiss their common law tort claims. Upon motion of LG&E and PPL, the district court certified for appellate review the issue of whether the state common law claims are preempted by federal statute. In December 2014, the U.S. Court of Appeals for the Sixth Circuit issued an order granting appellate review regarding the above matter. Oral argument before the Sixth Circuit was held in August 2015. In November 2015, the Sixth Circuit issued an opinion affirming the District Court's ruling that plaintiffs' state law claims are not preempted by the Clean Air Act and remanding the matter to the District Court for further proceedings. Certain discovery matters are currently before the District Court. PPL, LKE and LG&E cannot predict the outcome of this matter. LG&E retired one coal-fired unit at the Cane Run plant in March 2015 and the remaining two coal-fired units at the plant in June 2015.

Mill Creek Environmental Claims

In May 2014, the Sierra Club filed a citizen suit against LG&E in the U.S. District Court for the Western District of Kentucky for alleged violations of the Clean Water Act. The Sierra Club alleges that various discharges at the Mill Creek plant constitute violations of the plant's water discharge permit. The Sierra Club seeks civil penalties, injunctive relief, costs and attorney's fees. In August 2015, the Court denied cross-motions for summary judgment filed by both parties and directed the parties to proceed with discovery. Discovery proceedings are underway and the parties have also conducted limited settlement discussions in the matter. PPL, LKE and LG&E cannot predict the outcome of this matter or the potential impact on the operations of the Mill Creek plant, including increased capital or operating costs, if any, but believe the plant is operating in compliance with the permits.

E.W. Brown Environmental Claims

In October 2015, KU received a notice of intent from Earthjustice and the Sierra Club informing certain federal and state agencies of the Sierra Club's intent to file a citizen suit, following expiration of the mandatory 60-day notification period, for alleged violations of the Clean Water Act. The claimant alleges discharges at the E.W. Brown plant in violation of applicable rules and the plant's water discharge permit. The claimant asserts that, unless the alleged discharges are promptly brought into compliance, it intends to seek civil penalties, injunctive relief and attorney's fees. In November 2015, the claimants submitted an amended notice of intent to add the Kentucky Waterways Alliance as a claimant. The parties have conducted limited settlement discussions in the matter. PPL, LKE and KU cannot predict the outcome of this matter or the potential impact on the operations of the E. W. Brown plant, including increased capital or operating costs, if any.

Trimble County Unit 2 Air Permit

The Sierra Club and other environmental groups petitioned the Kentucky Environmental and Public Protection Cabinet to overturn the air permit issued for the Trimble County Unit 2 baseload coal-fired generating unit, but the agency upheld the permit in an order issued in September 2007. In response to subsequent petitions by environmental groups, the EPA ordered certain non-material changes to the permit which, in January 2010, were incorporated into a final revised permit issued by the Kentucky Division for Air Quality. In March 2010, the environmental groups petitioned the EPA to object to the revised state permit. Until the EPA issues a final ruling on the pending petition and all available appeals are exhausted, PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact on the operations of the Trimble County plant, including increased capital or operating costs, if any.

Trimble County Water Discharge Permit

In May 2010, the Kentucky Waterways Alliance and other environmental groups filed a petition with the Kentucky Energy and Environment Cabinet (KEEC) challenging the Kentucky Pollutant Discharge Elimination System permit issued in April

2010, which covers water discharges from the Trimble County plant. In November 2010, the KEEC issued a final order upholding the permit which was subsequently appealed by the environmental groups. In September 2013, the Franklin Circuit Court reversed the KEEC order upholding the permit and remanded the permit to the agency for further proceedings. LG&E and the KEEC appealed the order to the Kentucky Court of Appeals. In July 2015, the Court of Appeals upheld the lower court ruling. LG&E and the KEEC have moved for discretionary review by the Kentucky Supreme Court. On February 10, 2016, the Kentucky Supreme Court issued an order granting discretionary review. PPL, LKE, LG&E and KU are unable to predict the outcome of this matter or the potential impact on the operations of the Trimble County plant, including increased capital or operating costs, if any.

Regulatory Issues *(All Registrants)*

See Note 6 for information on regulatory matters related to utility rate regulation.

Electricity - Reliability Standards

The NERC is responsible for establishing and enforcing mandatory reliability standards (Reliability Standards) regarding the bulk 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.

PPL, LG&E, KU and PPL Electric monitor their compliance with the Reliability Standards and continue to self-report or self-log potential violations of certain applicable reliability requirements and submit accompanying mitigation plans, as required. The resolution of a small 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.

Environmental Matters - Domestic

(All Registrants)

Due to the environmental issues discussed below or other environmental matters, it may be necessary for the Registrants to modify, curtail, replace or cease operation of certain facilities or performance of certain operations to comply with statutes, regulations and other requirements of regulatory bodies or courts. In addition, legal challenges to new environmental permits or rules add to the uncertainty of estimating the future cost of these permits and rules.

LG&E and KU are entitled to recover, through the ECR mechanism, certain costs of complying with the Clean Air Act, as amended, and those federal, state or local environmental requirements applicable to coal combustion wastes and by-products from facilities that generate electricity from coal in accordance with approved compliance plans. Costs not covered by the ECR mechanism for LG&E and KU and all such costs for PPL Electric are subject to rate recovery before the companies' respective state regulatory authorities, or the FERC, if applicable. Because PPL Electric does not own any generating plants, its exposure to related environmental compliance costs is reduced. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

(PPL, LKE, LG&E and KU)

Air

The Clean Air Act, which regulates air pollutants from mobile and stationary sources, has a significant impact on the operation of fossil fuel plants. The Clean Air Act requires the EPA periodically to review and establish concentration levels in the ambient air for six criteria pollutants to protect public health and welfare. These concentration levels are known as NAAQS. The six criteria pollutants are carbon monoxide, lead, nitrogen dioxide, ozone, particulate matter and sulfur dioxide.

Federal environmental regulations of these criteria pollutants require states to adopt implementation plans, known as state implementation plans, for certain pollutants, which detail how the state will attain the standards that are mandated by the relevant law or regulation. Each state identifies the areas within its boundaries that meet the NAAQS (attainment areas) and those that do not (non-attainment areas), and must develop a state implementation plan both to bring non-attainment areas into compliance with the NAAQS and to maintain good air quality in attainment areas. In addition, for attainment of ozone and fine particulates standards, states in the eastern portion of the country, including Kentucky, are subject to a regional program developed by the EPA known as the Cross-State Air Pollution Rule. The NAAQS, future revisions to the NAAQS and state implementation plans implementing them, or future revisions to regional programs, may require installation of additional pollution controls, the costs of which PPL, LKE, LG&E and KU believe are subject to cost recovery.

Although PPL, LKE, LG&E and KU do not currently anticipate significant costs to comply with these programs, changes in market or operating conditions could result in different costs than anticipated.

National Ambient Air Quality Standards (NAAQS)

Under the Clean Air Act, the EPA is required to reassess the NAAQS for certain air pollutants on a five-year schedule. In 2008, the EPA revised the NAAQS for ozone and proposed to further strengthen the standard in November 2014. The EPA released a new ozone standard on October 1, 2015. The states and EPA will determine attainment with the new ozone standard through review of relevant ambient air monitoring data, with attainment or nonattainment designations scheduled no later than October 2017. States are also obligated to address interstate transport issues associated with new ozone standards through the establishment of "good neighbor" state implementation plans for those states that are found to contribute significantly to another states' non-attainment. States that are not in the ozone transport region, including Kentucky, are working together to evaluate further nitrogen oxide reductions from fossil-fueled plants with SCRs. The nature and timing of any additional reductions resulting from these evaluations cannot be predicted at this time.

In 2010, the EPA finalized revised NAAQS for sulfur dioxide and required states to identify areas that meet those standards and areas that are in "non-attainment". In July 2013, the EPA finalized non-attainment designations for parts of the country, including part of Jefferson County in Kentucky. Attainment must be achieved by 2018. PPL, LKE, LG&E and KU anticipate that certain previously required compliance measures, such as upgraded or new sulfur dioxide scrubbers at certain plants and the retirement of coal-fired generating units at LG&E's Cane Run plant and KU's Green River plant, will help to achieve compliance with the new sulfur dioxide and ozone standards. If additional reductions are required, the costs could be significant.

Mercury and Air Toxics Standards (MATS)

In February 2012, the EPA finalized the MATS rule requiring reductions of mercury and other hazardous air pollutants from fossil-fuel fired power plants, with an effective date of April 16, 2012. The MATS rule was challenged by industry groups and states and was upheld by the U.S. Court of Appeals for the D. C. Circuit Court (D.C. Circuit Court) in April 2014. A group of states subsequently petitioned the U.S. Supreme Court (Supreme Court) to review this decision and in June 2015, the Supreme Court held that the EPA failed to properly consider costs when deciding to regulate hazardous air emissions from power plants under MATS. The Court remanded the matter to the D.C. Circuit Court, which in December 2015 remanded the rule to EPA without vacating it. EPA has proposed a supplemental finding regarding costs of the rule and has announced that it intends to make a final determination in 2016. The EPA's MATS rule remains in effect during the pendency of the ongoing proceedings.

LG&E and KU have installed significant controls in connection with the MATS rule and in conjunction with compliance with other environmental requirements, including fabric-filter baghouses, upgraded scrubbers or chemical additive systems for which appropriate KPSC authorization and/or ECR treatment has been received. LG&E and KU are currently seeking KPSC approval for a compliance plan providing for installation of additional MATS-related controls, the cost of which is currently estimated at $5 million for LG&E and at $17 million for KU. PPL, LKE, LG&E and KU cannot predict the outcome of the MATS rule or its potential impact, if any, on plant operations, rate treatment or future capital or operating needs. See Note 6 for additional information.

New Source Review (NSR)

The NSR litigation brought by EPA, states and environmental groups against coal-fired generating plants in past years continues to proceed through the courts. Although none of this litigation directly involves PPL, LKE, LG&E or KU, it can influence the permitting of large capital projects at LG&E and KU's power plants, the costs of which cannot presently be determined but could be significant.

Climate Change

(All Registrants)

There is continuing momentum to address climate change. Most recently, in December 2015, 195 nations, including the U.S., signed the Paris Agreement on Climate which establishes a comprehensive framework for the reduction of GHG emissions from both developed and developing nations. Although the agreement does not establish binding reduction requirements, it requires each nation to prepare, communicate, and maintain GHG reduction commitments. Based on EPA's Clean Power Plan described below, the U.S. has committed to an initial reduction target of 26% to 28% below 2005 levels by 2025.

The EPA's Rules under Section 111 of the Clean Air Act

As further described below, the EPA finalized rules imposing greenhouse gas emission standards for both new and existing power plants. The EPA has also issued a proposed federal implementation plan that would apply to any states that fail to submit an acceptable state implementation plan under these rules. The EPA's authority to promulgate these regulations under Section 111 of the Clean Air Act has been challenged in the D.C. Circuit Court by several states and industry groups. On February 9, 2016, the Supreme Court stayed the rule for existing plants (the Clean Power Plan) pending the D.C. Circuit Court's review and subsequent review by the Supreme Court if a writ of certiorari is filed and granted.

The EPA's rule for new power plants imposes separate emission standards for coal and natural gas units based on the application of different technologies. The coal standard is based on the application of partial carbon capture and sequestration technology, but because this technology is not presently commercially available, the rule effectively precludes the construction of new coal-fired plants. The standard for NGCC power plants is the same as the EPA proposed in 2012 and is not continuously achievable. The preclusion of new coal-fired plants and the compliance difficulties posed for new natural gas-fired plants could have a significant industry-wide impact.

The EPA's Clean Power Plan

The EPA's rule for existing power plants, referred to as the Clean Power Plan, was published in the Federal Register in October 2015. The Clean Power Plan contains state-specific rate-based and mass-based reduction goals and guidelines for the development, submission and implementation of state implementation plans to achieve the state goals. State-specific goals were calculated from 2012 data by applying EPA's broad interpretation and definition of the BSER, resulting in the most stringent targets to be met in 2030, with interim targets to be met beginning in 2022. The EPA believes it has offered some flexibility to the states as to how their compliance plans can be crafted, including the option to use a rate-based approach (limit emissions per megawatt hour) or a mass-based approach (limit total tons of emissions per year), and the option to demonstrate compliance through emissions trading and multi-state collaborations. Under the rate-based approach, Kentucky would need to make a 41% reduction from its 2012 emissions rate and under a mass-based approach it would need to make a 36% reduction. These reductions are significantly greater than initially proposed and present significant challenges to the state. If the Clean Power Plan is ultimately upheld and Kentucky fails to develop an approvable implementation plan by the applicable deadline, the EPA would impose a federal implementation plan that could be more stringent than what the state plan might provide. Depending on the provisions of the Kentucky implementation plan, LG&E and KU may need to modify their current portfolio of generating assets during the next decade and/or participate in an allowance trading program.

LG&E and KU are participating in the ongoing regulatory processes at the state and federal level in an effort to provide input into the state or federal implementation plan that will govern reductions in Kentucky. Various states, industry groups, and individual companies including LKE have filed petitions for reconsideration with EPA and petitions for review with the D.C. Circuit Court challenging the Clean Power Plan. PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact, if any, on plant operations, or future capital or operating needs. PPL, LKE, LG&E and KU believe that the costs, which could be significant, would be subject to cost recovery.

In April 2014, the Kentucky General Assembly passed legislation which limits the measures that the Kentucky Energy and Environment Cabinet may consider in setting performance standards to comply with the EPA's regulations governing GHG emissions from existing sources. The legislation provides that such state GHG performance standards shall be based on emission reductions, efficiency measures, and other improvements available at each power plant, rather than renewable energy, end-use energy efficiency, fuel switching and re-dispatch. These statutory restrictions may make it more difficult for Kentucky to achieve the GHG reduction levels that the EPA has established for Kentucky.

Water/Waste

Coal Combustion Residuals (CCRs)

On April 17, 2015, the EPA published its final rule regulating CCRs. CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. The rule became effective on October 19, 2015. It imposes extensive new requirements, including location restrictions, design and operating standards, groundwater monitoring and corrective action requirements, and closure and post-closure care requirements on CCR impoundments and landfills that are located on active power plants and not closed. Under the rule, the EPA will regulate CCRs as non-hazardous under Subtitle D of RCRA and allow beneficial use of CCRs, with some restrictions. The rule's requirements for covered CCR impoundments and landfills include implementation of groundwater monitoring and commencement or completion of closure activities generally between three and ten years from certain triggering events. This self-implementing rule requires posting of compliance documentation on a publicly accessible website and is enforceable solely through citizen suits. LG&E and KU are also subject to state rules applicable to CCR management which may potentially be modified to reflect some or all requirements of the federal rule.

LG&E and KU are currently pursuing KPSC approval for a compliance plan providing for construction of additional landfill capacity at the Brown Station, closure of impoundments at the Mill Creek, Trimble County, Brown, and Ghent stations, and construction of process water management facilities at those plants. In addition to the foregoing measures required for compliance with federal CCR rule requirements, LG&E and KU are also proposing to close impoundments at the retired Green River, Pineville, and Tyrone plants to comply with applicable state law requirements. PPL, LKE, LG&E, and KU currently estimate the cost of these CCR compliance measures at $311 million for LG&E and $661 million for KU. See Note 6 for additional information.

In connection with the final CCR rule, LG&E and KU recorded increases to existing AROs during 2015. See Note 19 for additional information. Further increases to AROs or changes to current capital plans or to operating costs may be required as estimates are refined based on closure developments, groundwater monitoring results, and regulatory or legal proceedings. Costs relating to this rule are subject to rate recovery.

Clean Water Act

Regulations under the federal Clean Water Act dictate permitting and mitigation requirements for many of LG&E's and KU's construction projects. Many of those requirements relate to power plant operations, including requirements related to the treatment of pollutants in effluents prior to discharge, the temperature of effluent discharges and the location, design and construction of cooling water intake structures at generating facilities, standards intended to protect aquatic organisms by reducing capture in the screens attached to cooling water intake structures (impingement) at generating facilities and the water volume brought into the facilities (entrainment). The requirements could impose significant costs which are subject to rate recovery.

Effluent Limitations Guidelines (ELGs)

On September 30, 2015, the EPA released its final effluent limitations guidelines for wastewater discharge permits for new and existing steam electric generating facilities. The rule provides strict technology-based discharge limitations for control of pollutants in scrubber wastewater, fly ash and bottom ash transport water, mercury control wastewater, gasification wastewater, and combustion residual leachate. The new guidelines require deployment of additional control technologies providing physical, chemical, and biological treatment of wastewaters. The guidelines also mandate operational changes including "no discharge" requirements for fly ash and bottom ash transport waters and mercury control wastewaters. The implementation date for individual generating stations will be determined by the states on a case-by-case basis according to criteria provided by the EPA, but the requirements of the rule must be fully implemented no later than 2023. It has not been decided how Kentucky intends to integrate the ELGs into its routine permit renewal process. LG&E and KU continue to assess the requirements of this complex rule to determine available compliance strategies. PPL, LKE, LG&E and KU are unable to fully estimate compliance costs or timing at this time although certain preliminary estimates are included in current capital forecasts, for applicable periods. Costs to comply with ELGs or other discharge limits, which are expected to be significant, are subject to rate recovery.

(PPL, LKE and LG&E)

Clean Water Act Section 316(b)

The EPA's final 316(b) rule for existing facilities became effective in October 2014, and regulates cooling water intake structures and their impact on aquatic organisms. States are allowed broad discretion to make site-specific determinations under the rule. The rule requires existing facilities to choose between several options to reduce the impact to aquatic organisms that become trapped against water intake screens (impingement) and to determine the intake structure's impact on aquatic organisms pulled through a plant's cooling water system (entrainment). Plants equipped with closed-cycle cooling, an acceptable option, would likely not incur substantial costs. Once-through systems would likely require additional technology to comply with the rule. Mill Creek Unit 1 is the only unit expected to be impacted. PPL, LKE, and LG&E are evaluating compliance strategies but do not presently expect the compliance costs, which are subject to rate recovery, to be significant.

(All Registrants)

Waters of the United States (WOTUS)

The U.S. Court of Appeals for the Sixth Circuit has issued a stay of EPA's rule on the definition of WOTUS pending the court's review of the rule. The effect of the stay is that the WOTUS rule is not currently in effect anywhere in the United States. The ultimate outcome of the court's review of the rule remains uncertain. The Registrants do not expect the rule to have a significant impact on their operations.

Other Issues

The EPA is reassessing its polychlorinated biphenyls (PCB) regulations under the Toxic Substance Control Act, which 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 has postponed the release of the revised regulations to March 2016. 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.

Superfund and Other Remediation *(All Registrants)*

PPL Electric is potentially responsible for costs at several sites listed by the EPA under the federal Superfund program, including the Columbia Gas Plant site, the Metal Bank site and the Brodhead site. Clean-up actions have been or are being undertaken at all of these sites, the costs of which have not been significant to PPL Electric. Should the EPA require different or additional measures in the future, however, or should PPL Electric's share of costs at multi-party sites increase substantially more than currently expected, the costs could be significant.

PPL Electric, LG&E and KU are investigating, responding to agency inquiries, remediating, or have completed the remediation of, several sites that were not addressed under a regulatory program such as Superfund, but for which PPL Electric, LG&E and KU may be liable for remediation. These include a number of former coal gas manufacturing plants in Pennsylvania and Kentucky previously owned or operated or currently owned by predecessors or affiliates of PPL Electric, LG&E and KU. To date, the costs of these sites have not been significant.

There are additional sites, formerly owned or operated by PPL Electric, LG&E and KU predecessors or affiliates. LG&E and KU lack information on the conditions of such additional sites and are therefore unable to estimate any potential liability they may have or a range of reasonably possible losses, if any, related to these matters. At December 31, 2015, PPL Electric has accrued $10 million representing its best estimate of the probable loss incurred to remediate additional sites previously owned or operated by PPL Electric predecessors or affiliates. Depending on the outcome of investigations at sites where investigations have not begun or been completed or developments at sites for which information is incomplete, the costs of remediation and other liabilities could be significant and may be as much as $29 million.

The EPA is evaluating the risks associated with polycyclic aromatic hydrocarbons and naphthalene, chemical by-products of coal gas manufacturing. As a result of the EPA's evaluation, individual states may establish stricter standards for water quality and soil cleanup. This could require several PPL subsidiaries to take more extensive assessment and remedial actions at former coal gas manufacturing plants. PPL, PPL Electric, LKE, LG&E and KU cannot estimate a range of reasonably possible losses, if any, related to these matters.

From time to time, PPL's subsidiaries undertake remedial action in response to notices of violations, spills or other releases at various on-site and off-site locations, negotiate with the EPA and state and local agencies regarding actions necessary for compliance with applicable requirements, negotiate with property owners and other third parties alleging impacts from PPL's operations and undertake similar actions necessary to resolve environmental matters that arise in the course of normal operations. Based on analyses to date, resolution of these environmental matters is not expected to have a significant adverse impact on the operations of PPL Electric, LG&E and KU.

Future cleanup or remediation work at sites currently under review, or at sites not currently identified, may result in significant additional costs for PPL, PPL Electric, LKE, LG&E and KU. Insurance policies maintained by LKE, LG&E and KU may be applicable to certain of the costs or other obligations related to these matters but the amount of insurance coverage or reimbursement cannot be estimated or assured.

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.

Other

Guarantees and Other Assurances

(All Registrants)

In the normal course of business, the Registrants enter into agreements that provide financial performance assurance to third parties on behalf of certain subsidiaries. Such agreements include, for example, guarantees, stand-by letters of credit issued by financial institutions and surety bonds issued by insurance companies. These agreements are entered into primarily to support or enhance the creditworthiness attributed to a subsidiary on a stand-alone basis or to facilitate the commercial activities in which these subsidiaries engage.

(PPL)

PPL fully and unconditionally guarantees all of the debt securities of PPL Capital Funding.

(All Registrants)

The table below details guarantees provided as of December 31, 2015. "Exposure" represents the estimated maximum potential amount of future payments that could be required to be made under the guarantee. The probability of expected payment/performance under each of these guarantees is remote except for "WPD guarantee of pension and other obligations of unconsolidated entities" and "Indemnification of lease termination and other divestitures." The total recorded liability at December 31, 2015 was $25 million for PPL and $18 million for LKE. The total recorded liability at December 31, 2014 was $26 million for PPL and $19 million for LKE. For reporting purposes, on a consolidated basis, all guarantees of PPL Electric, LKE, LG&E and KU also apply to PPL, and all guarantees of LG&E and KU also apply to LKE.

	Exposure at December 31, 2015	Expiration Date
PPL		
Indemnifications related to the WPD Midlands acquisition	(a)	
WPD indemnifications for entities in liquidation and sales of assets	$ 11 (b)	2019
WPD guarantee of pension and other obligations of unconsolidated entities	114 (c)	
PPL Electric		
Guarantee of inventory value	29 (d)	2018
LKE		
Indemnification of lease termination and other divestitures	301 (e)	2021 - 2023
LG&E and KU		
LG&E and KU guarantee of shortfall related to OVEC	(f)	

(a) Indemnifications related to certain liabilities, including a specific unresolved tax issue and those relating to properties and assets owned by the seller that were transferred to WPD Midlands in connection with the acquisition. A cross indemnity has been received from the seller on the tax issue. The maximum exposure and expiration of these indemnifications cannot be estimated because the maximum potential liability is not capped and the expiration date is not specified in the transaction documents.
(b) Indemnification to the liquidators and certain others for existing liabilities or expenses or liabilities arising during the liquidation process. The indemnifications are limited to distributions made from the subsidiary to its parent either prior or subsequent to liquidation or are not explicitly stated in the agreements. The indemnifications generally expire two to seven years subsequent to the date of dissolution of the entities. The exposure noted only includes those cases where the agreements provide for specific limits.

In connection with their sales of various businesses, WPD and its affiliates have provided the purchasers with indemnifications that are standard for such transactions, including indemnifications for certain pre-existing liabilities and environmental and tax matters or have agreed to continue their obligations under existing third-party guarantees, either for a set period of time following the transactions or upon the condition that the purchasers make reasonable efforts to terminate the guarantees. Finally, WPD and its affiliates remain secondarily responsible for lease payments under certain leases that they have assigned to third parties.
(c) Relates to certain obligations of discontinued or modified electric associations that were guaranteed at the time of privatization by the participating members. Costs are allocated to the members and can be reallocated if an existing member becomes insolvent. At December 31, 2015, WPD has recorded an estimated discounted liability for which the expected payment/performance is probable. Neither the expiration date nor the maximum amount of potential payments for certain obligations is explicitly stated in the related agreements, and as a result, the exposure has been estimated.
(d) A third party logistics firm provides inventory procurement and fulfillment services. The logistics firm has title to the inventory, however, upon termination of the contracts, PPL Electric has guaranteed to purchase any remaining inventory that has not been used or sold.
(e) LKE provides certain indemnifications covering the due and punctual payment, performance and discharge by each party of its respective obligations. The most comprehensive of these guarantees is the LKE guarantee covering operational, regulatory and environmental commitments and indemnifications made by WKE under a 2009 Transaction Termination Agreement. This guarantee has a term of 12 years ending July 2021, and a maximum exposure of $200 million, exclusive of certain items such as government fines and penalties that fall outside the cap. Another WKE-related LKE guarantee covers other indemnifications related to the purchase price of excess power, has a term expiring in 2023, and a maximum exposure of $100 million. In May 2012, LKE's indemnitee received an unfavorable arbitration panel's decision interpreting this matter. In October 2014, LKE's indemnitee filed a motion for discretionary review with the Kentucky Supreme Court seeking to overturn the arbitration decision, and such motion was denied by the court in September 2015. In September 2015, the counterparty issued a demand letter to LKE's indemnitee. In February 2016, the counterparty filed a complaint in Henderson, Kentucky Circuit Court, seeking an award of damages in the matter. LKE does not believe appropriate contractual, legal or commercial grounds exist for the claims made and has disputed the demands. LKE believes its indemnification obligations in the WKE matter remain subject to various uncertainties, including additional legal and contractual developments, as well as future prices, availability and demand for the subject excess power. The parties are conducting preliminary settlement discussions, however, the ultimate outcomes of the WKE termination-related indemnifications cannot be predicted at this time. Additionally, LKE has indemnified various third parties related to historical obligations for other divested subsidiaries and affiliates. The indemnifications vary by entity and the maximum exposures range from being capped at the sale price to no specified maximum; LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. LKE cannot predict the ultimate outcomes of the indemnification circumstances, but does not currently expect such outcomes to result in significant losses above the amounts recorded.
(f) Pursuant to the OVEC power purchase contract, LG&E and KU are obligated to pay for their share of OVEC's excess debt service, post-retirement and decommissioning costs, as well as any shortfall from amounts currently included within a demand charge designed and currently expected to cover these costs over the term of the contract. LKE's proportionate share of OVEC's outstanding debt was $124 million at December 31, 2015, consisting of LG&E's share of $86 million and KU's share of $38 million. The maximum exposure and the expiration date of these potential obligations are not presently determinable. See "Energy Purchase Commitments" above for additional information on the OVEC power purchase contract.

The Registrants provide other miscellaneous guarantees through contracts entered into in the normal course of business. These guarantees are primarily in the form of indemnification or warranties related to services or equipment and vary in duration. The amounts of these guarantees often are not explicitly stated, and the overall maximum amount of the obligation under such guarantees cannot be reasonably estimated. Historically, no significant payments have been made with respect to these types of guarantees and the probability of payment/performance under these guarantees is remote.

PPL, on behalf of itself and certain of its subsidiaries, maintains insurance that covers liability assumed under contract for bodily injury and property damage. The coverage provides maximum aggregate coverage of $225 million. This insurance may be applicable to obligations under certain of these contractual arrangements.

14. Related Party Transactions

PLR Contracts/Purchase of Accounts Receivable *(PPL Electric)*

PPL Electric holds competitive solicitations for PLR generation supply. PPL EnergyPlus was awarded a portion of the PLR generation supply through these competitive solicitations. The purchases from PPL EnergyPlus are included in PPL Electric's Statements of Income as "Energy purchases from affiliate" through May 31, 2015, the period through which PPL Electric and PPL EnergyPlus were affiliated entities. As a result of the June 1, 2015 spinoff of PPL Energy Supply and creation of Talen Energy, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are included as purchases from an unaffiliated third party.

Under the standard Default Service Supply Master Agreement for the solicitation process, PPL Electric requires all suppliers to post collateral once credit exposures exceed defined credit limits. Wholesale suppliers are required to post collateral with PPL Electric when: (a) the market price of electricity to be delivered by the wholesale suppliers exceeds the contract price for the forecasted quantity of electricity to be delivered; and (b) this market price exposure exceeds a contractual credit limit. 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 Talen Energy Marketing. See Note 8 for additional information regarding the spinoff of PPL Energy Supply.

Wholesale Sales and Purchases *(LG&E and KU)*

LG&E and KU jointly dispatch their generation units with the lowest cost generation used to serve their retail customers. When LG&E has excess generation capacity after serving its own retail customers and its generation cost is lower than that of KU, KU purchases electricity from LG&E. 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 plus any split savings. Savings realized from such intercompany transactions are shared equally between both companies. The volume of energy each company has to sell to the other is dependent on its retail customers' needs and its available generation.

Support Costs *(PPL Electric, LKE, LG&E and KU)*

PPL Services and LKS provide PPL and LKE subsidiaries with administrative, management and support services. In 2015, PPL EU Services was formed to provide the majority of financial, supply chain, human resources and facilities management services primarily to PPL Electric. PPL Services will continue to provide certain corporate functions. For all service companies, the costs of these services are charged to the recipients as direct support costs. General costs that cannot be directly attributed to a specific entity are allocated and charged to the recipients as indirect support costs. PPL Services and PPL EU Services use a three-factor methodology that includes the applicable recipients' invested capital, operation and maintenance expenses and number of employees to allocate indirect costs. LKS bases its indirect allocations on the subsidiaries' number of employees, total assets, revenues, number of customers and/or other statistical information. PPL Services, PPL EU Services and LKS charged the following amounts for the years ended December 31, including amounts applied to accounts that are further distributed between capital and expense on the books of the recipients, based on methods that are believed to be reasonable.

	2015	2014	2013
PPL Electric from PPL Services	$ 125	$ 151	$ 146
LKE from PPL Services	16	15	15
PPL Electric from PPL EU Services	60		
LG&E from LKS	155	140	136
KU from LKS	185	165	160

In addition to the charges for services noted above, LKS makes payments on behalf of LG&E and KU for fuel purchases and other costs for products or services provided by third parties. LG&E and KU also provide services to each other and to LKS. Billings between LG&E and KU relate to labor and overheads associated with union and hourly employees performing work for the other company, charges related to jointly-owned generating units and other miscellaneous charges. Tax settlements between LKE and LG&E and KU are reimbursed through LKS.

Intercompany Borrowings *(LKE)*

LKE maintains a $225 million revolving line of credit with a PPL Energy Funding subsidiary whereby LKE can borrow funds on a short-term basis at market-based rates. The interest rates on borrowings are equal to one-month LIBOR plus a spread. At December 31, 2015 and 2014, $54 million and $41 million, respectively, was outstanding and reflected in "Notes payable with affiliates" on the Balance Sheet. The interest rate on the outstanding borrowing at December 31, 2015 was 1.74% and 1.65% at December 31, 2014. Interest expense on the revolving line of credit was not significant for 2015, 2014 or 2013.

LKE maintains an agreement with a PPL affiliate that has a $300 million borrowing limit whereby LKE can loan funds on a short-term basis at market-based rates. No balance was outstanding at December 31, 2015 and 2014. The interest rate on the loan based on the PPL affiliate's credit rating is currently equal to one-month LIBOR plus a spread. Interest income on this note was not significant for 2015, 2014 or 2013.

LKE entered into a $400 million ten-year-note with PPL Capital Funding in November 2015. The proceeds were used to pay off an LKE senior unsecured note of the same amount maturing in November 2015. The interest rate on the note is equal to 3.5% with interest payments due in May and November. At December 31, 2015, the note was reflected in "Long-term debt to affiliate" on the Balance Sheet. Interest expense on this note was not significant for 2015.

Intercompany Derivatives *(LKE, LG&E and KU)*

Periodically, LG&E and KU enter 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 17 for additional information on intercompany derivatives.

Other *(PPL Electric, LKE, LG&E and KU)*

See Note 1 for discussions regarding the intercompany tax sharing agreement (for PPL Electric, LKE, LG&E and KU) and intercompany allocations of stock-based compensation expense (for PPL Electric and LKE). For PPL Electric, LG&E and KU, see Note 11 for discussions regarding intercompany allocations associated with defined benefits.

15. Other Income (Expense) - net

(PPL)

The breakdown of "Other Income (Expense) - net" for the years ended December 31 was:

	PPL		
	2015	2014	2013
Other Income			
Interest income	$ 4	$ 1	
AFUDC - equity component	14	11	$ 10
Miscellaneous	6	7	4
Total Other Income	24	19	14
Other Expense			
Economic foreign currency exchange contracts (Note 17)	(122)	(121)	38
Charitable contributions	21	27	21
Miscellaneous	17	8	10
Total Other Expense	(84)	(86)	69
Other Income (Expense) - net	$ 108	$ 105	$ (55)

16. Fair Value Measurements

(All Registrants)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models), and/or a cost approach (generally, replacement cost) are used to measure the fair value of an asset or liability, as appropriate. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk. The fair value of a group of financial assets and liabilities is measured on a net basis. Transfers between levels are recognized at end-of-reporting-period values. During 2015 and 2014, 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, 2015				December 31, 2014			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	$ 836	$ 836			$ 1,399	$ 1,399		
Short-term investments					120	120		
Restricted cash and cash equivalents (a)	33	33			31	31		
Price risk management assets (b):								
Foreign currency contracts	209		$ 209		130		$ 130	
Cross-currency swaps	86		86		29		28	$ 1
Total price risk management assets	295		295		159		158	1
Auction rate securities (c)	2			$ 2	2			2
Total assets	$ 1,166	$ 869	$ 295	$ 2	$ 1,711	$ 1,550	$ 158	$ 3
Liabilities								
Price risk management liabilities (b):								
Interest rate swaps	$ 71		$ 71		$ 156		$ 156	
Foreign currency contracts	1		1		2		2	
Cross-currency swaps					3		3	
Total price risk management liabilities	$ 72		$ 72		$ 161		$ 161	
PPL Electric								
Assets								
Cash and cash equivalents	$ 47	$ 47			$ 214	$ 214		
Restricted cash and cash equivalents (a)	2	2			3	3		
Total assets	$ 49	$ 49			$ 217	$ 217		
LKE								
Assets								
Cash and cash equivalents	$ 30	$ 30			$ 21	$ 21		
Cash collateral posted to counterparties (d)	9	9			21	21		
Total assets	$ 39	$ 39			$ 42	$ 42		
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 47		$ 47		$ 114		$ 114	
Total price risk management liabilities	$ 47		$ 47		$ 114		$ 114	
LG&E								
Assets								
Cash and cash equivalents	$ 19	$ 19			$ 10	$ 10		
Cash collateral posted to counterparties (d)	9	9			21	21		
Total assets	$ 28	$ 28			$ 31	$ 31		
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 47		$ 47		$ 81		$ 81	
Total price risk management liabilities	$ 47		$ 47		$ 81		$ 81	
KU								
Assets								
Cash and cash equivalents	$ 11	$ 11			$ 11	$ 11		
Total assets	$ 11	$ 11			$ 11	$ 11		
Liabilities								
Price risk management liabilities:								
Interest rate swaps					$ 33		$ 33	
Total price risk management liabilities					$ 33		$ 33	

(a) Current portion is included in "Other current assets" and long-term portion is included in "Other noncurrent assets" on the Balance Sheets.
(b) Included in "Price risk management assets", "Other current liabilities", "Other noncurrent assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.
(c) Included in "Other current assets" on the Balance Sheets.
(d) Included in "Other noncurrent assets" on the Balance Sheets. Represents cash collateral posted to offset the exposure with counterparties related to certain interest rate swaps under master netting arrangements that are not offset.

Price Risk Management Assets/Liabilities - Interest Rate Swaps/Foreign Currency Contracts/Cross-Currency Swaps *(PPL, LKE, LG&E and KU)*

To manage interest rate risk, PPL, LKE, LG&E and KU use interest rate contracts such as forward-starting swaps, floating-to-fixed swaps and fixed-to-floating swaps. To manage foreign currency exchange risk, PPL uses foreign currency contracts such as forwards, options, and cross-currency swaps that contain characteristics of both interest rate and foreign currency contracts. An income approach is used to measure the fair value of these contracts, utilizing readily observable inputs, such as forward interest rates (e.g., LIBOR and government security rates) and forward foreign currency exchange rates (e.g., GBP), as well as inputs that may not be observable, such as credit valuation adjustments. In certain cases, market information cannot practicably be obtained to value credit risk and therefore internal models are relied upon. These models use projected probabilities of default and estimated recovery rates based on historical observances. When the credit valuation adjustment is significant to the overall valuation, the contracts are classified as Level 3.

Nonrecurring Fair Value Measurements

See Note 8 for information regarding the estimated fair value of the Supply segment's net assets as of the June 1, 2015 spinoff date.

Financial Instruments Not Recorded at Fair Value *(All Registrants)*

The carrying amounts of long-term debt on the Balance Sheets and their estimated fair values are set forth below, excluding long-term debt of discontinued operations at December 31, 2014. The fair values were estimated using an income approach by discounting future cash flows at estimated current cost of funding rates, which incorporate the credit risk of the Registrants. Long-term debt is classified as Level 2. The effect of third-party credit enhancements is not included in the fair value measurement.

	December 31, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
PPL	$ 19,048	$ 21,218	$ 18,054	$ 20,466
PPL Electric	2,828	3,088	2,581	2,990
LKE	5,088	5,384	4,543	4,946
LG&E	1,642	1,704	1,345	1,455
KU	2,326	2,467	2,079	2,313

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.

17. Derivative Instruments and Hedging Activities

Risk Management Objectives

(All Registrants)

PPL has a risk management policy approved by the Board of Directors to manage market risk associated with commodities, interest rates on debt issuances and foreign exchange (including price, liquidity and volumetric risk) and credit risk (including non-performance risk and payment default risk). The Risk Management Committee, comprised of senior management and chaired by the 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, verification of risk and transaction limits, value-at-risk analyses (VaR, a statistical model that attempts to estimate the value of potential loss over a given holding period under normal market conditions at a given confidence level) and the coordination and reporting of the Enterprise Risk Management program.

Market Risk

Market risk includes the potential loss that may be incurred as a result of price changes associated with a particular financial or commodity instrument as well as market liquidity and volumetric risks. Forward contracts, futures contracts, options, swaps and structured transactions are utilized as part of risk management strategies to minimize unanticipated fluctuations in earnings caused by changes in commodity prices, volumes of full-requirement sales contracts, interest rates and foreign currency exchange rates. Many of the contracts meet the definition of a derivative. All derivatives are recognized on the Balance Sheets at their fair value, unless NPNS is elected.

The following summarizes the market risks that affect PPL and its subsidiaries.

Interest rate risk

- PPL and its subsidiaries are exposed to interest rate risk associated with forecasted fixed-rate and existing floating-rate debt issuances. PPL and WPD hold over-the-counter cross currency swaps to limit exposure to market fluctuations on interest and principal payments from changes in foreign currency exchange rates and interest rates. LG&E utilizes over-the-counter interest rate swaps to limit exposure to market fluctuations on floating-rate debt. PPL, LG&E and KU utilize forward starting interest rate swaps to hedge changes in benchmark interest rates, when appropriate, in connection with future debt issuances.

- PPL and its subsidiaries are exposed to interest rate risk associated with debt securities and derivatives held by defined benefit plans. This risk is significantly mitigated to the extent that the plans are sponsored at, or sponsored on behalf of, the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place.

Foreign currency risk

- PPL is exposed to foreign currency exchange risk primarily associated with its investments in and earnings of U.K. affiliates.

Commodity price risk

- PPL is exposed to commodity price risk through its domestic subsidiaries as described below. WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K.

- PPL Electric is exposed to commodity price risk from its obligation as PLR; however, its PUC-approved cost recovery mechanism substantially eliminates its exposure to this risk. PPL Electric also mitigates its exposure to 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.

- LG&E's and KU's rates include certain mechanisms for fuel and fuel-related expenses. In addition, LG&E's rates include certain mechanisms for natural gas supply. These mechanisms generally provide for timely recovery of market price and volumetric fluctuations associated with these expenses.

Equity securities price risk

- PPL and its subsidiaries are exposed to equity securities price risk associated with defined benefit plans. This risk is significantly mitigated at the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place.

- PPL is exposed to equity securities price risk from future stock sales and/or purchases.

Credit Risk

Credit risk is the potential loss that may be incurred due to a counterparty's non-performance.

PPL is exposed to credit risk from "in-the-money" interest rate and foreign currency derivatives with financial institutions, as well as additional credit risk through certain of its subsidiaries, as discussed below.

In the event a supplier of LKE (through its subsidiaries LG&E and KU) or PPL Electric defaults on its obligation, those entities would be required to seek replacement power or replacement fuel in the market. In general, subject to regulatory review or other processes, appropriate incremental costs incurred by these entities would be recoverable from customers through applicable rate mechanisms, thus mitigating the financial risk for these entities.

PPL and its subsidiaries have credit policies in place to manage credit risk, including the use of an established credit approval process, daily monitoring of counterparty positions and the use of master netting agreements or provisions. These agreements generally include credit mitigation provisions, such as margin, prepayment or collateral requirements. PPL and its subsidiaries may request additional credit assurance, in certain circumstances, in the event that the counterparties' credit ratings fall below investment grade, their tangible net worth falls below specified percentages or their exposures exceed an established credit limit.

Master Netting Arrangements

Net derivative positions on the balance sheets are not offset against the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) under master netting arrangements.

PPL, LKE, LG&E and KU had no obligation to return cash collateral under master netting arrangements at December 31, 2015 and 2014.

PPL, LKE and LG&E posted $9 million and $21 million of cash collateral under master netting arrangements at December 31, 2015 and 2014.

KU did not post any cash collateral under master netting arrangements at December 31, 2015 and 2014.

See "Offsetting Derivative Instruments" below for a summary of derivative positions presented in the balance sheets where a right of setoff exists under these arrangements.

Interest Rate Risk

(All Registrants)

PPL and its subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. Various financial derivative instruments are utilized to adjust the mix of fixed and floating interest rates in their debt portfolio, adjust the duration of the debt portfolio and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under PPL's risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolio due to changes in benchmark interest rates.

Cash Flow Hedges

(PPL)

Interest rate risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financings. Financial interest rate swap contracts that qualify as cash flow hedges may be entered into to hedge floating interest rate risk associated with both existing and anticipated debt issuances. At December 31, 2015, PPL held an aggregate notional value in interest rate swap contracts of $300 million that range in maturity through 2026.

At December 31, 2015, PPL held an aggregate notional value in cross-currency interest rate swap contracts of $1.3 billion that range in maturity from 2016 through 2028 to hedge the interest payments and principal of WPD's U.S. dollar-denominated senior notes.

For 2015, 2014 and 2013, hedge ineffectiveness associated with interest rate derivatives was insignificant.

Cash flow hedges are discontinued if it is no longer probable that the original forecasted transaction will occur by the end of the originally specified time period and any amounts previously recorded in AOCI are reclassified into earnings once it is determined that the hedged transaction is not probable of occurring.

As a result of the June 1, 2015 spinoff of PPL Energy Supply, all PPL cash flow hedges associated with PPL Energy Supply were ineffective and discontinued and therefore, reclassified into earnings during the second quarter of 2015 and reflected in discontinued operations for 2015. See Note 8 for additional information.

For PPL's remaining cash flow hedges, PPL had no cash flow hedges reclassified into earnings associated with discontinued cash flow hedges in 2015 and 2013 and an insignificant amount reclassified into earnings associated with discontinued cash flow hedges in 2014.

At December 31, 2015, the accumulated net unrecognized after-tax gains (losses) on qualifying derivatives that are expected to be reclassified into earnings during the next 12 months were insignificant. Amounts are reclassified as the hedged interest expense is recorded.

(LKE, LG&E and KU)

Periodically, LG&E and KU enter into forward-starting interest rate swaps with PPL that have terms identical to forward-starting swaps entered into by PPL with third parties. It is probable that realized gains and losses on all of these swaps will be recoverable through regulated rates; as such, any gains and losses on these derivatives are included in regulatory assets or liabilities and will be recognized in "Interest Expense" on the Statements of Income over the life of the underlying debt at the time the underlying hedged interest expense is recorded. In September 2015, first mortgage bonds totaling $1.05 billion were issued (LG&E issued $550 million and KU issued $500 million) and all outstanding forward-starting interest rate swaps were terminated. Net cash settlements of $88 million were paid on the swaps that were terminated (LG&E and KU each paid $44 million). The settlements are included in "Regulatory assets" (noncurrent) on the Balance Sheets and "Cash Flows from Operating Activities" on the Statements of Cash Flows.

Economic Activity *(PPL, LKE and LG&E)*

LG&E enters into interest rate swap contracts that economically hedge interest payments on variable rate debt. Because realized gains and losses from the swaps, including a terminated swap contract, are recoverable through regulated rates, any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities until they are realized as interest expense. Realized gains and losses are recognized in "Interest Expense" on the Statements of Income at the time the underlying hedged interest expense is recorded. At December 31, 2015, LG&E held contracts with a notional amount of $179 million that range in maturity through 2033.

Foreign Currency Risk

(PPL)

PPL is exposed to foreign currency risk, primarily through investments in and earnings of U.K. affiliates. PPL has adopted a foreign currency risk management program designed to hedge certain foreign currency exposures, including firm commitments, recognized assets or liabilities, anticipated transactions and net investments. In addition, PPL enters into financial instruments to protect against foreign currency translation risk of expected GBP earnings.

Net Investment Hedges

PPL enters into foreign currency contracts on behalf of a subsidiary to protect the value of a portion of its net investment in WPD. The contracts outstanding at December 31, 2015 had a notional amount of £50 million (approximately $84 million based on contracted rates). The settlement dates of these contracts range from May 2016 through June 2016.

At December 31, 2015 and 2014, PPL had $19 million and $14 million of accumulated net investment hedge after tax gains (losses) that were included in the foreign currency translation adjustment component of AOCI.

Economic Activity

PPL enters into foreign currency contracts on behalf of a subsidiary to economically hedge GBP-denominated anticipated earnings. At December 31, 2015, the total exposure hedged by PPL was approximately £1.8 billion (approximately $2.9 billion based on contracted rates). These contracts had termination dates ranging from January 2016 through December 2017.

Accounting and Reporting

(All Registrants)

All derivative instruments are recorded at fair value on the Balance Sheet as an asset or liability unless NPNS is elected. NPNS contracts for PPL and PPL Electric include certain full-requirement purchase contracts and other physical purchase contracts. Changes in the fair value of derivatives not designated as NPNS are recognized currently in earnings unless specific hedge accounting criteria are met and designated as such, except for the changes in fair values of LG&E's and KU's interest rate swaps that are recognized as regulatory assets or regulatory liabilities. See Note 6 for amounts recorded in regulatory assets and regulatory liabilities at December 31, 2015 and 2014.

See Note 1 for additional information on accounting policies related to derivative instruments.

(PPL)

The following table presents the fair value and location of derivative instruments recorded on the Balance Sheets, excluding derivative instruments of discontinued operations.

	December 31, 2015				December 31, 2014			
	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments		Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current:								
Price Risk Management Assets/Liabilities (a):								
Interest rate swaps (b)		$ 24		$ 5		$ 94		$ 5
Cross-currency swaps (b)	$ 35					3		
Foreign currency contracts	10		$ 94	1	$ 12		$ 67	
Total current	45	24	94	6	12	97	67	5
Noncurrent:								
Price Risk Management Assets/Liabilities (a):								
Interest rate swaps (b)				42		14		43
Cross-currency swaps (b)	51				29			
Foreign currency contracts			105		5		46	2
Total noncurrent	51		105	42	34	14	46	45
Total derivatives	$ 96	$ 24	$ 199	$ 48	$ 46	$ 111	$ 113	$ 50

(a) Included in "'Price risk management assets" of Current Assets, "Other current liabilities", "Other noncurrent assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.
(b) Excludes accrued interest, if applicable.

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities.

Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
2015				
Cash Flow Hedges:				
Interest rate swaps	$ (34)	Interest Expense	$ (11)	
		Discontinued operations		$ (77)
Cross-currency swaps	60	Other Income (Expense) - net	49	
		Interest Expense	2	
Commodity contracts		Discontinued operations	13	7
Total	$ 26		$ 53	$ (70)
Net Investment Hedges:				
Foreign currency contracts	$ 9			
2014				
Cash Flow Hedges:				
Interest rate swaps	$ (91)	Interest Expense	$ (18)	$ 2
Cross-currency swaps	58	Other Income (Expense) - net	57	
		Interest Expense	4	
Commodity contracts		Discontinued operations	42	
Total	$ (33)		$ 85	$ 2
Net Investment Hedges:				
Foreign currency contracts	$ 23			

Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
2013				
Cash Flow Hedges:				
Interest rate swaps	$ 127	Interest Expense	$ (20)	
Cross-currency swaps	(41)	Other Income (Expense) - net	(28)	
		Interest Expense	1	
Commodity contracts		Discontinued operations	210	$ 1
Total	$ 86		$ 163	$ 1
Net Investment Hedges:				
Foreign currency contracts	$ (14)			

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	2015	2014	2013
Foreign currency contracts	Other Income (Expense) - net	$ 122	$ 121	$ (38)
Interest rate swaps	Interest Expense	(8)	(8)	(8)
	Total	$ 114	$ 113	$ (46)

Derivatives Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	2015	2014	2013
Interest rate swaps	Regulatory assets - noncurrent	$ (22)	$ (66)	
	Regulatory liabilities - noncurrent			$ 72

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	2015	2014	2013
Interest rate swaps	Regulatory assets - noncurrent	$ 1	$ (12)	$ 22

(LKE)

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	December 31, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps				$ 66

(a) Represents the location on the Balance Sheet.

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets and liabilities.

Derivative Instruments	Location of Gain (Loss)	2015	2014	2013
Interest rate swaps	Regulatory assets - noncurrent	$ (22)	$ (66)	
	Regulatory liabilities - noncurrent			$ 72

(LG&E)

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	December 31, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps				$ 33

(a) Represents the location on the balance sheet.

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets and liabilities.

Derivative Instruments	Location of Gain (Loss)	2015	2014	2013
Interest rate swaps	Regulatory asset - noncurrent	$ (11)	$ (33)	
	Regulatory liabilities - noncurrent			$ 36

(KU)

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	December 31, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps				$ 33

(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 assets and liabilities.

Derivative Instruments	Location of Gain (Loss)	2015	2014	2013
Interest rate swaps	Regulatory assets - noncurrent	$ (11)	$ (33)	
	Regulatory liabilities - noncurrent			$ 36

(LKE and LG&E)

The following table presents the fair value and the location on the Balance Sheets of derivatives not designated as hedging instruments.

	December 31, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps		$ 5		$ 5
Total current		5		5
Noncurrent:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps		42		43
Total noncurrent		42		43
Total derivatives		$ 47		$ 48

(a) Represents the location on the Balance Sheets.

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets.

Derivative Instruments	Location of Gain (Loss)	2015	2014	2013
Interest rate swaps	Interest Expense	$ (8)	$ (8)	$ (8)

Derivative Instruments	Location of Gain (Loss)	2015	2014	2013
Interest rate swaps	Regulatory assets - noncurrent	$ 1	$ (12)	$ 22

(PPL, LKE, LG&E and KU)

Offsetting Derivative Instruments

PPL, LKE, LG&E and KU or certain of their subsidiaries have master netting arrangements in place and also enter into agreements pursuant to which they purchase or sell certain energy and other products. Under the agreements, upon termination of the agreement as a result of a default or other termination event, the non-defaulting party typically would have a right to set off amounts owed under the agreement against any other obligations arising between the two parties (whether under the agreement or not), whether matured or contingent and irrespective of the currency, place of payment or place of booking of the obligation.

PPL, LKE, LG&E and KU have elected not to offset derivative assets and liabilities and not to offset net derivative positions against the right to reclaim cash collateral pledged (an asset) or the obligation to return cash collateral received (a liability) under derivatives agreements. The table below summarizes the derivative positions presented in the balance sheets where a right of setoff exists under these arrangements and related cash collateral received or pledged.

	Assets				Liabilities			
		Eligible for Offset				Eligible for Offset		
	Gross	Derivative Instruments	Cash Collateral Received	Net	Gross	Derivative Instruments	Cash Collateral Pledged	Net
December 31, 2015								
Treasury Derivatives								
PPL	$ 295	$ 25		$ 270	$ 72	$ 25	$ 9	$ 38
LKE					47		9	38
LG&E					47		9	38
December 31, 2014								
Treasury Derivatives								
PPL	$ 159	$ 65		$ 94	$ 161	$ 65	$ 21	$ 75
LKE					114		20	94
LG&E					81		20	61
KU					33			33

Credit Risk-Related Contingent Features

Certain derivative contracts contain credit risk-related contingent features which, when in a net liability position, would permit the counterparties to require the transfer of additional collateral upon a decrease in the credit ratings of PPL, LKE, LG&E and KU or certain of their subsidiaries. Most of these features would require the transfer of additional collateral or permit the counterparty to terminate the contract if the applicable credit rating were to fall below investment grade. Some of these features also would allow the counterparty to require additional collateral upon each downgrade in credit rating at levels that remain above investment grade. In either case, if the applicable credit rating were to fall below investment grade, and assuming no assignment to an investment grade affiliate were allowed, most of these credit contingent features require either immediate payment of the net liability as a termination payment or immediate and ongoing full collateralization on derivative instruments in net liability positions.

Additionally, certain derivative contracts contain credit risk-related contingent features that require adequate assurance of performance be provided if the other party has reasonable concerns regarding the performance of PPL's, LKE's, LG&E's and KU's obligations under the contracts. A counterparty demanding adequate assurance could require a transfer of additional collateral or other security, including letters of credit, cash and guarantees from a creditworthy entity. This would typically involve negotiations among the parties. However, amounts disclosed below represent assumed immediate payment or immediate and ongoing full collateralization for derivative instruments in net liability positions with "adequate assurance" features.

(PPL, LKE and LG&E)

At December 31, 2015, derivative contracts in a net liability position that contain credit risk-related contingent features, collateral posted on those positions and the related effect of a decrease in credit ratings below investment grade are summarized as follows:

	PPL	LKE	LG&E
Aggregate fair value of derivative instruments in a net liability position with credit risk-related contingent features	$ 28	$ 28	$ 28
Aggregate fair value of collateral posted on these derivative instruments	9	9	9
Aggregate fair value of additional collateral requirements in the event of a credit downgrade below investment grade (a)	19	19	19

(a) Includes the effect of net receivables and payables already recorded on the Balance Sheet.

18. Goodwill and Other Intangible Assets

Goodwill

(PPL)

The changes in the carrying amount of goodwill by segment were:

	U.K. Regulated		Kentucky Regulated		Total	
	2015	2014	2015	2014	2015	2014
Balance at beginning of period (a)	$ 3,005	$ 3,143	$ 662	$ 662	$ 3,667	$ 3,805
Effect of foreign currency exchange rates	(117)	(138)			(117)	(138)
Balance at end of period (a)	$ 2,888	$ 3,005	$ 662	$ 662	$ 3,550	$ 3,667

(a) There were no accumulated impairment losses related to goodwill.

Other Intangible Assets

(PPL)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2015		December 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Contracts (a)	$ 407	$ 300	$ 408	$ 250
Land and transmission rights	337	111	329	108
Emission allowances/RECs (b)	5		5	
Licenses and other	10	5	10	5
Total subject to amortization	759	416	752	363
Not subject to amortization due to indefinite life:				
Land and transmission rights	33		29	
Easements (c)	303		250	
Total not subject to amortization due to indefinite life	336		279	
Total	$ 1,095	$ 416	$ 1,031	$ 363

(a) Gross carrying amount includes the fair value at the acquisition date of the OVEC power purchase contract and coal contracts with terms favorable to market recognized as a result of the 2010 acquisition of LKE by PPL. Offsetting regulatory liabilities were recorded related to these contracts, which are being amortized over the same period as the intangible assets, eliminating any income statement impact. This is referred to as "regulatory offset" in the tables below. See Note 6 for additional information.
(b) Emission allowances/RECs are expensed when consumed or sold; therefore, there is no accumulated amortization.
(c) Primarily from an increase in easements at WPD.

Current intangible assets are included in "Other current assets" and long-term intangible assets are included in "Other intangibles" on the Balance Sheets.

Amortization Expense was as follows:

	2015	2014	2013
Intangible assets with no regulatory offset	$ 6	$ 6	$ 6
Intangible assets with regulatory offset	51	47	51
Total	$ 57	$ 53	$ 57

Amortization expense for each of the next five years, excluding insignificant amounts for consumption of emission allowances/RECs, is estimated to be:

	2016	2017	2018	2019	2020
Intangible assets with no regulatory offset	$ 6	$ 6	$ 6	$ 6	$ 6
Intangible assets with regulatory offset	27	9	9	9	8
Total	$ 33	$ 15	$ 15	$ 15	$ 14

(PPL Electric)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2015		December 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Land and transmission rights	$ 316	$ 108	$ 308	$ 105
Licenses and other	4	1	4	1
Total subject to amortization	320	109	312	106
Not subject to amortization due to indefinite life:				
Land and transmission rights	33		29	
Total	$ 353	$ 109	$ 341	$ 106

Intangible assets are shown as "Intangibles" on the Balance Sheets.

Amortization expense was insignificant in 2015, 2014 and 2013 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, 2015		December 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Coal contracts (a)	$ 269	$ 252	$ 269	$ 210
Land and transmission rights	21	2	21	2
Emission allowances (b)	3		3	
OVEC power purchase agreement (c)	126	42	126	33
Total subject to amortization	$ 419	$ 296	$ 419	$ 245

(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 6 for additional information.
(b) Emission allowances/RECs are expensed when consumed or sold; therefore, there is no accumulated amortization.
(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. An offsetting regulatory liability was recorded related to this contract, which is being amortized over the same period as the intangible asset, eliminating any income statement impact. See Note 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 was as follows:

	2015	2014	2013
Intangible assets with no regulatory offset			$ 1
Intangible assets with regulatory offset	$ 51	$ 47	51
Total	$ 51	$ 47	$ 52

Amortization expense for each of the next five years, excluding consumption of emission allowances, is estimated to be:

	2016	2017	2018	2019	2020
Intangible assets with regulatory offset	$ 27	$ 9	$ 9	$ 9	$ 8

(LG&E)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2015		December 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Coal contracts (a)	$ 124	$ 116	$ 124	$ 98
Land and transmission rights	7	1	7	1
Emission allowances (b)	1		1	
OVEC power purchase agreement (c)	87	29	87	23
Total subject to amortization	$ 219	$ 146	$ 219	$ 122

(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 6 for additional information.
(b) Emission allowances/RECs are expensed when consumed or sold; therefore, there is no accumulated amortization.
(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. An offsetting regulatory liability was recorded related to this contract, which is being amortized over the same period as the intangible asset, eliminating any income statement impact. See Note 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 was as follows:

	2015	2014	2013
Intangible assets with regulatory offset	$ 24	$ 23	$ 23

Amortization expense for each of the next five years, excluding consumption of emission allowances, is estimated to be:

	2016	2017	2018	2019	2020
Intangible assets with regulatory offset	$ 14	$ 6	$ 6	$ 6	$ 6

(KU)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2015		December 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Coal contracts (a)	$ 145	$ 136	$ 145	$ 112
Land and transmission rights	14	1	14	1
Emission allowances (b)	2		2	
OVEC power purchase agreement (c)	39	13	39	10
Total subject to amortization	$ 200	$ 150	$ 200	$ 123

(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 6 for additional information.
(b) Emission allowances/RECs are expensed when consumed or sold; therefore, there is no accumulated amortization.
(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. An offsetting regulatory liability was recorded related to this contract, which is being amortized over the same period as the intangible asset, eliminating any income statement impact. See Note 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 was as follows:

	2015	2014	2013
Intangible assets with no regulatory offset			$ 1
Intangible assets with regulatory offset	$ 27	$ 24	28
Total	$ 27	$ 24	$ 29

Amortization expense for each of the next five years, excluding consumption of emission allowances, is estimated to be:

	2016	2017	2018	2019	2020
Intangible assets with regulatory offset	$ 13	$ 3	$ 3	$ 3	$ 2

19. Asset Retirement Obligations

(PPL)

WPD has recorded conditional AROs required by U.K. law related to treated wood poles, gas-filled switchgear and fluid-filled cables.

(PPL and PPL Electric)

PPL Electric has identified legal retirement obligations for the retirement of certain transmission assets that could not be reasonably estimated due to indeterminable settlement dates. These assets are located on rights-of-way that allow the grantor to require PPL Electric to relocate or remove the assets. Since this option is at the discretion of the grantor of the right-of-way, PPL Electric is unable to determine when these events may occur.

(PPL, LKE, LG&E and KU)

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, LG&E's and KU's accretion and depreciation expense are recorded as a regulatory asset, such that there is no earnings impact.

The changes in the carrying amounts of AROs were as follows.

	PPL		LKE		LG&E		KU	
	2015	2014	2015	2014	2015	2014	2015	2014
ARO at beginning of period	$ 336	$ 301	$ 285	$ 252	$ 74	$ 74	$ 211	$ 178
Accretion	19	16	18	14	5	4	13	10
Obligations incurred	5	1	5	1	3		2	1
Changes in estimated cash flow or settlement date	235	25	234	23	98	1	136	22
Effect of foreign currency exchange rates	(2)	(2)						
Obligations settled	(7)	(5)	(7)	(5)	(5)	(5)	(2)	
ARO at end of period	$ 586	$ 336	$ 535	$ 285	$ 175	$ 74	$ 360	$ 211

LKE recorded increases of $228 million ($139 million at KU and $89 million at LG&E) to the existing AROs during 2015 as a result of an engineering study that was performed, in connection with the final CCR rule, providing clarity on projected CCR closure costs and revisions in the timing and amounts of future expected cash flows. Further increases to AROs or changes to current capital plans or to operating costs may be required as estimates of future cash flows are refined based on closure developments, groundwater monitoring results and regulatory or legal proceedings. In 2014, AROs were revalued primarily due to updates in the estimated cash flows for ash ponds based on updated cost estimates.

As of December 31, 2015, LKE had $50 million ($25 million at LG&E and KU) of the ARO balances classified as current liabilities. These current liabilities are primarily related to CCR closure costs expected to be incurred in 2016. As of December 31, 2014, substantially all of the ARO balances are classified as noncurrent liabilities.

See Note 13 for information on the final CCR rule and Note 6 for information on the rate recovery applications with the KPSC.

20. Accumulated Other Comprehensive Income (Loss)

(PPL and LKE)

The after-tax changes in AOCI by component for the years ended December 31 were as follows.

		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)	Total
PPL							
December 31, 2012	$ (149)	$ 111	$ 132	$ 1	$ (14)	$ (2,021)	$ (1,940)
Amounts arising during the year	138	67	45		2	71	323
Reclassifications from AOCI		(6)	(83)		6	135	52
Net OCI during the year	138	61	(38)		8	206	375
December 31, 2013	$ (11)	$ 172	$ 94	$ 1	$ (6)	$ (1,815)	$ (1,565)
Amounts arising during the year	(275)	35	(10)		5	(509)	(754)
Reclassifications from AOCI		(6)	(64)		4	111	45
Net OCI during the year	(275)	29	(74)		9	(398)	(709)
December 31, 2014	$ (286)	$ 201	$ 20	$ 1	$ 3	$ (2,213)	$ (2,274)
Amounts arising during the year	(234)	8	26		(9)	(366)	(575)
Reclassifications from AOCI		(2)	2	(1)		146	145
Net OCI during the year	(234)	6	28	(1)	(9)	(220)	(430)
Distribution of PPL Energy Supply (See Note 8)		(207)	(55)			238	(24)
December 31, 2015	$ (520)	$	$ (7)	$	$ (6)	$ (2,195)	$ (2,728)
LKE							
December 31, 2012				$ 1	$ (2)	$ (14)	$ (15)
Amounts arising during the year						28	28
Net OCI during the year						28	28
December 31, 2013				$ 1	$ (2)	$ 14	$ 13
Amounts arising during the year					(7)	(50)	(57)
Reclassifications from AOCI				(1)	1	(1)	(1)
Net OCI during the year				(1)	(6)	(51)	(58)
December 31, 2014				$	$ (8)	$ (37)	$ (45)
Amounts arising during the year					(3)	(4)	(7)
Reclassifications from AOCI					1	5	6
Net OCI during the year					(2)	1	(1)
December 31, 2015				$	$ (10)	$ (36)	$ (46)

The following table presents the gains (losses) and related income taxes for reclassifications from AOCI for the years ended December 31, 2015 and 2014. The defined benefit plan components of AOCI are not reflected in their entirety in the statement of income; rather, they are included in the computation of net periodic defined benefit costs (credits) and subject to capitalization. See Note 11 for additional information.

Details about AOCI	PPL 2015	PPL 2014	Affected Line Item on the Statements of Income
Available-for-sale securities	$ 4	$ 13	Other Income (Expense) - net
Total Pre-tax	4	13	
Income Taxes	(2)	(7)	
Total After-tax	2	6	
Qualifying derivatives			
Interest rate swaps	(11)	(16)	Interest Expense
	(77)		Discontinued operations
Cross-currency swaps	49	57	Other Income (Expense) - net
	2	4	Interest Expense
Commodity contracts	20	42	Discontinued operations
Total Pre-tax	(17)	87	
Income Taxes	15	(23)	
Total After-tax	(2)	64	
Equity Investees' AOCI	1		Other Income (Expense) - net
Total Pre-tax	1		
Income Taxes			
Total After-tax	1		
Defined benefit plans			
Prior service costs		(7)	
Net actuarial loss	(192)	(145)	
Total Pre-tax	(192)	(152)	
Income Taxes	46	37	
Total After-tax	(146)	(115)	
Total reclassifications during the year	$ (145)	$ (45)	

21. New Accounting Guidance Pending Adoption

(All Registrants)

Accounting for Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued accounting guidance that establishes a comprehensive new model for the recognition of revenue from contracts with customers. This model is based on the core principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

For public business entities, this guidance can be applied using either a full retrospective or modified retrospective transition method, beginning in annual reporting periods after December 15, 2017 and interim periods within those years. Public business entities may early adopt this guidance in annual reporting periods beginning after December 15, 2016. The Registrants expect to adopt this guidance effective January 1, 2018.

The Registrants are currently assessing the impact of adopting this guidance, as well as the transition method they will use.

SCHEDULE I - PPL CORPORATION
CONDENSED UNCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,
(Millions of Dollars, except share data)

	2015	2014	2013
Operating Revenues			
Operating Expenses			
Other operation and maintenance	**$ 9**	$ 16	$ 1
Total Operating Expenses	**9**	16	1
Operating Loss	**(9)**	(16)	(1)
Other Income (Expense) - net			
Equity in earnings of subsidiaries	**711**	1,776	1,171
Other income (expense)	**(15)**	(18)	(13)
Total	**696**	1,758	1,158
Interest Expense	**9**	15	21
Interest Expense with Affiliates	**10**	10	29
Income Before Income Taxes	**668**	1,717	1,107
Income Taxes	**(14)**	(20)	(23)
Net Income	**$ 682**	$ 1,737	$ 1,130
Comprehensive Income Attributable to PPL Shareowners	**$ 252**	$ 1,028	$ 1,505
Earnings Per Share of Common Stock:			
Net Income Available to PPL Common Shareowners:			
Basic	**$ 1.01**	$ 2.64	$ 1.85
Diluted	**$ 1.01**	$ 2.61	$ 1.76
Weighted-Average Shares of Common Stock Outstanding (in thousands)			
Basic	**669,814**	653,504	608,983
Diluted	**672,586**	665,973	663,073

The accompanying Notes to Condensed Unconsolidated Financial Statements are an integral part of the financial statements.

SCHEDULE I - PPL CORPORATION
CONDENSED UNCONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

(Millions of Dollars)

	2015	2014	2013
Cash Flows from Operating Activities			
Net cash provided by (used in) operating activities	**$ 993**	$ 1,633	$ 968
Cash Flows from Investing Activities			
Capital contributions to affiliated subsidiaries	**(491)**	(1,045)	(496)
Return of capital from affiliated subsidiaries	**112**	247	213
Net cash provided by (used in) investing activities	**(379)**	(798)	(283)
Cash Flows from Financing Activities			
Issuance of equity, net of issuance costs	**203**	1,074	1,411
Net increase (decrease) in short-term debt with affiliates	**215**	(913)	(1,057)
Payment of common stock dividends	**(1,004)**	(967)	(878)
Contract adjustment payments on Equity Units		(22)	(82)
Repurchase of common stock			(74)
Other	**(28)**	(7)	(5)
Net cash provided by (used in) financing activities	**(614)**	(835)	(685)
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at Beginning of Period			
Cash and Cash Equivalents at End of Period	**$**	$	$
Supplemental Disclosures of Cash Flow Information:			
Cash Dividends Received from Affiliated Subsidiaries	**$ 1,198**	$ 1,388	$ 960

The accompanying Notes to Condensed Unconsolidated Financial Statements are an integral part of the financial statements.

SCHEDULE I - PPL CORPORATION
CONDENSED UNCONSOLIDATED BALANCE SHEETS AT DECEMBER 31,

(Millions of Dollars, shares in thousands)

	2015	2014
Assets		
Current Assets		
Accounts Receivable		
Other	**$ 10**	$ 53
Affiliates	**20**	149
Price risk management assets	**139**	148
Total Current Assets	**169**	350
Investments		
Affiliated companies at equity	**10,479**	15,426
Other Noncurrent Assets		
Deferred income taxes	**100**	34
Price risk management assets	**133**	75
Other noncurrent assets	**1**	13
Total Other Noncurrent Assets	**234**	122
Total Assets	**$ 10,882**	$ 15,898
Liabilities and Equity		
Current Liabilities		
Short-term debt with affiliates	**$ 385**	$ 170
Accounts payable with affiliates	**16**	1,513
Dividends	**255**	249
Price risk management liabilities	**268**	227
Other current liabilities		65
Total Current Liabilities	**924**	2,224
Deferred Credits and Other Noncurrent Liabilities	**39**	46
Equity		
Common stock - $0.01 par value (a)	**7**	7
Additional paid-in capital	**9,687**	9,433
Earnings reinvested	**2,953**	6,462
Accumulated other comprehensive loss	**(2,728)**	(2,274)
Total Equity	**9,919**	13,628
Total Liabilities and Equity	**$ 10,882**	$ 15,898

(a) 780,000 shares authorized; 673,857 and 665,849 shares issued and outstanding at December 31, 2015 and 2014.

The accompanying Notes to Condensed Unconsolidated Financial Statements are an integral part of the financial statements.

SCHEDULE I - PPL CORPORATION
NOTES TO CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

PPL Corporation 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, loans or advances or repayment of loans and advances from it. 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 PPL Corporation.

PPL Corporation indirectly or directly owns all of the ownership interests of its significant subsidiaries. PPL Corporation relies on dividends or loans from its subsidiaries to fund PPL Corporation's dividends to its common shareowners and to meet its other cash requirements. See Note 7 to PPL Corporation's consolidated financial statements for discussions related to restricted net assets of its subsidiaries for the purposes of transferring funds to PPL in the form of distributions, loans or advances.

Balance Sheet Classification of Deferred Taxes

Effective October 1, 2015, PPL Corporation retrospectively adopted accounting guidance to simplify the presentation of deferred taxes which requires that deferred tax assets and deferred tax liabilities be classified as noncurrent on the balance sheet.

The adoption of this guidance required PPL Corporation to reclassify deferred tax assets and deferred tax liabilities from current to noncurrent on the balance sheet, and did not have a significant impact. PPL Corporation reclassified $34 million from current deferred tax assets to noncurrent deferred tax assets and $5 million from current deferred tax liabilities to noncurrent deferred tax liabilities on the balance sheet as of December 31, 2014.

2. Commitments and Contingencies

See Note 13 to PPL Corporation's consolidated financial statements for commitments and contingencies of its subsidiaries.

Guarantees and Other Assurances

PPL Corporation's subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts that may become due under PPL Corporation's guarantees or other assurances or to make any funds available for such payment.

PPL Corporation fully and unconditionally guarantees the payment of principal, premium and interest on all of the debt securities of PPL Capital Funding. The estimated maximum potential amount of future payments that could be required under the guarantees at December 31, 2015 was $8.4 billion. These guarantees will expire in 2073. The probability of expected payment under these guarantees is remote.

SCHEDULE I - LG&E and KU Energy LLC
CONDENSED UNCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,

(Millions of Dollars)

	2015	2014	2013
Equity in Earnings of Subsidiaries	**$ 390**	$ 368	$ 376
Interest Income with Affiliate	**4**	5	5
Interest Expense	**39**	41	39
Interest Expense with Affiliate	**5**	3	3
Income Before Income Taxes	**350**	329	339
Income Tax Expense (Benefit)	**(14)**	(15)	(8)
Net Income Attributable to Member	**$ 364**	$ 344	$ 347
Comprehensive Income Attributable to Member	**$ 363**	$ 286	$ 375

The accompanying Notes to Condensed Unconsolidated Financial Statements are an integral part of the financial statements.

SCHEDULE I - LG&E and KU Energy LLC
CONDENSED UNCONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(Millions of Dollars)

	2015	2014	2013
Cash Flows from Operating Activities			
Net cash provided by (used in) operating activities	**$ 246**	$ (183)	$ 136
Cash Flows from Investing Activities			
Capital contributions to affiliated subsidiaries	**(140)**	(248)	(243)
Net decrease (increase) in notes receivable from affiliates	**73**	555	(122)
Net cash provided by (used in) investing activities	**(67)**	307	(365)
Cash Flows from Financing Activities			
Net increase (decrease) in notes payable with affiliates	**315**	58	171
Net increase (decrease) in short-term debt			75
Retirement of long-term debt	**(400)**		
Contribution from member	**125**	248	243
Distribution to member	**(219)**	(436)	(254)
Net cash provided by (used in) financing activities	**(179)**	(130)	235
Net Increase (Decrease) in Cash and Cash Equivalents		(6)	6
Cash and Cash Equivalents at Beginning of Period		6	
Cash and Cash Equivalents at End of Period	**$**	$	$ 6
Supplemental disclosures of cash flow information:			
Cash Dividends Received from Affiliated Subsidiaries	**$ 272**	$ 260	$ 223

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)

	2015	2014
Assets		
Current Assets		
Accounts receivable	**$ 1**	$ 8
Accounts receivable from affiliates	**3**	
Notes receivable from affiliates	**1,054**	1,127
Total Current Assets	**1,058**	1,135
Investments		
Affiliated companies at equity	**5,076**	4,818
Other Noncurrent Assets		
Deferred income taxes	**228**	205
Other noncurrent assets		1
Total Other Noncurrent Assets	**228**	206
Total Assets	**$ 6,362**	$ 6,159
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 75**	$ 75
Notes payable to affiliates	**69**	58
Long-term debt due within one year		400
Accounts payable to affiliates	**469**	451
Taxes	**3**	2
Other current liabilities	**5**	8
Total Current Liabilities	**621**	994
Long-term Debt		
Long-term debt	**720**	718
Notes payable to affiliates	**500**	196
Total Long-term Debt	**1,220**	914
Deferred Credits and Other Noncurrent Liabilities	**4**	3
Equity	**4,517**	4,248
Total Liabilities and Equity	**$ 6,362**	$ 6,159

The accompanying Notes to Condensed Unconsolidated Financial Statements are an integral part of the financial statements.

Schedule I - LG&E and KU Energy LLC
Notes to Condensed Unconsolidated Financial Statements

1. Basis of Presentation

LG&E and KU Energy LLC (LKE) is a holding company and conducts substantially all of its business operations through its subsidiaries. Substantially all of its consolidated assets are held by such subsidiaries. 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. See Note 7 to LKE's consolidated financial statements for discussions related to restricted net assets of its subsidiaries for the purposes of transferring funds to LKE in the form of distributions, loans or advances.

Balance Sheet Classification of Deferred Taxes

Effective October 1, 2015, LKE retrospectively adopted accounting guidance to simplify the presentation of deferred taxes which requires that deferred tax assets and deferred tax liabilities be classified as noncurrent on the balance sheet.

The adoption of this guidance required LKE to reclassify deferred tax assets and deferred tax liabilities from current to noncurrent on the balance sheet, and did not have a significant impact. LKE reclassified $2 million from current deferred tax assets to noncurrent deferred tax assets on the balance sheet as of December 31, 2014.

Presentation of Debt Issuance Costs

Effective December 31, 2015, LKE retrospectively adopted accounting guidance to simplify the presentation of debt issuance costs. The guidance requires certain debt issuance costs to be presented on the balance sheet as a direct deduction from the carrying amount of the associated debt liability.

The adoption of this guidance required LKE to reclassify debt issuance costs not associated with a line of credit from noncurrent assets to Long-term debt, and did not have a significant impact on the Registrants. LKE reclassified $4 million from Other noncurrent assets to Long-term debt on the balance sheet as of December 31, 2014.

2. Commitments and Contingencies

See Note 13 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. 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 WKE-related 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. Another WKE-related LKE guarantee covers other indemnifications, has a term expiring in 2023 and a maximum exposure of $100 million. In May 2012, LKE's indemnitee received an unfavorable arbitration panel's decision interpreting this matter. In October 2014, LKE's indemnitee filed a motion for discretionary review with the Kentucky Supreme Court seeking to overturn the arbitration decision, and such motion was denied by the court in September 2015. In September 2015, a counterparty issued a demand letter to LKE's indemnitee. LKE does not believe appropriate contractual, legal or commercial grounds exist for the claim made and anticipates the indemnitee to dispute the demand. LKE believes its indemnification obligations in the WKE matter remain subject to various uncertainties, including additional legal and contractual developments, as well as future prices, availability and demand for the subject excess power. The ultimate outcomes of the WKE termination-related indemnifications cannot be predicted at this time.

Additionally, LKE has indemnified various third parties related to historical obligations for other divested subsidiaries and affiliates. The indemnifications vary by entity and the maximum exposures range from being capped at the sale price to no specified maximum; LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. LKE cannot predict the ultimate outcomes of the indemnification circumstances, but does not currently expect such outcomes to result in significant losses above the amounts recorded.

3. Long-term Debt

See Note 7 to LKE's consolidated financial statements for the terms of LKE's outstanding senior unsecured notes outstanding. Of the total outstanding, $475 million matures in 2020 and $250 million matures in 2021. These maturities are based on stated maturities. Also see Note 7 to LKE's consolidated financial statements for the terms of LKE's $400 million note payable to PPL. This note matures in 2025. LKE's $100 million note payable to LG&E and KU Services Company bears a variable interest rate which resets each quarter based on LIBOR. The rate at December 31, 2015 was 1.068%. This note matures in 2019.

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
2015				
Operating revenues	**$ 2,230**	**$ 1,781**	**$ 1,878**	**$ 1,780**
Operating income	**890**	**638**	**686**	**617**
Income from continuing operations after income taxes	**552**	**250**	**396**	**405**
Income (loss) from discontinued operations (net of income taxes) (d)(e)	**95**	**(1,007)**	**(3)**	**(6)**
Net income (loss) (e)	**647**	**(757)**	**393**	**399**
Income from continuing operations after income taxes available to PPL common shareowners: (b)				
Basic EPS	**0.83**	**0.37**	**0.59**	**0.60**
Diluted EPS	**0.82**	**0.37**	**0.59**	**0.60**
Net income (loss) available to PPL common shareowners: (b)				
Basic EPS	**0.97**	**(1.13)**	**0.58**	**0.59**
Diluted EPS	**0.96**	**(1.13)**	**0.58**	**0.59**
Dividends declared per share of common stock (c)	**0.3725**	**0.3725**	**0.3775**	**0.3775**
Price per common share:				
High	**$ 36.38**	**$ 34.85**	**$ 33.58**	**$ 34.75**
Low	**31.40**	**29.45**	**29.41**	**32.60**
2014				
Operating revenues	$ 2,178	$ 1,849	$ 1,879	$ 1,946
Operating income	801	678	688	700
Income from continuing operations after income taxes	389	230	410	408
Income (loss) from discontinued operations (net of income taxes) (d)(f)	(73)	(1)	87	287
Net income (f)	316	229	497	695
Income from continuing operations after income taxes available to PPL common shareowners: (b)				
Basic EPS	0.61	0.35	0.61	0.62
Diluted EPS	0.61	0.34	0.61	0.62
Net income available to PPL common shareowners: (b)				
Basic EPS	0.50	0.35	0.74	1.04
Diluted EPS	0.49	0.34	0.74	1.04
Dividends declared per share of common stock (c)	0.3725	0.3725	0.3725	0.3725
Price per common share:				
High	$ 33.24	$ 35.56	$ 35.52	$ 38.14
Low	29.40	32.32	31.79	32.09

(a) Quarterly results can vary depending on, among other things, weather. 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.
(d) In the second quarter of 2015, PPL completed the spinoff of PPL Energy Supply substantially representing PPL's Supply segment. Accordingly, the previously reported operating results for PPL's Supply segment have been reclassified as discontinued operations. See Note 8 to the Financial Statements for additional information.
(e) The second quarter of 2015 includes a loss of $879 million from the spinoff of PPL Energy Supply. See Note 8 to the Financial Statements for additional information.
(f) The fourth quarter of 2014 includes a gain of $137 million (after-tax) from the sale of Hydroelectric generating facilities of PPL Montana. See Note 8 for additional information.

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**
2015				
Operating revenues	**$ 630**	**$ 476**	**$ 519**	**$ 499**
Operating income	**175**	**116**	**121**	**126**
Net income	**87**	**49**	**55**	**61**
2014				
Operating revenues	$ 592	$ 449	$ 477	$ 526
Operating income	165	111	124	138
Net income	85	52	57	69

(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 Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

The Registrants' principal executive officers and principal financial officers, based on their evaluation of the Registrants' disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) have concluded that, as of December 31, 2015, the Registrants' disclosure controls and procedures are effective to ensure that material information relating to the Registrants and their consolidated subsidiaries is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, particularly during the period for which this annual report has been prepared. The aforementioned principal officers have concluded that the disclosure controls and procedures are also effective to ensure that information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive officers and principal financial officers, to allow for timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting.

PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company, and Kentucky Utilities Company

The Registrants' principal executive officers and principal financial officers have concluded that there were no changes in the Registrants' internal control over financial reporting during the Registrants' fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrants' internal control over financial reporting.

PPL Corporation

Following the announcement of the transaction to spin off PPL Energy Supply, LLC to form Talen Energy, management determined the appropriate staffing for Talen Energy and for PPL and its subsidiaries. During the twelve months ended December 31, 2015, staffing changes, including the consolidation of certain positions and transition of responsibilities, resulted in changes in certain individuals responsible for executing internal controls. However, changes to system applications, business processes and the associated internal controls were not significant. Management has taken steps to minimize the risk from the changes in individuals executing internal controls.

Management's Report on Internal Control over Financial Reporting

PPL Corporation

PPL's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) or 15d-15(f). PPL's internal control over financial reporting is a process designed to provide reasonable assurance to PPL's management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control - Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in "Internal Control - Integrated Framework" (2013), our management concluded that our internal control over financial reporting was effective as of December 31, 2015. 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 88.

PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

Management of PPL's non-accelerated filer companies, PPL Electric, LKE, LG&E and KU, are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) or 15d-15(f). Each of the aforementioned companies' internal control over financial reporting is a process designed to provide reasonable assurance to management and Board of Directors of these companies regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Under the supervision and with the participation of our management, including the principal executive officers and principal financial officers of the companies listed above, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control - Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in "Internal Control - Integrated Framework" (2013), management of these companies concluded that our internal control over financial reporting was effective as of December 31, 2015. 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 Electric Utilities Corporation

On October 27, 2015, PPL Electric amended and restated its By-laws to provide that the number of directors constituting the Company's board of directors shall be as determined from time to time by the directors.

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 - Board Committee Membership" and "Section 16(a) Beneficial Ownership Reporting Compliance" in PPL's 2016 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2015, and which information is incorporated herein by reference.

As previously disclosed, on December 18, 2015, the Board of Directors of PPL approved amendments to PPL's Bylaws (the "Bylaws"), effective December 18, 2015, to adopt proxy access. Pursuant to new Article III, Section 3.18 of the Bylaws, a shareowner, or a group of up to 25 shareowners, owning 3% or more of PPL's outstanding common stock continuously for at least three years, may nominate, and include in PPL's proxy materials, directors constituting up to the greater of (i) 20% of the Board or (ii) two directors, provided that the shareowner(s) and the nominee(s) satisfy the requirements specified in the Bylaws. In connection with PPL's adoption of proxy access and in order to ensure full disclosure in regard to a nominating shareowner's ownership position in PPL, Article III, Section 3.16 of the Bylaws was also amended to expand the disclosure requirements for the nomination of directors under PPL's advance notice provision, including disclosure of securities ownership, derivative and short positions, certain interests that the nominating shareowner or director nominee might have in the nomination and such other information as PPL may reasonably request.

PPL has adopted a code of ethics entitled "Standards of Integrity" that applies to all directors, managers, trustees, officers (including the principal executive officers, principal financial officers and principal accounting officers (each, a "principal officer")), employees and agents of PPL and PPL's subsidiaries for which it has operating control (PPL Electric, LKE, LG&E and KU). The "Standards of Integrity" are posted on PPL's Internet website: www.pplweb.com/Standards-of-Integrity. 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/Guidelines.

PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

Item 10 is omitted as PPL Electric, LKE, LG&E and KU meet the conditions set forth in General Instruction (I)(1)(a) and (b) of Form 10-K.

EXECUTIVE OFFICERS OF THE REGISTRANTS

Officers of the Registrants are elected annually by their Boards of Directors to serve at the pleasure of the respective Boards. There are no family relationships among any of the executive officers, nor is there any arrangement or understanding between any executive officer and any other person pursuant to which the officer was selected.

There have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions material to the evaluation of the ability and integrity of any executive officer during the past five years.

Listed below are the executive officers at December 31, 2015.

PPL Corporation

Name	Age	Positions Held During the Past Five Years	Dates
William H. Spence	58	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
Robert J. Grey (b)(d)	65	Executive Vice President and Chief Legal Officer	June 2015 - January 2016
		Executive Vice President, General Counsel and Secretary	November 2012 - May 2015
		Senior Vice President, General Counsel and Secretary	March 1996 - November 2012
Vincent Sorgi	44	Senior Vice President and Chief Financial Officer	June 2014 - present
		Vice President and Controller	March 2010 - June 2014
Gregory N. Dudkin (a)	58	President-PPL Electric	March 2012 - present
		Senior Vice President-Operations-PPL Electric	June 2009 - March 2012
Victor A. Staffieri (a)	60	Chairman of the Board, Chief Executive Officer and President-LKE	May 2001 - present
Robert A. Symons (a)	62	Chief Executive-WPD	January 2000 - present
Mark F. Wilten (c)(e)	48	Vice President, Treasurer and Chief Risk Officer	October 2014 - December 2015
		Vice President-Finance and Treasurer	June 2012 - October 2014
		Treasurer-Nissan North America and Nissan Motor Acceptance Corporation	August 2010 - May 2012
Stephen K. Breininger	42	Vice President and Controller	January 2015 - present
		Controller	June 2014 - January 2015
		Assistant Controller-Business Lines	March 2013 - June 2014
		Controller-Supply Accounting	April 2010 - March 2013

(a) Designated an executive officer of PPL by virtue of their respective positions at a PPL subsidiary.
(b) Mr. Grey retired from PPL effective January 31, 2016.
(c) Mr. Wilten resigned as Treasurer and Chief Risk Officer effective December 31, 2015, and from PPL as of January 31, 2016.
(d) Joanne H. Raphael, Senior Vice President, General Counsel and Corporate Secretary, was deemed to be an Executive Officer of PPL effective January 1, 2016.
(e) Joseph P. Bergstein, Jr. was elected as Vice President-Investor Relations and Treasurer effective January 1, 2016 and was deemed to be an Executive Officer of PPL as of that date.

ITEM 11. EXECUTIVE COMPENSATION

PPL Corporation

Information for this item will be set forth in the sections entitled "Compensation of Directors," "The Board's Role in Risk Oversight," "Compensation Committee Interlocks and Insider Participation" and "Executive Compensation" in PPL's 2016 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2015, and which information is incorporated herein by reference.

PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

Item 11 is omitted as PPL Electric, LKE, LG&E and KU meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

PPL Corporation

Information for this item will be set forth in the section entitled "Stock Ownership" in PPL's 2016 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2015, and which information is incorporated herein by reference. In addition, provided below in tabular format is information as of December 31, 2015, 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)**	1,295,137 - ICP	$32.44 - ICP	1,756,965 - DDCP
	1,715,543 - SIP	$26.29 - SIP	6,417,595 - SIP
	3,374,469 - ICPKE	$28.19 - ICPKE	1,665,831 - ICPKE
	6,385,149 - Total	$28.54 - Combined	9,840,391 - Total
Equity compensation plans not approved by security holders **(2)**			

(1) Includes (a) the ICP, under which stock options, restricted stock, restricted stock units, performance units, dividend equivalents and other stock-based awards were awarded to executive officers of PPL and no awards remain for issuance under this plan; (b) the ICPKE, under which stock options, restricted stock, restricted stock units, performance units, dividend equivalents and other stock-based awards may be awarded to non-executive key employees of PPL and its subsidiaries; (c) the 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 DDCP, under which stock units may be awarded to directors of PPL. See Note 10 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, 2015. In addition, as of December 31, 2015, the following other securities had been awarded and are outstanding under the ICP, SIP, ICPKE and DDCP: 15,000 shares of restricted stock under the ICP; 776,599 restricted stock units and 697,227 performance units under the SIP; 2,114,069 restricted stock units and 618,743 performance units under the ICPKE; and 531,840 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 stock units available for issuance was reduced to 2,000,000 stock units in March 2012. In addition, each of the ICP and ICPKE includes an annual award limitation of 2% of total PPL common stock outstanding as of January 1 of each year.

PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

Item 12 is omitted as PPL Electric, LKE, LG&E and KU meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

PPL Corporation

Information for this item will be set forth in the sections entitled "Transactions with Related Persons" and "Independence of Directors" in PPL's 2016 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2015, and is incorporated herein by reference.

PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

Item 13 is omitted as PPL Electric, LKE, LG&E and KU meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

PPL Corporation

Information for this item will be set forth in the section entitled "Fees to Independent Auditor for 2015 and 2014" in PPL's 2016 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2015, and which information is incorporated herein by reference.

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, 2015 and 2014, for professional services rendered for the audit of PPL Electric's annual financial statements and for fees billed for other services rendered by EY.

	2015	2014
	(in thousands)	
Audit fees (a)	$ 1,185	$ 954
Audit-related fees (b)	11	
Tax fees (c)		18

(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) Includes fees for agreed upon procedures related to Annual EPA filing.
(c) Includes fees for tax advice for various state and local tax issues.

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, 2015 and 2014, for professional services rendered for the audits of LKE's annual financial statements and for fees billed for other services rendered by EY.

	2015	2014
	(in thousands)	
Audit fees (a)	$ 1,758	$ 1,636

(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, 2015 and 2014, for professional services rendered for the audits of LG&E's annual financial statements and for fees billed for other services rendered by EY.

	2015	2014
	(in thousands)	
Audit fees (a)	$ 718	$ 699

(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, 2015 and 2014, for professional services rendered for the audits of KU's annual financial statements and for fees billed for other services rendered by EY.

	2015	2014
	(in thousands)	
Audit fees (a)	$ 717	$ 625

(a) Includes estimated fees for audit of annual financial statements and review of financial statements included in KU's Quarterly Reports on Form 10-Q and for services in connection with statutory and regulatory filings or engagements, including comfort letters and consents for financings and filings made with the SEC.

PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

Approval of Fees The Audit Committee of PPL has procedures for pre-approving audit and non-audit services to be provided by the independent auditor. These procedures are designed to ensure the continued independence of the independent auditor. More specifically, the use of the independent auditor to perform either audit or non-audit services is prohibited unless specifically approved in advance by the Audit Committee of PPL. As a result of this approval process, the Audit Committee of PPL has pre-approved specific categories of services and authorization levels. All services outside of the specified categories and all amounts exceeding the authorization levels are approved by the Chair of the Audit Committee of PPL, who serves as the Committee designee to review and approve audit and non-audit related services during the year. A listing of the approved audit and non-audit services is reviewed with the full Audit Committee of PPL no later than its next meeting.

The Audit Committee of PPL approved 100% of the 2015 and 2014 services provided by EY.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

(a) The following documents are filed as part of this report:

1. Financial Statements - Refer to the "Table of Contents" for an index of the financial statements included in this report.

2. Supplementary Data and Supplemental Financial Statement Schedule - included in response to Item 8.

   Schedule I - PPL Corporation Condensed Unconsolidated Financial Statements.

   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 2016 annual meeting of shareowners of PPL will be held on Wednesday, May 25, 2016, at the PPL Center, 701 Hamilton Street, Allentown, Pennsylvania, in Lehigh County.

Proxy Statement Material: A proxy statement and notice of PPL's annual meeting will be provided to all shareowners who are holders of record as of February 29, 2016. The latest proxy statement can be accessed at www.pplweb.com.

PPL Annual Report: The report will be published in the beginning of April and will be provided to all shareowners who are holders of record as of February 29, 2016. The latest annual report can be accessed at www.pplweb.com.

Dividends: Subject to the declaration of dividends on PPL common stock by the PPL Board of Directors or its Executive Committee, dividends are paid on the first business day of April, July, October and January. The 2016 record dates for dividends are expected to be March 10, June 10, September 9 and December 9.

PPL's Website (www.pplweb.com): Shareowners can access PPL publications such as annual and quarterly reports to the Securities and Exchange Commission (SEC Forms 10-K and 10-Q), other PPL filings, corporate governance materials, news releases, stock quotes and historical performance. Visitors to our website can subscribe to receive automated email alerts for SEC filings, earnings releases, daily stock prices or other financial news.

Financial reports which are available at www.pplweb.com will be mailed without charge upon request by writing to:

PPL Treasury Dept.
Two North Ninth Street
Allentown, PA 18101
Via email: invserv@pplweb.com

or by calling:

Shareowner Services, toll-free at 1-800-345-3085; or
PPL Corporate Offices at 610-774-5151.

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 electronic funds transfer. Participants in the Plan may choose to have their common stock certificates deposited into their Plan account.

Direct Registration System: PPL participates in the Direct Registration System (DRS). Shareowners may choose to have their common stock certificates converted to book entry form within the DRS by submitting their certificates to PPL's transfer agent.

Listed Securities:

New York Stock Exchange

PPL Corporation:
Common Stock (Code: PPL)

PPL Capital Funding, Inc.:
2007 Series A Junior Subordinated Notes due 2067 (Code: PPL/67)
2013 Series B Junior Subordinated Notes due 2073 (Code: PPX)

Fiscal Agents:

Transfer Agent and Registrar; Dividend Disbursing Agent; Plan Administrator
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
Website: shareowneronline.com

Indenture Trustee
The Bank of New York Mellon
Corporate Trust Administration
525 William Penn Place
Pittsburgh, PA 15259

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.

/s/ William H. Spence
William H. Spence -
Chairman, President and
Chief Executive Officer
(Principal Executive Officer)

/s/ Vincent Sorgi
Vincent Sorgi -
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

/s/ Stephen K. Breininger
Stephen K. Breininger -
Vice President and Controller
(Principal Accounting Officer)

Directors:

Rodney C. Adkins	William H. Spence
John W. Conway	Natica von Althann
Steven G. Elliott	Keith H. Williamson
Venkata Rajamannar Madabhushi	Armando Zagalo de Lima
Craig A. Rogerson	

/s/ William H. Spence
William H. Spence, Attorney-in-fact

Date: February 19, 2016

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PPL Electric Utilities Corporation
(Registrant)

By /s/ Gregory N. Dudkin
Gregory N. Dudkin -
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ Gregory N. Dudkin
Gregory N. Dudkin -
President
(Principal Executive Officer)

/s/ Stephen K. Breininger
Stephen K. Breininger -
Vice President and Controller
(Principal Financial Officer and Principal Accounting Officer)

Directors:

/s/ Gregory N. Dudkin	/s/ Vincent Sorgi
Gregory N. Dudkin	Vincent Sorgi
/s/ Joanne H. Raphael	/s/ William H. Spence
Joanne H. Raphael	William H. Spence

Date: February 19, 2016

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.

/s/ Victor A. Staffieri
Victor A. Staffieri -
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)

/s/ Kent W. Blake
Kent W. Blake -
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Directors:

/s/ Kent W. Blake Kent W. Blake	/s/ Victor A. Staffieri Victor A. Staffieri
/s/ Vincent Sorgi Vincent Sorgi	/s/ Paul W. Thompson Paul W. Thompson
/s/ William H. Spence William H. Spence	

Date: February 19, 2016

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.

/s/ Victor A. Staffieri
Victor A. Staffieri -
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)

/s/ Kent W. Blake
Kent W. Blake -
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Directors:

/s/ Kent W. Blake Kent W. Blake	/s/ Victor A. Staffieri Victor A. Staffieri
/s/ Vincent Sorgi Vincent Sorgi	/s/ Paul W. Thompson Paul W. Thompson
/s/ William H. Spence William H. Spence	

Date: February 19, 2016

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.

/s/ Victor A. Staffieri
Victor A. Staffieri -
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)

/s/ Kent W. Blake
Kent W. Blake -
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Directors:

/s/ Kent W. Blake Kent W. Blake	/s/ Victor A. Staffieri Victor A. Staffieri
/s/ Vincent Sorgi Vincent Sorgi	/s/ Paul W. Thompson Paul W. Thompson
/s/ William H. Spence William H. Spence	

Date: February 19, 2016

EXHIBIT INDEX

The following Exhibits indicated by an asterisk preceding the Exhibit number are filed herewith. The balance of the Exhibits has heretofore been filed with the Commission and pursuant to Rule 12(b)-32 are incorporated herein by reference. Exhibits indicated by a [_] are filed or listed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

1(a)	-	Securities Purchase and Registration Rights Agreement, dated March 5, 2014, among PPL Capital Funding, Inc., PPL Corporation, and the several purchasers named in Schedule B thereto (Exhibit 1.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 10, 2014)
1(b)	-	Equity Distribution Agreement, dated February 26, 2015, by and among PPL Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporation (Exhibit 1.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 26, 2015)
1(c)	-	Equity Distribution Agreement, dated February 26, 2015, by and among PPL Corporation and Morgan Stanley & Co. LLC (Exhibit 1.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 26, 2015)
2(a)	-	Separation Agreement among PPL Corporation, Talen Energy Holdings, Inc., Talen Energy Corporation, PPL Energy Supply, LLC, Raven Power Holdings LLC, C/R Energy Jade, LLC and Sapphire Power Holdings LLC., dated as of June 9, 2014 (Exhibit 2.1 to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated June 12, 2014)
2(b)	-	Transaction Agreement among PPL Corporation, Talen Energy Holdings, Inc., Talen Energy Corporation, PPL Energy Supply, LLC, Talen Energy Merger Sub, Inc., C/R Energy Jade, LLC, Sapphire Power Holdings LLC. and Raven Power Holdings LLC, dated as of June 9, 2014 (Exhibit 2.2 to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated June 12, 2014)
3(a)	-	Amended and Restated Articles of Incorporation of PPL Corporation, effective as of May 21, 2015 (Exhibit 3(i) to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 27, 2015)
3(b)	-	Bylaws of PPL Corporation, effective as of December 18, 2015 (Exhibit 3(ii) to PPL Corporation Form 8-K Report (File No. 1-11459) dated December 21, 2015)
3(c)	-	Amended and Restated Articles of Incorporation of PPL Electric Utilities Corporation, effective as of October 31, 2013 (Exhibit 3(a) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended September 30, 2013)
3(d)	-	Bylaws of PPL Electric Utilities Corporation, effective as of October 27, 2015 (Exhibit 3(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2015)
3(e)	-	Articles of Organization of LG&E and KU Energy LLC, effective as of December 29, 2003 (Exhibit 3(a) to Registration Statement filed on Form S-4 (File No. 333-173665))
3(f)-1	-	Amended and Restated Operating Agreement of LG&E and KU Energy LLC, effective as of November 1, 2010 (Exhibit 3(b) to Registration Statement filed on Form S-4 (File No. 333-173665))
3(f)-2	-	Amendment to Amended and Restated Operating Agreement of LG&E and KU Energy LLC, effective as of November 25, 2013 (Exhibit 3(h)-2) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2013)
3(g)-1	-	Amended and Restated Articles of Incorporation of Louisville Gas and Electric Company, effective as of November 6, 1996 (Exhibit 3(a) to Registration Statement filed on Form S-4 (File No. 333-173676))
3(g)-2	-	Articles of Amendment to Articles of Incorporation of Louisville Gas and Electric Company, effective as of April 6, 2004 (Exhibit 3(b) to Registration Statement filed on Form S-4 (File No. 333-173676))

3(h)	-	Bylaws of Louisville Gas and Electric Company, effective as of December 16, 2003 (Exhibit 3(c) to Registration Statement filed on Form S-4 (File No. 333-173676))
3(i)-1	-	Amended and Restated Articles of Incorporation of Kentucky Utilities Company, effective as of December 14, 1993 (Exhibit 3(a) to Registration Statement filed on Form S-4 (File No. 333-173675))
3(i)-2	-	Articles of Amendment to Articles of Incorporation of Kentucky Utilities Company, effective as of April 8, 2004 (Exhibit 3(b) to Registration Statement filed on Form S-4 (File No. 333-173675))
3(j)	-	Bylaws of Kentucky Utilities Company, effective as of December 16, 2003 (Exhibit 3(c) to Registration Statement filed on Form S-4 (File No. 333-173675))
4(a)	-	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 (Exhibit 4(b)-10 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
4(b)-11	-	Amendment No. 10 to said Employee Stock Ownership Plan, dated September 16, 2013 (Exhibit 4(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2013)
4(b)-12	-	Amendment No. 11 to said Employee Stock Ownership Plan, dated May 11, 2015 (Exhibit 4(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2015)
4(c)	-	Trust Deed constituting £150 million 9.25% 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. 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)-3	-	Supplemental Indenture No. 9, dated as of October 15, 2012, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 15, 2012)
4(d)-4	-	Supplemental Indenture No. 10, dated as of May 24, 2013, to said Indenture (Exhibit 4.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 24, 2013)
4(d)-5	-	Supplemental Indenture No. 11, dated as of May 24, 2013, to said Indenture (Exhibit 4.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 24, 2013)
4(d)-6	-	Supplemental Indenture No. 12, dated as of May 24, 2013, to said Indenture (Exhibit 4.4 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 24, 2013)
4(d)-7	-	Supplemental Indenture No. 13, dated as of March 10, 2014, to said Indenture (Exhibit 4.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 10, 2014)
4(d)-8	-	Supplemental Indenture No. 14, dated as of March 10, 2014, to said Indenture (Exhibit 4.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 10, 2014)
4(e)-1	-	Indenture, dated as of March 16, 2001, among WPD Holdings UK, Bankers Trust Company, as Trustee, Principal Paying Agent, and Transfer Agent and Deutsche Bank Luxembourg, S.A., as Paying and Transfer Agent (Exhibit 4(g) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2009)
4(e)-2	-	First Supplemental Indenture constituting the creation of $200 million 6.75% Notes due 2004, $200 million 6.875% Notes due 2007, $225 million 6.50% Notes due 2008, $100 million 7.25% Notes due 2017 and $300 million 7.375% Notes due 2028, dated as of March 16, 2001, to said Indenture (Exhibit 4(n)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2004)
4(e)-3	-	Second Supplemental Indenture, dated as of January 30, 2003, to said Indenture (Exhibit 4(n)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2004)
4(e)-4	-	Third Supplemental Indenture, dated as of October 31, 2014, to said Indenture (Exhibit 4(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2014)
4(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(f)-12	-	Supplemental Indenture No. 15, dated as of July 1, 2013, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated July 11, 2013)
4(f)-13	-	Supplemental Indenture No. 16, dated as of June 1, 2014, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated June 5, 2014)
4(f)-14	-	Supplemental Indenture No. 17, dated as of October 1, 2015, to said Indenture (Exhibit 4(c) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated October 1, 2015)
4(g)-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(g)-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(h)-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(h)-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(h)-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(i)	-	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(j)	-	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(k)	-	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(l)-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(l)-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(l)-3	-	Supplemental Indenture No. 4, dated as of March 15, 2013, to said Subordinated Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 15, 2013)
4(m)	-	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(n)	-	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(o)-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(o)-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(o)-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(o)-4	-	Supplemental Indenture No. 3, dated as of November 1, 2013, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 13, 2013)
4(o)-5	-	Supplemental Indenture No. 4, dated as of September 1, 2015, to said Indenture (Exhibit 4(b) to Kentucky Utilities Company Form 8-K Report (File No. 1-3464) dated September 28, 2015)
4(p)-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(p)-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(p)-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(p)-4	-	Supplemental Indenture No. 3, dated as of November 1, 2013, to said Indenture (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 13, 2013)

4(p)-5	-	Supplemental Indenture No. 4, dated as of September 1, 2015, to said Indenture (Exhibit 4(a) to Louisville Gas and Electric Company Form 8-K Report (File No. 1-2893) dated September 28, 2015)
4(q)-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(q)-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(q)-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(r)-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(r)-2	-	Amendment No. 1 dated as of September 1, 2010 to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(w)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(s)-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(s)-2	-	Amendment No. 1 dated as of September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(x)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(t)-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(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(y)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(u)-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(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(z)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(v)-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(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(aa)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)

4(w)-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(w)-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(x)-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(x)-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(y)-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(y)-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(z)-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(z)-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(aa)-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(aa)-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(bb)-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(bb)-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(cc)-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(cc)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(hh)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)

4(cc)-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(dd)-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(dd)-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(ee)-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(ee)-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(ff)-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(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(kk)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(gg)-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(gg)-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(hh)-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(hh)-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(ii)-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(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(nn)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)

4(jj)	-	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(kk)-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(kk)-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(ll)-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(ll)-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(mm)-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(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(rr)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(nn)-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(nn)-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(oo)-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(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(tt)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
*4(pp)	-	Trust Deed, dated November 26, 2010, between Central Networks East plc and Central Networks West plc, the Issuers, and Deutsche Trustee Company Limited relating to Central Networks East plc and Central Network West plc £3 billion Euro Medium Term Note Programme
4(qq)-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(qq)-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(qq)-3	-	Second Supplemental Indenture, dated as of October 30, 2014, to said Indenture (Exhibit 4(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2014)
4(rr)-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(rr)-2	-	Amended and Restated Trust Deed, dated September 10, 2013, by and among Western Power Distribution (East Midlands) plc, Western Power Distribution (West Midlands) plc, Western Power Distribution (South West) plc and Western Power Distribution (South Wales) plc as Issuers, and HSBC Corporate Trustee Company (UK) Limited as Note Trustee (Exhibit 4.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 18, 2013)
4(ss)	-	Trust Deed constituting £500 million 3.625% Senior Unsecured Notes due 2023, dated November 6, 2015, by and among Western Power Distribution plc as Issuer, and HSBC Corporate Trustee Company (UK) Limited as Note Trustee (Exhibit 4.1) to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 6, 2015)
10(a)	-	$75 million Revolving Credit Agreement, dated as of October 30, 2013, among LG&E and KU Energy LLC, the Lenders from time to time party thereto, and PNC Bank, National Association, as the Administrative Agent and the Issuing Lender, PNC Capital Markets LLC, as Sole Lead Arranger and Sole Bookrunner, Fifth Third Bank, as Syndication Agent, and Central Bank & Trust Company, as Documentation Agent (Exhibit 10(ii) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2013)
10(b)	-	$300 million Revolving Credit Agreement, dated as of November 12, 2013, among PPL Capital Funding, Inc., as borrower, PPL Corporation, as Guarantor, the Lenders party thereof and PNC Bank National Association, as Administrative Agent, and Manufactures and Traders Trust as Syndication Agent (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 13, 2013)
10(c)-1	-	$150 million Revolving Credit Agreement, dated as of March 26, 2014, among PPL Capital Funding, Inc., as Borrower, PPL Corporation, as Guarantor and The Bank of Nova Scotia, as Administrative Agent, Issuing Lender and Lender (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 1, 2014)
*10(c)-2	-	First Amendment to said Revolving Credit Agreement, dated as of March 17, 2015
10(d)	-	Employee Matters Agreement, among PPL Corporation, Talen Energy Corporation, C/R Energy Jade, LLC, Sapphire Power Holdings LLC. and Raven Power Holdings LLC, dated as of June 9, 2014 (Exhibit 10.1 to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated June 12, 2014)
10(e)-1	-	$300 million Amended and Restated Revolving Credit Agreement, dated as of July 28, 2014, among PPL Electric Utilities Corporation, as the Borrower, the Lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender (Exhibit 10(e) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended June 30, 2014)
10(e)-2	-	Notice of Automatic Extension, dated as of September 29, 2014, to said Amended and Restated Credit Agreement (Exhibit 10(b) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended September 30, 2014)
10(e)-3	-	Amendment No. 1 to said Credit Agreement, dated as of January 29, 2016 (Exhibit 10.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 3, 2016)

10(f)-1	-	$300 million Revolving Credit Agreement, dated as of July 28, 2014, among PPL Capital Funding, Inc., as the Borrower, PPL Corporation, as the Guarantor, the Lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender (Exhibit 10(d) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
10(f)-2	-	Amendment No. 1 to said Credit Agreement, dated as of January 29, 2016 (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 3, 2016)
10(g)-1	-	$400 million Amended and Restated Revolving Credit Agreement, dated as of July 28, 2014, among Kentucky Utilities Company, as the Borrower, the Lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender (Exhibit 10(f) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
10(g)-2	-	Amendment No. 1 to said Credit Agreement, dated as of January 29, 2016 (Exhibit 10.4 to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 3, 2016)
10(h)-1	-	$500 million Amended and Restated Revolving Credit Agreement, dated as of July 28, 2014, among Louisville Gas and Electric Company, as the Borrower, the Lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender (Exhibit 10(g) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
10(h)-2	-	Amendment No. 1 to said Credit Agreement, dated as of January 29, 2016 (Exhibit 10.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 3, 2016)
10(i)	-	Amendment and Restatement Agreement, dated July 29, 2014, between Western Power Distribution (South West) plc and the banks party thereto, as Bookrunners and Mandated Lead Arrangers, HSBC Bank plc and Mizuho Bank, Ltd., as Joint Coordinators, and Mizuho Bank, Ltd., as Facility Agent, relating to the £245 million Multicurrency Revolving Credit Facility Agreement originally dated January 12, 2012 (Exhibit 10(h) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
10(j)	-	Amendment and Restatement Agreement, dated July 29, 2014, between Western Power Distribution (East Midlands) plc and the banks party thereto, as Bookrunners and Mandated Lead Arrangers, HSBC Bank plc and Mizuho Bank Ltd., as Joint Coordinators, and Bank of America Merrill Lynch International Limited, as Facility Agent, relating to the £300 million Multicurrency Revolving Credit Facility Agreement originally dated April 4, 2011(Exhibit 10(i) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
10(k)	-	Amendment and Restatement Agreement, dated July 29, 2014, between Western Power Distribution (West Midlands) plc and the banks party thereto, as Bookrunners and Mandated Lead Arrangers, HSBC Bank plc and Mizuho Bank Ltd., as Joint Coordinators, and Bank of America Merrill Lynch International Limited, as Facility Agent, relating to the £300 million Multicurrency Revolving Credit Facility Agreement originally dated April 4, 2011(Exhibit 10(j) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
10(l)	-	$65 million Revolving Credit Agreement, dated as of August 20, 2014, among PPL Capital Funding, Inc., as the Borrower, PPL Corporation, as the Guarantor, the Lenders from time to time party thereto and Canadian Imperial Bank of Commerce, New York Branch, as Administrative Agent and Issuing Lender (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2014)
10(m)	-	$198,309,583.05 Letter of Credit Agreement dated as of October 1, 2014 among Kentucky Utilities Company, as the Borrower, the Lenders from time to time party hereto and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as Administrative Agent (Exhibit 10.1 to Kentucky Utilities Company Form 8-K Report (File No. 1-3464) dated October 2, 2014)

10(n)	-	£210 million Multicurrency Revolving Credit Facility Agreement, dated January 13 2016, among Western Power Distribution plc and HSBC Bank PLC and Mizuho Bank, Ltd. as Joint Coordinators and Bookrunners, Mizuho Bank, Ltd. as Facility Agent and the other banks party thereto as Mandated Lead Arrangers (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated January 19, 2016)
[_]10(o)-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(o)-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(o)-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(o)-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(o)-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(o)-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(o)-7	-	Amendment No. 6 to said Directors Deferred Compensation Plan, dated as of April 15, 2015 (Exhibit 10(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2015)
[_]10(p)-1	-	PPL Corporation Directors Deferred Compensation Plan Trust Agreement, dated as of April 1, 2001, between PPL Corporation and Wachovia Bank, N.A. (as successor to First Union National Bank), as Trustee (Exhibit 10(hh)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
[_]10(p)-2	-	PPL Officers Deferred Compensation Plan, PPL Supplemental Executive Retirement Plan and PPL Supplemental Compensation Pension Plan Trust Agreement, dated as of April 1, 2001, between PPL Corporation and Wachovia Bank, N.A. (as successor to First Union National Bank), as Trustee (Exhibit 10(hh)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
[_]10(p)-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(p)-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(p)-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(q)-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(q)-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(q)-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(q)-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(q)-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(q)-6	-	Amendment No. 5 to said Executive Deferred Compensation Plan, dated as of May 8, 2014 (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
*[_]10(q)-7	-	Amendment No. 6 to said Executive Deferred Compensation Plan, dated as of December 16, 2015
[_]10(r)-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(r)-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(r)-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(r)-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(r)-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(r)-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(s)-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(s)-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(s)-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(s)-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(s)-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(s)-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(s)-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(s)-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(s)-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(t)-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(t)-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(t)-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(t)-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(t)-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(t)-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(u)	-	Short-term Incentive Plan (Schedule A to Proxy Statement of PPL Corporation, dated April 6, 2011)
[_]10(v)	-	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(w)	-	Form of Retention Agreement entered into between PPL Corporation and Gregory N. Dudkin (Exhibit 10(h) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
[_]10(x)-1	-	Form of Severance Agreement entered into between PPL Corporation and William H. Spence (Exhibit 10(i) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
[_]10(x)-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(y)	-	Form of Change in Control Severance Protection Agreement entered into between PPL Corporation and Gregory N. Dudkin, Joanne H. Raphael, Vincent Sorgi and Victor A. Staffieri (Exhibit 10(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2012)
[_]10(z)-1	-	PPL Corporation 2012 Stock Incentive Plan (Annex A to Proxy Statement of PPL Corporation, dated April 3, 2012)
[_]10(z)-2	-	Form of Performance Unit Agreement for performance unit awards under the Stock Incentive Plan (Exhibit 10(tt)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
[_]10(z)-3	-	Form of Performance Contingent Restricted Stock Unit Agreement for restricted stock unit awards under the Stock Incentive Plan (Exhibit 10(tt)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
[_]10(z)-4	-	Form of Nonqualified Stock Option Agreement for stock option awards under the Stock Incentive Plan (Exhibit 10(tt)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
[_]10(aa)	-	PPL Corporation Executive Severance Plan, effective as of July 26, 2012 (Exhibit 10(d) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2012)
[_]10(bb)-1	-	Form of Western Power Distribution Phantom Stock Option Award Agreement for stock option awards under the Western Power Distribution Long-Term Incentive Plan
[_]10(bb)-2	-	Phantom Stock Option Award Agreement, dated February 12, 2012, between Western Power Distribution and Robert A. Symons
[_]10(bb)-3	-	Phantom Stock Option Award Agreement, dated February 15, 2013, between Western Power Distribution and Robert A. Symons
[_]10(cc)	-	Service Agreement (including Change in Control Agreement as Exhibit A), dated March 16, 2015, between Western Power Distribution (South West) plc and Robert A. Symons (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2015)
[_]10(dd)	-	Form of Retention Agreement, dated May 6, 2015, among PPL Corporation, PPL Services Corporation and Robert J. Grey (Exhibit 99.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 7, 2015)
[_]10(ee)	-	Form of Grant Letter dated May 29, 2015 (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated June 1, 2015)
*12(a)	-	PPL Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(b)	-	PPL Electric Utilities Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(c)	-	LG&E and KU Energy LLC and Subsidiaries Computation of Ratio of Earnings to Fixed Charges
*12(d)	-	Louisville Gas and Electric Company Computation of Ratio of Earnings to Fixed Charges
*12(e)	-	Kentucky Utilities Company Computation of Ratio of Earnings to Fixed Charges
*21	-	Subsidiaries of PPL Corporation

*23(a)	-	Consent of Ernst & Young LLP - PPL Corporation
*23(b)	-	Consent of Ernst & Young LLP - PPL Electric Utilities Corporation
*23(c)	-	Consent of Ernst & Young LLP - LG&E and KU Energy LLC
*23(d)	-	Consent of Ernst & Young LLP - Louisville Gas and Electric Company
*23(e)	-	Consent of Ernst & Young LLP - Kentucky Utilities Company
*24	-	Power of Attorney
*31(a)	-	Certificate of PPL's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(b)	-	Certificate of PPL's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(c)	-	Certificate of PPL Electric's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(d)	-	Certificate of PPL Electric's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(e)	-	Certificate of LKE's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(f)	-	Certificate of LKE's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(g)	-	Certificate of LG&E's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(h)	-	Certificate of LG&E's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(i)	-	Certificate of KU's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(j)	-	Certificate of KU's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32(a)	-	Certificate of PPL's principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32(b)	-	Certificate of PPL Electric's principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32(c)	-	Certificate of LKE's principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32(d)	-	Certificate of LG&E's principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32(e)	-	Certificate of KU's principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

*99(a)	-	PPL Corporation and Subsidiaries Long-term Debt Schedule
101.INS	-	XBRL Instance Document for PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company
101.SCH	-	XBRL Taxonomy Extension Schema for PPL Corporation, PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company
101.CAL	-	XBRL Taxonomy Extension Calculation Linkbase for PPL Corporation, PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company
101.DEF	-	XBRL Taxonomy Extension Definition Linkbase for PPL Corporation, PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company
101.LAB	-	XBRL Taxonomy Extension Label Linkbase for PPL Corporation, PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company
101.PRE	-	XBRL Taxonomy Extension Presentation Linkbase for PPL Corporation, PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

EXECUTION VERSION

Dated 26 November 2010

CENTRAL NETWORKS EAST PLC

and

CENTRAL NETWORKS WEST PLC

and

DEUTSCHE TRUSTEE COMPANY LIMITED

TRUST DEED

relating to
CENTRAL NETWORKS EAST PLC

and

CENTRAL NETWORKS WEST PLC

£3,000,000,000
Euro Medium Term Note Programme

arranged by
BARCLAYS BANK PLC

Linklaters

Ref: L-183391

Linklaters LLP

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This Trust Deed is made on 26 November 2010 **between:**

(1) **CENTRAL NETWORKS EAST PLC** and **CENTRAL NETWORKS WEST PLC** (each an **"Issuer"**and together the **"Issuers")** and

(2) **DEUTSCHE TRUSTEE COMPANY LIMITED** (the "**Note Trustee**", which expression, where the context so admits, includes any other trustee or the trustees for the time being of this Trust Deed).

(A) The Issuers propose to issue from time to time euro medium term notes in an aggregate nominal amount outstanding at any one time not exceeding the Programme Limit in accordance with the Dealer Agreement (the "**Programme**") and to be constituted under this Trust Deed. Notes issued by each Issuer are obligations solely of that Issuer (the **"Relevant Issuer")** and are without any recourse whatsoever to the other Issuer.

(B) The Note Trustee has agreed to act as trustee of this Trust Deed on the following terms and conditions.

This deed witnesses and it is declared as follows:

1 Interpretation

1.1 Definitions: In this Trust Deed:

"Agency Agreement" means the agency agreement relating to the Programme dated 26 November 2010 between the Issuers, the Note Trustee, the Issuing and Paying Agent and the other agents mentioned in it;

"Agents" means the Issuing and Paying Agent, the Paying Agents, the Calculation Agent, the Registrar, the Transfer Agents or any of them;

"Bearer Note" means a Note that is in bearer form, and includes any replacement Bearer Note issued pursuant to the Conditions and any temporary Global Note or permanent Global Note;

"Calculation Agent" means, in relation to the Notes of any Series, the person named as such in the Conditions or any Successor Calculation Agent;

"Certificate" means a registered certificate representing one or more Registered Notes of the same Series and, save as provided in the Conditions, comprising the entire holding by a Noteholder of his Registered Notes of that Series and, save in the case of Global Certificates, being substantially in the form set out in Schedule 2;

"CGN" means a temporary Global Note in the form set out in Part A of Schedule 1 (*Form of CGN Temporary Global Note*) or a permanent Global Note in the form set out in Part B of Schedule 1 (*Form of CGN Permanent Global Note*);

"Clearstream, Luxembourg" means Clearstream Banking, *société anonyme;*

"Common Safekeeper" means, in relation to a Series where the relevant Global Note is a NGN or the relevant Global Certificate is held under the NSS, the common safekeeper for Euroclear and Clearstream, Luxembourg appointed in respect of such Notes;

"Conditions" means in respect of the Notes of each Series the terms and conditions applicable thereto which shall be substantially in the form set out in Schedule 2 Part C (*Terms and Conditions of the Notes*) as modified, with respect to any Notes represented by a Global Certificate or a Global Note, by the provisions of such Global Certificate or Global

Note, shall incorporate any additional provisions forming part of such terms and conditions set out in Part A of the Final Terms relating to the Notes of that Series and shall be endorsed on the Definitive Notes subject to amendment and completion as referred to in the first paragraph of Schedule 2 Part C (*Terms and Conditions of the Notes*) and any reference to a particularly numbered Condition shall be construed accordingly;

"Contractual Currency" means, in relation to any payment obligation of any Note, the currency in which that payment obligation is expressed and, in relation to Clause 11 (*Provisions supplemental to the Trustee Act 1925 and the Trustee Act 2000*), pounds sterling or such other currency as may be agreed between the Relevant Issuer and the Note Trustee from time to time;

"Coupons" means the bearer coupons relating to interest bearing Bearer Notes or, as the context may require, a specific number of them and includes any replacement Coupons issued pursuant to the Conditions;

"Dealer Agreement" means the Dealer Agreement relating to the Programme dated 26 November 2010 between the Issuers, Barclays Bank plc and the other dealers and arrangers named in it;

"Definitive Note" means a Bearer Note in definitive form having, where appropriate, Coupons, Receipt(s) and/or a Talon attached on issue and, unless the context requires otherwise, means a Certificate (other than a Global Certificate) and includes any replacement Note or Certificate issued pursuant to the Conditions;

"Euroclear" means Euroclear Bank S.A./N.V.;

"Eurosystem-eligible NGN" means a NGN which is intended to be held in a manner which would allow Eurosystem eligibility, as stated in the applicable Final Terms;

"Event of Default" means an event described in Condition 11 (*Events of Default*) of the Conditions that, if so required by that Condition, has been certified by the Note Trustee to be, in its opinion, materially prejudicial to the interests of the Noteholders;

"Extraordinary Resolution" has the meaning set out in Schedule 3 (*Provisions for Meetings of Noteholders*);

"Final Terms" means, in relation to a Tranche, the Final Terms issued specifying the relevant issue details of such Tranche, substantially in the form of Schedule C (*Form of Final Terms*) to the Dealer Agreement;

"FSMA" means the Financial Services and Markets Act 2000;

"Global Certificate" means a Certificate substantially in the form set out in Schedule 1 Part E (*Form of Global Certificate*)representing Registered Notes of one or more Tranches of the same Series;

"Global Note" means a temporary Global Note and/or, as the context may require, a permanent Global Note, a CGN and/or a NGN, as the context may require;

"holder" in relation to a Note, Receipt, Coupon or Talon, and **"Couponholder"** and **"Noteholder"** have the meanings given to them in the Conditions;

"Issuing and Paying Agent" means the person named as such in the Conditions or any Successor Issuing and Paying Agent in each case at its specified office;

"Liabilities" means in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings, or other liabilities whatsoever including legal fees and Taxes and penalties incurred by that person (but, for the avoidance of doubt, in each case, excluding tax on net income, profits or gains), together with any irrecoverable VAT charged or chargeable in respect of any sums referred to in this definition;

"Market" means the Professional Securities Market of the London Stock Exchange;

"Moody's" means Moody's Investors Services Limited or any of its subsidiaries and their successors;

"NGN" or **"New Global Note"** means a temporary Global Note in the form set out in Part C of Schedule 1 (*Form of NGN Temporary Global Note*) or a permanent Global Note in the form set out in Part D of Schedule 1 (*Form of Permanent Global Note*);

"NSS" means the new safekeeping structure which applies to Registered Notes held in global form by a Common Safekeeper for Euroclear and Clearstream, Luxembourg and which is required for such Registered Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations;

"Non-eligible NGN" means a NGN which is not intended to be held in a manner which would allow Eurosystem eligibility, as stated in the applicable Final Terms;

"Notes" means the euro medium term notes to be issued by the issuers pursuant to the Dealer Agreement, constituted by this Trust Deed and for the time being outstanding or, as the context may require, a specific number of them and, in respect of an Issuer shall only refer to the Notes issued by it

"outstanding" means, in relation to the Notes, all the Notes issued except (a) those that have been redeemed in accordance with this Trust Deed; (b) those that have been redeemed in accordance with the Conditions, (c) those in respect of which the date for redemption has occurred and the redemption moneys (including all interest accrued on such Notes to the date for such redemption and any interest payable after such date) have been duly paid to the Note Trustee or to the Issuing and Paying Agent as provided in Clause 2 (*Issue of Notes and Covenant to pay*) and in the manner provided in the Agency Agreement and remain available for payment against presentation and surrender of Notes, Certificates, Receipts and/or Coupons, as the case may be in accordance with the Conditions, (d) those that have become void or in respect of which claims have become prescribed, (e) those that have been purchased and cancelled as provided in the Conditions and notice of the cancellation of which has been given to the Note Trustee, (f) those mutilated or defaced Bearer Notes that have been surrendered or cancelled in exchange for replacement Bearer Notes, (f) (for the purpose only of determining how many Notes are outstanding and without prejudice to their status for any other purpose) those Bearer Notes alleged to have been lost, stolen or destroyed and in respect of which replacement Notes have been issued, (g) any temporary Global Note to the extent that it shall have been exchanged for a permanent Global Note and any Global Note to the extent that it shall have been exchanged for one or more Definitive Notes, in either case pursuant to its provisions provided that for the purposes of (1) ascertaining the right to attend and vote at any meeting of the Noteholders, (2) the determination of how many Notes are outstanding for the purposes of Conditions 11 (*Events of Default*) and 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*) and Schedule 3 (*Provisions for Meetings of Noteholders*), (3) the exercise of any discretion, power or authority that the

Note Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Noteholders and (4) the certification (where relevant) by the Note Trustee as to whether an Event of Default is in its opinion materially prejudicial to the interests of the Noteholders, those Notes that are beneficially held by or on behalf of the Relevant Issuer and not cancelled shall (unless no longer so held) be deemed not to remain outstanding. Save for the purposes of the proviso herein, in the case of each NGN, the Note Trustee shall rely on the records of Euroclear and Clearstream, Luxembourg in relation to any determination of the nominal amount outstanding of each NGN;

"Paying Agents" means the persons (including the issuing and Paying Agent) referred to as such in the Conditions or any Successor Paying Agents in each case at their respective specified offices;

"permanent Global Note" means a Global Note representing Bearer Notes of one or more Tranches of the same Series, either on issue or upon exchange of a temporary Global Note, or part of it, and which shall be substantially in the form set out in Part B (*Form of CGN Permanent Global Note*) or Part D *(Form of NGN Permanent Global Note*) of Schedule 1, as the case may be;

"Procedures Memorandum" means administrative procedures and guidelines relating to the settlement of issues of Notes as shall be agreed upon from time to time by the Issuers, the Note Trustee, the Permanent Dealers (as defined in the Dealer Agreement) and the Issuing and Paying Agent and which, at the date of this Trust Deed, are set out in Schedule A (*Procedures Memorandum*) to the Dealer Agreement;

"Programme Limit" means the maximum aggregate nominal amount of Notes that may be issued and outstanding at any time under the Programme, as such limit may be increased pursuant to the Dealer Agreement;

"Put Event" has the meaning given to it in Condition 6 (*Redemption, Purchase and Options*)

"Put Option" has the meaning given to it in Condition 6 (*Redemption, Purchase and Options*)

"Receipts" means the receipts for the payment of instalments of principal in respect of Bearer Notes of which the principal is repayable in instalments or, as the context may require, a specific number of them and includes any replacement Receipts issued pursuant to the Conditions;

"Redemption Amount" means the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, all as defined in the Conditions

"Register" means the register maintained by the Registrar at its specified office;

"Registered Note" means a Note in registered form;

"Registrar" means the person named as such in the Conditions or any Successor Registrar in each case at its specified office;

"S&P" means Standard & Poors Ratings Service, a division of the McGraw Hill Companies Inc. or any of its subsidiaries and their successors;

"Series" means a series of Notes comprising one or more Tranches, whether or not issued on the same date, that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number;

"specified office" means, in relation to a Paying Agent, the Registrar or a Transfer Agent the office identified with its name at the end of the Conditions or any other office approved by the Note Trustee and notified to Noteholders pursuant to Clause 9.10 (*Change in Agents*);

"Successor" means, in relation to an Agent such other or further person as may from time to time be appointed by the issuers as such Agent with the written approval of, and on terms approved in writing by, the Note Trustee and notice of whose appointment is given to Noteholders pursuant to Clause 9.10 (*Change in Agents*);

"Talons" mean talons for further Coupons or, as the context may require, a specific number of them and includes any replacement Talons issued pursuant to the Conditions;

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

"Tax" shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same, but excluding taxes on net income, profits or gains) imposed or levied by or on behalf of any Tax Authority in the jurisdiction of the Relevant Issuer and **"Taxes"** shall be construed accordingly;

"Tax Authority" means any government, state or municipality or any local, state, federal or other authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function (including, without limitation, Her Majesty's Revenue and Customs);

"temporary Global Note" means a Global Note representing Bearer Notes of one or more Tranches of the same Series on issue and which shall be substantially in the form set out in Schedule 1 Part A (*Form of CGN Temporary Global Note*) or Part C of Schedule 1 (*Form of NGN Temporary Global Note*), as the case may be;

"Tranche" means, in relation to a Series, those Notes of that Series that are issued on the same date at the same issue price and in respect of which the first payment of interest is identical;

"Transfer Agents" means the persons (including the Registrar) referred to as such in the Conditions or any Successor Transfer Agents in each case at their specified offices;

"trust corporation"means a trust corporation (as defined in the Law of Property Act 1925) or a corporation entitled to act as a trustee pursuant to applicable foreign legislation relating to trustees;

"VAT" means value added tax provided for in the VAT Legislation and any other tax of a similar fiscal nature whether imposed in the United Kingdom (instead of or in addition to value added tax) or elsewhere; and

"VAT Legislation" means the Value Added Tax Act 1994.

1.2 Construction of Certain References: References to:

1.2.1 the records of Euroclear and Clearstream, Luxembourg shall be to the records that each of Euroclear and Clearstream, Luxembourg holds for its customers which reflect the amount of such customers' interests in the Notes

1.2.2 costs, charges, remuneration or expenses include any value added, turnover or similar tax charged in respect thereof

1.2.3 an action, remedy or method of judicial proceedings for the enforcement of creditors' rights include references to the action, remedy or method of judicial proceedings in jurisdictions other than England as shall most nearly approximate thereto.

1.3 **Headings:** Headings shall be ignored in construing this Trust Deed.

1.4 **Contracts:** References in this Trust Deed to this Trust Deed or any other document are to this Trust Deed or those documents as amended, supplemented or replaced from time to time in relation to the Programme and include any document that amends, supplements or replaces them.

1.5 **Schedules:** The Schedules are part of this Trust Deed and have effect accordingly.

1.6 **Alternative Clearing System:** References in this Trust Deed to Euroclear and/or Clearstream, Luxembourg shall, wherever the context so permits, be deemed to include reference to any additional or alternative clearing system approved by the Issuers, the Note Trustee and the Issuing and Paying Agent. In the case of NGNs or Global Certificates held under the NSS, such alternative clearing system must also be authorised to hold such Notes as eligible collateral for Eurosystem monetary policy and intra-day credit operations.

1.7 **Contracts (Rights of Third Parties) Act 1999:** A person who is not a party to this Trust Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Trust Deed except and to the extent (if any) that this Trust Deed expressly provides for such Act to apply to any of its terms

1.8 **Final Terms:** In the event of any inconsistency between the Trust Deed and the Final Terms, the Final Terms shall prevail.

2 Issue of Notes and Covenant to pay

2.1 **Issue of Notes:** Each Issuer may from time to time issue Notes in Tranches of one or more Series on a continuous basis with no minimum issue size in an aggregate nominal amount of up to the Programme Limit in accordance with the Dealer Agreement. Before issuing any Tranche, the Relevant issuer shall give written notice or procure that it is given to the Note Trustee of the proposed issue of such Tranche, specifying the details to be included in the relevant Final Terms. Upon the issue by the Relevant Issuer of any Notes expressed to be constituted by this Trust Deed, such Notes shall forthwith be constituted by this Trust Deed without any further formality and irrespective of whether or not the issue of such debt securities contravenes any covenant or other restriction in this Trust Deed or the Programme Limit.

2.2 **Separate Series:** The Notes of each Series shall form a separate series of Notes and accordingly, unless the Note Trustee in its absolute discretion shall otherwise determine, the provisions of this Trust Deed shall apply *mutatis mutandis* separately and independently to the Notes of each Series and in such Clauses and Schedule the expressions "Noteholders", "Certificates", "Receipts", "Coupons", "Couponholders" and "Talons", together with all other terms that relate to Notes or their Conditions, shall be construed as referring to those of the particular Series in question and not of all Series unless expressly so provided, so that each Series shall be constituted by a separate trust pursuant to sub-Clause 2.3 (*Covenant to Pay*) and that, unless expressly provided, events affecting one Series shall not affect any other. Each Issuer shall be at liberty from time to time (but subject always to the provisions of this Trust Deed) without the consent of the Noteholders or Couponholders to create and issue further Notes (whether in bearer or registered form) having terms and conditions the same as the Notes of any Tranche (or the same in all respects save for the Issue Date, Interest Commencement Date (as defined in the Conditions) and Issue Price (as defined in the Conditions)) and so that the same shall be consolidated and form a single Tranche with the outstanding Notes of a particular Tranche.

2.3 **Covenant to Pay:** Each Relevant Issuer covenants with the Note Trustee that it, in relation to itself only, shall on any date when any Notes become due to be redeemed, in whole or in part, or any principal of the Notes of any Series or any of them becomes due to be repaid in accordance with the Conditions, unconditionally pay to or to the order of the Note Trustee in the Contractual Currency, in the case of any Contractual Currency other than euro, in the principal financial centre for the Contractual Currency and in the case of euro, in a city in which banks have access to the TARGET System, in same day funds the Redemption Amount of the Notes becoming due for redemption on that date together with any applicable premium and shall (subject to the Conditions) until such payment (both before and after judgment) unconditionally so pay to or to the order of the Note Trustee interest in respect of the nominal amount of the Notes outstanding as set out in the Conditions (subject to sub-Clause 2.6 (*Rate of Interest After a Default*)) provided that (1) subject to the provisions of Clause 2.5 (*Payment after a Default*) payment of any sum due in respect of the Notes or any of them made to the Issuing and Paying Agent, or as the case may be, the Registrar as provided in the Agency Agreement shall, to that extent, satisfy such obligation except to the extent that there is failure in its subsequent payment to the relevant Noteholders or Couponholders under the Conditions and (2) a payment made after the due date or as a result of the Note becoming repayable following an Event of Default shall be deemed to have been made when the full amount due has been received by the Issuing and Paying Agent or the Note Trustee and notice to that effect has been given to the Noteholders (if required under Clause 9.8 (*Notice of Late Payment*)),except to the extent that there is failure in its subsequent payment to the relevant Noteholders or Couponholders under the Conditions; and (3) in any case where payment of the whole or any part of the principal amount due in respect of any Note is improperly withheld or refused upon due presentation of the relevant Note or Receipt (as the case may be) or (if so provided for in the Conditions) interest shall accrue on the whole or such part of such principal amount from the date of such withholding or refusal until the date either on which such principal amount due is paid to the relevant Noteholders or Receiptholders (as the case may be) or, if earlier, the seventh day after which notice is given to the relevant Noteholders in accordance with the Conditions that the full amount payable in respect of the said principal amount is available for collection by the relevant Noteholders or Receiptholders (as the case may be) provided that on further due presentation of the relevant Note or Receipt (as the case may be) or (if so provided for in the Conditions) the relevant Note Certificate such payment is in fact made. This covenant shall only have effect each time Notes are issued and outstanding, when the Note Trustee shall hold the benefit of this covenant and the covenant in Clause 8 (*Covenant to comply with the Trust Deed*) on trust for the Noteholders and Couponholders of the relevant Series.

2.4 Discharge: Subject to sub-Clause 2.5 (*Payment after a Default*), any payment to be made in respect of the Notes, Receipts or the Coupons by the Relevant Issuer or the Note Trustee may be made as provided in the Conditions and any payment so made shall (subject to sub-Clause 2.5 (*Payment after a Default*)) to that extent be a good discharge to the Relevant Issuer or the Note Trustee, as the case may be (including, in the case of Notes represented by a NGN whether or not the corresponding entries have been made in the records of Euroclear and Clearstream, Luxembourg) except to the extent that there is failure in its subsequent payment to the relevant Noteholders or Couponholders under the Conditions.

2.5 Payment after a Default: At any time after an Event of Default has occurred in relation to a particular Series the Note Trustee may:

2.5.1 by notice in writing to the Relevant Issuer, the Paying Agents and the other Agents, require the Paying Agents and the other Agents, or any of them until notified by the Note Trustee to the contrary, so far as permitted by applicable law:

(i) to act thereafter until otherwise instructed by the Note Trustee as Agents of the Note Trustee under this Trust Deed and the Notes of such Series on the terms of the Agency Agreement (with consequential amendments as necessary and except that the Note Trustee's liability for the indemnification, remuneration and expenses of the Paying Agents and the Transfer Agents shall be limited to the amounts for the time being held by the Note Trustee in respect of such Series on the terms of this Trust Deed and available for that purpose) and thereafter to hold all Notes, Certificates, Receipts, Coupons and Talons of such Series and all moneys, documents and records held by them in respect of Notes, Certificates, Receipts, Coupons and Talons of such Series on behalf of or to the order of the Note Trustee; and/or

(ii) to deliver all Notes, Certificates, Receipts, Coupons and Talons of such Series and all moneys, documents and records held by them in respect of the Notes, Certificates, Receipts, Coupons and Talons of such Series to the Note Trustee or as the Note Trustee directs in such notice provided that, such notice shall be deemed not to apply to any document or record which the relevant Agent is obliged not to release by any law or regulation; and

2.5.2 by notice in writing to the Relevant Issuer require the Relevant Issuer to make all subsequent payments in respect of the Notes, Receipts, Coupons and Talons of such Series to or to the order of the Note Trustee and not to the Issuing and Paying Agent with effect from the Issue of any such notice to the Relevant Issuer; and from then until such notice is withdrawn, proviso (1) to Clause 2.3 (*Covenant to Pay*)above shall cease to have effect.

2.6 Rate of Interest After a Default: If the Notes bear interest at a floating or other variable rate and they become immediately due and repayable under the Conditions, the rate and/or amount of interest payable in respect of them shall continue to be calculated by the Calculation Agent at such interest as if they had not become due and repayable in accordance with the Conditions (with consequential amendments as necessary) except that the rates of interest need not be published unless the Note Trustee otherwise requires. The first period in respect of which interest shall be so calculable shall commence on the expiry of the Interest Period during which the Notes become so due and repayable.

3 Form of the Notes

3.1 Global Notes

3.1.1 The Notes of each Tranche will initially be represented by a single temporary Global Note or a single permanent Global Note, as indicated in the applicable Final Terms. Each temporary Global Note shall be exchangeable, upon request as described therein, for either Definitive Notes together with, where applicable, Receipts and (except in the case of Zero Coupon Notes) Coupons and, where applicable, Talons attached, or a permanent Global Note in each case in accordance with the provisions of such temporary Global Note. Each permanent Global Note shall be exchangeable for Definitive Notes together with, where applicable, Receipts and (except in the case of Zero Coupon Notes) Coupons and, where applicable, Talons attached, in accordance with the provisions of such permanent Global Note. All Global Notes shall be prepared, completed and delivered to a common depositary (in the case of a CGN) or Common Safekeeper (in the case of a NGN) for Euroclear and Clearstream, Luxembourg in accordance with the provisions of the Dealer Agreement or to another appropriate depositary in accordance with any other agreement between the Relevant Issuer and the relevant Dealer(s) and, in each case, the Agency Agreement.

3.1.2 Each temporary Global Note shall be printed or typed in the form or substantially in the form set out in Schedule 1 Part A (*Form of CGN Temporary Global Note*) or Part C of Schedule 1 (*Form of NGN Temporary Global Note*), as the case may be and may be a facsimile. Each temporary Global Note shall have annexed thereto a copy of the applicable Final Terms and shall be signed manually or in facsimile by a person duly authorised by the Relevant Issuer on behalf of the Relevant Issuer and shall be authenticated by or on behalf of the Principal Paying Agent and shall, in the case of a Eurosystem-eligible NGN or in the case of a Non-eligible NGN in respect of which the Issuer has notified the Principal Paying Agent that effectuation is to be applicable, be effectuated by the Common Safekeeper acting on the instructions of the Principal Paying Agent. Each temporary Global Note so executed and authenticated shall be a binding and valid obligation of the Relevant Issuer and title thereto shall pass by delivery.

3.1.3 Each permanent Global Note shall be printed or typed in the form or substantially in the form set out in Schedule 1 Part B (*Form of CGN Permanent Global Note*) or Part D of Schedule 1 (*Form of NGN Permanent Global Note*), as the case may be and may be a facsimile. Each permanent Global Note shall have annexed thereto a copy of the applicable Final Terms and shall be signed manually or in facsimile by a person duly authorised by the Relevant Issuer on behalf of the Relevant Issuer and shall be authenticated by or on behalf of the Principal Paying Agent and shall, in the case of a Eurosystem-eligible NGN or in the case of a Non-eligible NGN in respect of which the Relevant Issuer has notified the Principal Paying Agent that effectuation is to be applicable, be effectuated by the Common Safekeeper acting on the instructions of the Principal Paying Agent. Each permanent Global Note so executed and authenticated shall be a binding and valid obligation of the Relevant Issuer and title thereto shall pass by delivery.

3.2 Global Certificates

3.2.1 The Registered Notes of each Tranche will initially be represented by a Global Certificate. Global Certificates shall be deposited with a common depositary for, and registered in the name of a nominee of such common depositary for, Euroclear and Clearstream, Luxembourg.

3.2.2 Each Global Certificate, and each interest represented by a Global Certificate, shall be exchangeable and transferable only in accordance with the provisions of such Global Certificate, the Dealer Agreement, the Agency Agreement and the rules and operating procedures for the time being of Euroclear and Clearstream, Luxembourg (as the case may be).

3.2.3 Each Global Certificate shall be printed or typed in the form or substantially in the form set out in Part E of Schedule 1 (*Form of Global Certificate*) and may be a facsimile. Each Global Certificate shall have annexed thereto a copy of the applicable Final Terms and shall be signed manually or in facsimile by a person duly authorised by the Relevant Issuer on behalf of the Relevant Issuer and shall be authenticated manually by or on behalf of the Registrar. The Registrar shall also instruct the Common Safekeeper to effectuate the same. Each Global Certificate so executed, authenticated and effectuated shall be a binding and valid obligation of the Relevant Issuer.

3.3 The Definitive Notes:

The Definitive Notes, Receipts, Coupons and Talons shall be security printed and the Certificates shall be printed, in each case in accordance with applicable legal and stock exchange requirements substantially in the forms set out in Schedule 2. The Notes and Certificates (other than Global Certificates) shall be endorsed with the Conditions.

3.4 Signature: The Notes, Certificates, Receipts, Coupons and Talons shall be signed manually or in facsimile by a director of the Relevant Issuer, the Notes shall be authenticated by or on behalf of the Issuing and Paying Agent and the Certificates shall be authenticated by or on behalf of the Registrar. The Relevant Issuer may use the facsimile signature of a person who at the date of this Trust Deed is such a director even if at the time of issue of any Notes, Certificates, Receipts, Coupons or Talons he no longer holds that office. In the case of a Global Note which is a NGN or a Global Certificate which is held under the NSS, the Issuing and Paying Agent or the Registrar shall also instruct the Common Safekeeper to effectuate the same. Notes, Certificates, Receipts, Coupons and Talons so executed and authenticated (and effectuated, if applicable) shall be or, in the case of Certificates, represent binding and valid obligations of the Relevant Issuer.

3.5 Entitlement to treat holder as owner: The Relevant Issuer, the Note Trustee and any Agent may deem and treat the holder of any Bearer Note or Certificate as the absolute owner of such Bearer Note or Certificate, free of any equity, set-off or counterclaim on the part of the Relevant Issuer against the original or any intermediate holder of such Bearer Note or Certificate (whether or not such Bearer Note or the Registered Note represented by such Certificate shall be overdue and notwithstanding any notation of ownership or other writing thereon or any notice of previous loss or theft of such Bearer Note or Certificate) for all purposes and, except as ordered by a court of competent jurisdiction or as required by applicable law, the Relevant Issuer, the Note Trustee and the Issuing and Paying Agent shall not be affected by any notice to the contrary. All payments made to any such holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for the moneys payable upon the Notes.

4 Stamp Duties and Taxes

4.1 **Stamp Duties:** Each Relevant Issuer (in respect of itself only) shall pay any stamp, issue, documentary or other similar taxes and duties, including interest and penalties, payable in the United Kingdom and the country of each Contractual Currency in respect of the creation, issue and offering of the Notes, Certificates, Receipts, Coupons and Talons and the execution or delivery of this Trust Deed. Each Relevant Issuer (on a several (and not joint) basis) shall also pay to the Note Trustee, the Noteholders or the Couponholders (as applicable), an amount equal to any stamp, issue, documentary or other similar taxes paid by them in any jurisdiction in connection with any action taken by or on behalf of the Note Trustee or, as the case may be, the Noteholders or the Couponholders to enforce the Relevant issuer's obligations under this Trust Deed or the Notes, Certificates, Receipts, Coupons or Talons.

4.2 **Change of Taxing Jurisdiction:** If an Issuer becomes subject generally to the taxing jurisdiction of a territory or a taxing authority of or in that territory with power to tax other than or in addition to the United Kingdom or any such authority of or in such territory then the Relevant Issuer shall (unless the Note Trustee otherwise agrees) give the Note Trustee an undertaking satisfactory to the Note Trustee in terms corresponding to the terms of Condition 9 (*Taxation*) with the substitution for, or (as the case may require) the addition to, the references in that Condition to the United Kingdom of references to that other or additional territory or authority to whose taxing jurisdiction the Relevant Issuer has become so subject. In such event this Trust Deed and the Notes, Certificates, Receipts, Coupons and Talons shall be read accordingly.

5 Application of moneys received by the Note Trustee

5.1 **Declaration of Trust:** All moneys received by the Note Trustee in respect of the Notes or amounts payable under this Trust Deed shall, despite any appropriation of all or part of them by the Relevant Issuer, be held by the Note Trustee on trust to apply them (subject to Clause 5.2 (*Accumulation*)):

5.1.1 first, in payment of all costs, charges, expenses and Liabilities incurred by the Note Trustee (including remuneration payable to it) in carrying out its functions under this Trust Deed;

5.1.2 secondly, in payment of any amounts owing in respect of the Notes, Receipts or Coupons pari passu and rateably (and where interest and principal is due and payable in respect of the Notes it shall be applied *pari passu* between each Series unless in respect of a specific Series only); and

5.1.3 thirdly, in payment of any balance to the Relevant Issuer for itself.

If the Note Trustee holds any moneys in respect of Notes, Receipts or Coupons that have become void or in respect of which claims have become prescribed, the Note Trustee shall hold them on these trusts.

5.2 **Accumulation:** If the amount of the moneys at any time available for payment in respect of the Notes under sub-Clause 5.1 (*Declaration of Trust*) is less than 10 per cent of the nominal amount of the Notes then outstanding, the Note Trustee may, at its discretion, invest such moneys upon some or one of the investments hereinafter authorised with power from time to time, with like discretion, to vary such investments. The Note Trustee may retain such investments and accumulate the resulting income until the investments and the accumulations, together with any other funds for the time being under its control and available for such payment, amount to at least 10 per cent of the nominal amount of the Notes then outstanding and then such investments, accumulations and funds (after deduction of, or provision for, any applicable taxes) shall be applied as specified in sub-Clause 5.1 (*Declaration of Trust*).

5.3 **Investment:** Moneys held by the Note Trustee may be invested in its name or under its control in any investments or other assets anywhere whether or not they produce income or deposited in its name or under its control at such bank or other financial institution in such currency as the Note Trustee may, in its absolute discretion, think fit. If that bank or institution is the Note Trustee or a subsidiary, holding or associated company of the Note Trustee, it need only account for an amount of interest equal to the standard amount of interest payable by it on such a deposit to an independent customer. The Note Trustee may at any time vary or transpose any such investments or assets or convert any moneys so deposited into any other currency, and shall not be responsible for any resulting Liability, whether by depreciation in value, change in exchange rates or otherwise.

6 **Enforcement and Put Event**

6.1 **Proceedings brought by the Note Trustee:** At any time after the occurrence of an Event of Default which is continuing, and, in the case of paragraphs (ii) to (v), (vii) and (viii) of Condition 11 (*Events of Default*), where the Note Trustee has certified (without liability on its part) that in its opinion such event is materially prejudicial to the interests of the Noteholders, the Note Trustee may at its discretion and without further notice take such proceedings as it may think fit against the Relevant Issuer to enforce the terms of the Trust Deed, the Notes, the Receipts and the Coupons.

6.2 **Proof of default:** Should the Note Trustee take legal proceedings against the Relevant Issuer to enforce any of the provisions of this Trust Deed:

6.2.1 proof therein that as regards any specified Note the Relevant Issuer has made default in paying any principal, premium or interest due in respect of such Note shall (unless the contrary be proved) be sufficient evidence that the Relevant Issuer has made the like default as regards all other Notes which are then due and repayable and

6.2.2 proof therein that as regards any specified Coupon the Relevant Issuer has made default in paying any interest due in respect of such Coupon shall (unless the contrary be proved) be sufficient evidence that the Relevant Issuer has made the like default as regards all other Coupons which are then due and payable.

6.3 **Put Event:** At any time upon the Note Trustee becoming aware that a Put Event has occurred, the Note Trustee may, and if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding shall, give notice to the Noteholders in accordance with Condition 17 (*Notices*) specifying the nature of the Put Event and the procedure for exercising the Put Option.

7 **Proceedings**

7.1 **Action taken by Note Trustee:** The Note Trustee shall not be bound to take any such proceedings as are mentioned in Clause 6.1 (*Proceedings brought by the Note Trustee*) unless respectively directed or requested to do so (i) by an Extraordinary Resolution or (ii) in writing by the holders of at least one-quarter in nominal amount of the Notes of the relevant Series then outstanding and in either case then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing.

7.2 **Note Trustee only to enforce:** Only the Note Trustee may enforce the provisions of this Trust Deed. No holder shall be entitled to proceed directly against the Relevant Issuer to enforce the performance of any of the provisions of this Trust Deed unless the Note Trustee having become bound as aforesaid to take proceedings fails to do so within a reasonable period and such failure shall be continuing.

8 Covenant to comply with the Trust Deed

8.1 **Covenant to comply with the Trust Deed:** The Relevant issuer covenants with the Note Trustee to comply with those provisions of this Trust Deed and the Conditions which are expressed to be binding on it and to perform and observe the same. The Notes, the Receipts and the Coupons are subject to the provisions contained in this Trust Deed, all of which shall be binding upon the Relevant Issuer, the Noteholders, the Receiptholders, the Couponholders and all persons claiming through or under them respectively.

8.2 **Note Trustee may enforce Conditions:** The Note Trustee shall itself be entitled to enforce the obligations of the Relevant Issuer under the Notes and the Conditions as if the same were set out and contained in this Trust Deed which shall be read and construed as one document with the Notes.

9 Covenants

So long as any Note is outstanding, each Relevant Issuer severally (and not jointly) covenants with the Note Trustee that it shall:

9.1 **Books of Account:** at all times keep such books of account as may be necessary to comply with all applicable laws and so as to enable the financial statements of the Relevant Issuer to be prepared and allow the Note Trustee and anyone appointed by it, access to its books of account at all reasonable times during normal business hours and to discuss the same with responsible officers of the Relevant Issuer;

9.2 **Notice of Events of Default:** notify the Note Trustee in writing immediately on becoming aware of the occurrence of any Event of Default and without waiting for the Note Trustee to take any further action;

9.3 **Information:** so far as permitted by applicable law, at all times give to the Note Trustee such information, opinions, certificates and other evidence as it shall require and in such form as it shall require (including, without limitation, the certificates called for by the Note Trustee pursuant to Clause 9.5 (*Certificate of director*)) in each case for the performance of its functions hereunder;

9.4 **Financial Statements etc.:** send to the Note Trustee and the Issuing and Paying Agent at the time of their issue, and, in the case of annual financial statements in any event within 180 days of the end of each financial year, electronic copies in English of every balance sheet, profit and loss account, report or other notice, statement or circular issued, or that legally or contractually should be issued, to its members or creditors (or any class of them) or any holding company thereof generally in their capacity as such and procure that the same are made available for inspection by Noteholders, Receiptholders and Couponholders at the specified offices of the Paying Agents as soon as practicable thereafter;

9.5 **Certificate of director:** send to the Note Trustee, within 14 days of its annual audited financial statements being made available to its members, and also within 14 days of any request by the Note Trustee and in any event not later than 180 days after the end of its financial year a certificate signed by any one of its directors certifying that, having made all reasonable enquiries, to the best of the knowledge, information and belief as at a date not more than 5 days before the date of the certificate (the "**Certification Date**") the Relevant Issuer has complied with its obligations under this Trust Deed (or, if such is not the case, giving details of such non-compliance) and that as at such date there did not exist nor had there existed at any time prior thereto since the Certification Date in respect of the previous such certificate (or, in the case of the first such certificate, since the date of this Trust Deed) any Event of Default or Restructuring Event or (if such is not the case) specifying the same

9.6 **Notices to Noteholders:** send to the Note Trustee not less than three days prior to the date of publication, for the Note Trustee's approval the form of each notice to be given to Noteholders in accordance with the conditions and not publish such notice without such approval and, once given, two copies of each such notice (such approval, unless so expressed, not to constitute approval for the purposes of section 21 of the FSMA of any such notice which is a communication within the meaning of section 21 of the FSMA)

9.7 **Further Acts:** so far as permitted by applicable law, do such further things as may be necessary in the opinion of the Note Trustee to give effect to this Trust Deed

9.8 **Notice of Late Payment:** forthwith give notice to the Noteholders of any unconditional payment to the Issuing and Paying Agent or the Note Trustee of any sum due in respect of the Notes, the Receipts or Coupons made after the due date for such payment

9.9 **Listing and Trading:** if the Notes are so listed and traded, use reasonable endeavours to maintain the listing and trading of the Notes on the Market but, if it is unable to do so, having used such endeavours, or if the maintenance of such listing or trading is agreed by the Note Trustee to be unduly onerous and the Note Trustee is satisfied that the interests of the Noteholders would not be thereby materially prejudiced, instead use reasonable endeavours to obtain and maintain a listing of the Notes on another stock exchange and the admission to trading of the Notes on another market (such market not being a market which is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments), in each case approved in writing by the Note Trustee

9.10 **Change in Agents:** give at least 14 days' prior notice to the Noteholders of any future appointment, resignation or removal of an Agent or of any change by an Agent of its specified office and not make any such appointment or removal without the Note Trustee's written approval

9.11 **Provision of Legal Opinions**: procure the delivery of legal opinions addressed to the Note Trustee dated the date of such delivery, in form and content acceptable to the Note Trustee:

9.11.1 from Linklaters LLP as to the laws of England on the date of any amendment to this Trust Deed;

9.11.2 from legal advisers, reasonably acceptable to the Note Trustee as to such law as may reasonably be requested by the Note Trustee, on the issue date for the Notes in the event of a proposed issue of Notes of such a nature and having such features as might lead the Note Trustee to conclude (acting reasonably (and only in circumstances where, in the reasonable opinion of the Note Trustee, a legal opinion has not previously been issued in respect of Notes having such features and/or a relevant material change in law has occurred)) that it would be prudent, having regard to such nature and features, to obtain such legal opinion(s) or in the event that the Note Trustee considers it prudent (acting reasonably) in view of a change (or proposed change) in (or in the interpretation or application of) any applicable law, regulation or circumstance affecting it, the Note Trustee, the Notes, the Certificates, the Receipts, the Coupons, the Talons, this Trust Deed or the Agency Agreement; and

9.11.3 on each occasion on which a legal opinion is given to any Dealer in relation to any Notes pursuant to the Dealer Agreement from the legal adviser giving such opinion.

9.12 **Notification of redemption or payment:** not less than the number of days specified in the relevant Condition prior to the redemption or payment date in respect of any Note, Receipt or Coupon give to the Note Trustee notice in writing of the amount of such redemption or payment pursuant to the Conditions and duly proceed to redeem or pay such Notes, Receipts or Coupons accordingly;

9.13 **Tax or optional redemption:** if the Issuer gives notice to the Note Trustee that it intends to redeem the Notes pursuant to Conditions 6(c) (*Redemption for Taxation Reasons*), 6(d) (*Redemption for Indexation Reasons*) and 6(e) (*Redemption at the Option of the Relevant Issuer)* the Relevant Issuer shall, prior to giving such notice to the Noteholders, provide such information to the Trustee as the Trustee reasonably requires in order to satisfy itself of the matters referred to in such Condition;

9.14 **Change of taxing jurisdiction:** if the Relevant Issuer shall become subject generally to the taxing jurisdiction of any territory or any political sub-division thereof or any authority therein or thereof having power to tax other than or in addition to Relevant Issuer's taxing jurisdiction, immediately upon becoming aware thereof notify the Note Trustee of such event and (unless the Note Trustee otherwise agrees) enter forthwith into a trust deed supplemental hereto, giving to the Note Trustee an undertaking or covenant in form and manner satisfactory to the Note Trustee in terms corresponding to the terms of Condition 9 with the substitution for (or, as the case may be, the addition to) the references therein to Relevant Issuer's taxing jurisdiction of references to that other or additional territory to whose taxing jurisdiction, or that of a political subdivision thereof or an authority therein or thereof, the Issuer shall have become subject as aforesaid, such trust deed also to modify Condition 9 so that such Condition shall make reference to that other or additional territory;

9.15 **Authorised Signatories:** upon the execution hereof and thereafter forthwith upon any change of the same, deliver to the Note Trustee (with a copy to the Issuing and Paying Agent) a list of the Authorised Signatories of the Relevant Issuer, together with certified specimen signatures of the same;

9.16 **Payments:** pay moneys payable by it to the Note Trustee hereunder without set off, counterclaim, deduction or withholding, unless otherwise compelled by law and in the event of any deduction or withholding compelled by law and in the event of any deduction or withholding compelled by law pay such additional amount as will result in the payment to the Note Trustee of the amount which would otherwise have been payable by it to the Note Trustee hereunder (save that, for the avoidance of doubt, this shall not apply to any payments of interest or principal in respect of the Notes, the Receipts or the Coupons, any additional amounts to be paid in respect of such sums to be instead determined in accordance with Condition 9 (*Taxation*));

9.17 **Obligations of Agents:** enforce its rights as against the Agents and the Registrar under the Agency Agreement and notify the Note Trustee immediately upon it becoming aware of any material breach or failure by an Agent in relation to the Notes, Receipts or Coupons; and

9.18 **Notice of Put Event**: Notify the Note Trustee in writing immediately on becoming aware of the occurrence of any Put Event.

10 **Remuneration and indemnification of the Note Trustee**

10.1 **Normal Remuneration:** So long as any Note is outstanding each Relevant Issuer shall pay the Note Trustee as remuneration for its services as Note Trustee such sum on such dates in each case as they may from time to time agree. Such remuneration shall accrue from day to day from the date of this Trust Deed. However, if any payment to a Noteholder or Couponholder of moneys due in respect of any Note, Receipts or Coupon is improperly withheld or refused, such remuneration shall again accrue as from the date of such withholding or refusal until payment to such Noteholder or Couponholder is duly made.

10.2 **Extra Remuneration:** If an Event of Default (or an event has occurred which has led the Note Trustee, acting reasonably, to take steps to determine whether an Event of Default has occurred) shall have occurred in relation to a Relevant Issuer, such Relevant Issuer hereby agrees that the Note Trustee shall be entitled to be paid additional remuneration calculated at its normal hourly rates in force from time to time. In any other case, if the Note Trustee finds it expedient or necessary or is requested by such Relevant Issuer to undertake duties that they both agree to be of an exceptional nature or otherwise outside the scope of the Note Trustee's normal duties under this Trust Deed, such Relevant Issuer shall pay such additional remuneration as they may agree (and which may be calculated by reference to the Note Trustee's normal hourly rates in force from time to time) or, failing agreement as to any of the matters in this sub-Clause (or as to such sums referred to in sub-Clause 10.1 (*Normal Remuneration*)), as determined by a financial institution or person (acting as an expert) selected by the Note Trustee and approved by that Relevant Issuer or, failing such approval, nominated by the President for the time being of The Law Society of England and Wales. The expenses involved in such nomination and such financial institution's fee shall be borne by such Relevant Issuer. The determination of such financial institution or person shall be conclusive and binding on the Relevant issuer, the Note Trustee, the Noteholders and the Couponholders.

10.3 **Expenses:** Each Relevant Issuer shall (on a several (and not joint) basis only) also on demand by the Note Trustee pay or discharge all costs, charges, Liabilities and expenses properly incurred by the Note Trustee in the preparation and execution of this Trust Deed and the performance of its functions under this Trust Deed including, but not limited to, legal and travelling expenses and any stamp, documentary or other taxes or duties paid by the Note Trustee in connection with any legal proceedings reasonably brought or contemplated by the Note Trustee against a Relevant Issuer to enforce any provision of this Trust Deed, the Notes, the Receipts, the Coupons or the Talons but excluding any tax on the Note Trustee's net income, profits or gains. Such costs, charges, Liabilities and expenses shall:

10.3.1 in the case of payments made by the Note Trustee before such demand, carry interest from the date of the demand at the rate of 2 per cent per annum over the base rate of the Bank of England on the date on which the Note Trustee made such payments and

10.3.2 in other cases, carry interest at such rate from 30 days after the date of the demand or (where the demand specifies that payment is to be made on an earlier date) from such earlier date.

10.4 **Indemnity:** Each Relevant issuer (on a several (and not joint) basis only) will on demand by the Note Trustee indemnify it in respect of Amounts or Claims paid or incurred by it in acting as trustee under this Trust Deed (including (1) any Agent/Delegate Liabilities and (2) in respect of disputing or defending any Amounts or Claims made against the Note Trustee or any Agent/Delegate Liabilities). Each Relevant issuer (on a several (and not joint) basis only) will on demand by such agent or delegate indemnify it against such Agent/Delegate Liabilities. "Amounts or Claims" are losses, Liabilities, costs, fees, claims, actions, demands or expenses (in each case, other than tax on that person's net income, profits or gains) and "Agent/Delegate Liabilities" are Amounts or Claims which the Note Trustee is or would be obliged to pay or reimburse to any of its agents or delegates appointed pursuant to this Trust Deed.

10.5 **Continuing Effect:** Sub-Clauses 10.3 (Expenses) and 10.4 (indemnity) shall continue in full force and effect as regards the Note Trustee even if it no longer is Note Trustee.

11 Provisions supplemental to the Trustee Act 1925 and the Trustee Act 2000

11.1 **Advice:** The Note Trustee may, in relation to this Trust Deed, act on the opinion or advice of, or a certificate or any information obtained from, any expert and which advice or opinion may be provided on such terms as the Note Trustee in its sole discretion may consider to be consistent with prevailing market practice with regard to advice or opinions of that nature, and shall not be responsible to anyone for any loss occasioned by so acting whether such advice is obtained or addressed to the Relevant Issuer, the Note Trustee or any other person. Any such opinion, advice or information may be sent or obtained by letter or fax and the Note Trustee shall not be liable to anyone for acting in good faith on any opinion, advice, certificate or information purporting to be conveyed by such means even if it contains some error or is not authentic.

The Note Trustee may rely without liability to Noteholders and Couponholders on any report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to the Note Trustee and whether or not liability In relation thereto is limited by reference to a monetary cap, methodology or otherwise.

11.2 **Note Trustee to Assume Performance:** The Note Trustee need not notify anyone of the execution of this Trust Deed or do anything to find out if a Restructuring Event or an Event of Default has occurred. Until it has actual knowledge or express notice to the contrary, the Note Trustee may assume that no such event has occurred and that the Relevant Issuer is performing all its obligations under this Trust Deed, the Notes, the Receipts, the Coupons and the Talons.

11.3 Resolutions of Noteholders: The Note Trustee shall not be responsible for having acted on a resolution purporting to be a Written Resolution or to have been passed at a meeting of Noteholders in respect of which minutes have been made and signed or a direction of a specified percentage of Noteholders even if it is later found that there was a defect in the constitution of the meeting or the passing of the resolution or the making of the directions or that the resolution was not valid or binding on the Noteholders, the Receiptholders or Couponholders.

11.4 Certificate Signed by director: If the Note Trustee, in the exercise of its functions, requires to be satisfied or to have information as to any fact or the expediency of any act, it may call for and accept as sufficient evidence of that fact or the expediency of that act a certificate signed by any director of the Relevant Issuer as to that fact or to the effect that, in their opinion, that act is expedient and the Note Trustee need not call for further evidence and shall not be responsible for any Liability occasioned by acting on such a certificate.

11.5 Deposit of Documents: The Note Trustee may appoint as custodian, on any terms, any bank or entity whose business includes the safe custody of documents or any lawyer or firm of lawyers believed by it to be of good repute and may deposit this Trust Deed and any other documents with such custodian and pay all sums due in respect thereof. The Note Trustee is not obliged to appoint a custodian of securities payable to bearer.

11.6 Discretion: The Note Trustee shall have absolute and uncontrolled discretion as to the exercise of its functions and shall not be responsible for any loss, liability, cost, claim, action, demand, expense or inconvenience that may result from their exercise or non-exercise.

11.7 Agents: Whenever it considers it expedient in the interests of the Noteholders, the Note Trustee may, in the conduct of its trust business, instead of acting personally, employ and pay an agent selected by it, whether or not a lawyer or other professional person, to transact or conduct, or concur in transacting or conducting, any business and to do or concur in doing all acts required to be done by the Note Trustee (including the receipt and payment of money).

11.8 Delegation: Whenever it considers it expedient in the interests of the Noteholders, the Note Trustee may delegate to any person on any terms (including power to sub-delegate) all or any of its functions.

11.9 Nominees: In relation to any asset held by it under this Trust Deed, the Note Trustee may appoint any person to act as its nominee on any terms.

11.10 Forged Notes: The Note Trustee shall not be liable to the Relevant Issuer or any Noteholder, Receiptholder or Couponholder by reason of having accepted as valid or not having rejected any Note, Certificate, Receipt, Coupon or Talon purporting to be such and later found to be forged or not authentic.

11.11 Confidentiality: Unless ordered to do so by a court of competent jurisdiction, the Note Trustee shall not be required to disclose to any Noteholder, Receiptholder or Couponholder any confidential financial or other information made available to the Note Trustee by the Relevant Issuer.

11.12 Determinations Conclusive: As between itself and the Noteholders, the Receiptholders and Couponholders, the Note Trustee may determine all questions and doubts arising in relation to any of the provisions of this Trust Deed. Such determinations, whether made upon such a question actually raised or implied in the acts or proceedings of the Note Trustee, shall be conclusive and shall bind the Note Trustee, the Noteholders, the Receiptholders and the Couponholders.

11.13 Currency Conversion: Where it is necessary or desirable to convert any sum from one currency to another, it shall (unless otherwise provided hereby or required by law) be converted at such rate or rates, in accordance with such method and as at such date as may reasonably be specified by the Note Trustee but having regard to current rates of exchange, if available. Any rate, method and date so specified shall be binding on the Relevant Issuer, the Noteholders, the Receiptholders and the Couponholders.

11.14 Events of Default etc.: The Note Trustee shall not be bound to give notice to any person of the execution of this Trust Deed or to take any steps to ascertain whether any Event of Default has happened and, until it shall have actual knowledge or express notice to the contrary, the Note Trustee shall be entitled to assume that no such Event of Default has happened and that the Relevant Issuer is observing and performing all the obligations on its part contained in the Notes, Receipts and Coupons and under this Trust Deed and no event has happened as a consequence of which any of the Notes may become repayable. Without prejudice to the foregoing, the Note Trustee may determine whether or not an Event of Default is in its opinion capable of remedy and/or materially prejudicial to the interests of the Noteholders. Any such determination shall be conclusive and binding on the Relevant Issuer, the Noteholders and the Couponholders.

11.15 Payment for and Delivery of Notes: The Note Trustee shall not be responsible for the receipt or application by the Relevant Issuer of the proceeds of the Issue of the Notes, any exchange of Notes or the delivery of Notes to the persons entitled to them.

11.16 Notes Held by the Issuer etc.: In the absence of knowledge or express notice to the contrary, the Note Trustee may assume without enquiry (other than requesting a certificate under Clause 9.5 (*Certificate of director*) that no Notes are for the time being held by or on behalf of the Relevant Issuer.

11.17 Legal Opinions: The Note Trustee shall not be responsible to any person for failing to request, require or receive any legal opinion relating to any Notes or for checking or commenting upon the content of any such legal opinion.

11.18 Programme Limit: The Note Trustee shall not be concerned, and need not enquire, as to whether or not any Notes are issued in breach of the Programme Limit.

11.19 Responsibility for agents etc.: The Note Trustee will not have any obligation to supervise any custodian, agent, delegate or nominee appointed under this clause (an **"Appointee")** or be responsible for any Liability incurred by reason of the Appointee's misconduct or default or the misconduct or default of any substitute appointed by the Appointee.

11.20 Reliance on certification of clearing system: the Note Trustee may call for any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system in relation to any matter. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's Cedcom system) in accordance with its usual procedures and in which the holder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Note Trustee shall not be liable to any person by reason of having accepted as valid or not having rejected any such certificate or other document purporting to be issued by Euroclear or Clearstream, Luxembourg or any other relevant clearing system and subsequently found to be forged or not authentic;

11.21 Noteholders as a class: whenever in this Trust Deed the Note Trustee is required in connection with any exercise of its powers, trusts, authorities or discretions to have regard to the interests of the Noteholders, it shall have regard to the interests of the Noteholders as aclass and in particular, but without prejudice to the generality of the foregoing, shall not be obliged to have regard to the consequences of such exercise for any individual Noteholder resulting from his or its being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory;

11.22 Note Trustee not responsible for investigations: the Note Trustee shall not be responsible for, or for investigating any matter which is the subject of, any recital, statement, representation, warranty or covenant of any person contained in this Trust Deed, the Notes or any other agreement or document relating to the transactions herein or therein contemplated or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof;

11.23 No obligation to monitor: the Note Trustee shall be under no obligation to monitor or supervise the functions of any other person under the Notes or any other agreement or document relating to the transactions herein or therein contemplated and shall be entitled, in the absence of actual knowledge of a breach of obligation, to assume that each such person is properly performing and complying with its obligations;

11.24 Entry on the Register: the Note Trustee shall not be liable to the Relevant issuer or any Noteholder by reason of having accepted as valid or not having rejected any entry on the Register later found to be forged or not authentic and can assume for all purposes in relation hereto that any entry on the Register is correct;

11.25 Interests of accountholders or participants: so long as any Note is held by or on behalf of Euroclear or Clearstream, Luxembourg, in considering the interests of Noteholders the Note Trustee may consider the interests (either individual or by category) of its accountholders or participants with entitlements to any such Note as if such accountholders or participants were the holder(s) thereof;

11.26 Note Trustee not Responsible: the Note Trustee shall not be responsible for the execution, delivery, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of this Trust Deed or any other document relating thereto and shall not be liable for any failure to obtain any rating of Notes (where required), any licence, consent or other authority for the execution, delivery, legality, effectiveness, adequacy, genuineness, validity, performance, enforceability or admissibility in evidence of this Trust Deed or any other document relating thereto. In addition the Note Trustee shall not be responsible for the effect of the exercise of any of its powers, duties and discretions hereunder;

11.27 Freedom to Refrain: notwithstanding anything else herein contained, the Note Trustee may refrain from doing anything which would or might in its opinion be contrary to any law of any jurisdiction or any directive or regulation of any agency or any state of which would or might otherwise render it liable to any person and may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation;

11.28 Right to Deduct or Withhold: notwithstanding anything contained in this Trust Deed, to the extent required by any applicable law, if the Note Trustee is or will be required to make any deduction or withholding from any distribution or payment made by it hereunder or if the Note Trustee is or will be otherwise charged to, or is or will become liable to, tax as a consequence of performing its duties hereunder whether as principal, agent or otherwise, and whether by reason of any assessment, prospective assessment or other imposition of liability to taxation of whatsoever nature and whensoever made upon the Note Trustee, and whether in connection with or arising from any sums received or distributed by it or to which it may be entitled under this Trust Deed (other than in connection with its remuneration as provided for herein) or any investments or deposits from time to time representing the same, including any income or gains arising therefrom or any action of the Note Trustee in connection with the trusts of this Trust Deed (other than the remuneration herein specified) or otherwise, then the Note Trustee shall be entitled to make such deduction or withholding or, as the case may be, to retain out of sums received by it an amount sufficient to discharge any liability to tax which relates to sums so received or distributed or to discharge any such other liability of the Note Trustee to tax from the funds held by the Note Trustee upon the trusts of this Trust Deed;

11.29 Error of judgment: the Note Trustee shall not be liable for any error of judgment made in good faith by any officer or employee of the Note Trustee assigned by the Note Trustee to administer its corporate trust matters;

11.30 Professional charges: any trustee being a banker, lawyer, broker or other person engaged in any profession or business shall be entitled to charge and be paid all usual professional and other charges for business transacted and acts done by him or his partner or firm on matters arising in connection with the trusts of this Trust Deed and also his properly incurred charges in addition to disbursements for all other work and business done and all time spent by him or his partner or firm on matters arising in connection with this Trust Deed, including matters which might or should have been attended to in person by a trustee not being a banker, lawyer, broker or other professional person; and

11.31 Expenditure by the Note Trustee: nothing contained in this Trust Deed shall require the Note Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it.

12 Note Trustee liable for negligence

12.1 Section 1 of the Trustee Act 2000 shall not apply to any function of the Note Trustee where there are any inconsistencies between the Trustee Acts and the provisions of this Trust Deed, the provisions of this Trust Deed shall, to the extent allowed by law, prevail and, in the case of any such inconsistency with the Trustee Act 2000, the provisions of this Trust Deed shall constitute a restriction or exclusion for the purposes of that Act.

12.2 Subject to Section 750 of the Companies Act 2006 (if applicable) and notwithstanding anything to the contrary in this Trust Deed, the Notes or the Agency Agreement, the Note Trustee shall not be liable to any person for any matter or thing done or omitted in any way in connection with or in relation to this Trust Deed, the Notes or the Paying Agency Agreement provided that if the Note Trustee fails to show the degree of care and diligence required of it as trustee, nothing in this Trust Deed shall relieve or indemnify it from or against any liability that would otherwise attach to it in respect of its own gross negligence, wilful default or fraud.

13 Waiver

13.1 Waiver: The Note Trustee may, without the consent or sanction of the Noteholders, Receiptholders or Couponholders and without prejudice to its rights in respect of any subsequent breach, condition, event or act from time to time and at any time, if in its opinion the interests of the Noteholders will not be materially prejudiced thereby, waive or authorise, on such terms and conditions as seem expedient to it, any breach or proposed breach by the Relevant Issuer of this Trust Deed or the Conditions or the Notes, Receipts or Coupons or determine that an Event of Default shall not be treated as such for the purposes of this Trust Deed provided that the Note Trustee shall not do so in contravention of an express direction given by an Extraordinary Resolution or a request made pursuant to Condition 11 (*Events of Default*). No such direction or request shall affect a previous waiver, authorisation or determination. Any such waiver, authorisation or determination shall be binding on the Noteholders, the Receiptholders and the Couponholders and, if the Note Trustee so requires the Relevant Issuer shall cause such waiver, authorisation or determination to be notified to the Noteholders as soon as practicable in accordance with the Conditions.

14 Note Trustee not precluded from entering into contracts

The Note Trustee and any other person, whether or not acting for itself, may acquire, hold or dispose of any Note, Receipt, Coupon, Talon or other security (or any interest therein) of the Relevant Issuer or any other person, may enter into or be interested in any contract or transaction with any such person and may act on, or as depositary or agent for, any committee or body of holders of any securities of any such person in each case with the same rights as it would have had if the Note Trustee were not acting as Note Trustee and need not account for any profit.

15 Modification and Substitution

15.1 Modification: The Note Trustee may agree without the consent of the Noteholders, the Receiptholders or Couponholders to any modification to this Trust Deed or the Notes which is, in its opinion, of a formal, minor or technical nature or to correct a manifest error. The Note Trustee may also so agree to any modification to this Trust Deed or the Notes that is in its opinion not materially prejudicial to the interests of the Noteholders, but such power does not extend to any such modification as is mentioned in the proviso to paragraph 2 of Schedule 3 (*Provisions for Meetings of Noteholders*). Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Note Trustee otherwise agrees, the Relevant Issuer shall cause such modification to be notified to the Noteholders as soon as practicable thereafter in accordance with the Conditions.

15.2 Substitution:

15.2.1 The Note Trustee may, without the consent of the Noteholders, the Receiptholders or Couponholders, agree to the substitution of the Relevant issuer's successor in business (the **"Substituted Obligor")** in place of the Relevant Issuer (or of any previous substitute under this sub-Clause) as the principal debtor under this Trust Deed, the Notes, the Receipts, the Coupons and the Talons provided that:

(i) a deed is executed or undertaking given by the Substituted Obligor to the Note Trustee, in form and manner satisfactory to the Note Trustee, agreeing to be bound by this Trust Deed, the Notes, the Receipts, the Coupons and the Talons (with consequential amendments as the Note Trustee may deem appropriate, including any necessary change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed) as if the Substituted Obligor had been named in this Trust Deed, the Notes, the Certificates, the Receipts, the Coupons and the Talons as the principal debtor in place of the Relevant Issuer or any previous substitute under this sub-clause;

(ii) the Note Trustee is satisfied that (i) the Substituted Obligor has obtained all governmental and regulatory approvals and consents necessary for its assumption of liability as principal debtor in respect of the Notes, the Receipts and the Coupons in place of the Relevant Issuer (or such previous substitute as aforesaid) and (iii) such approvals and consents are at the time of substitution in full force and effect;

(iii) without prejudice to the rights of reliance of the Note Trustee under sub-clause 15.2.2 the Note Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders;

(iv) Moody's and S&P have confirmed in writing to the Note Trustee that the substitution of the Substituted Obligor will not result in a downgrading of the then current credit rating of such rating agencies applicable to the class of debt represented by the Notes;

(v) if the Substituted Obligor is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the **"Substituted Territory")** other than the territory to the taxing jurisdiction of which (or to any such authority of or in which) the Relevant issuer is subject generally (the **"Issuer's Territory"),**the Substituted Obligor shall (unless the Note Trustee otherwise agrees) give to the Note Trustee an undertaking satisfactory to the Note Trustee in terms corresponding to Condition 9 (*Taxation*) with the substitution for the references in that Condition to the Relevant Issuer's Territory of references to the Substituted Territory whereupon the Trust Deed, the Notes, the Certificates, the Receipts, the Coupons and the Talons shall be read accordingly;

(vi) if any two directors of the Substituted Obligor certify that it will be solvent immediately prior to such substitution, the Note Trustee need not have regard to the Substituted Obligor's financial condition, profits or prospects or compare them with those of the Relevant issuer or any previous substitute under this sub-clause;

(vii) the Relevant Issuer, and the Substituted Obligor comply with such other requirements as the Note Trustee may direct in the interests of the Noteholders, the Couponholders and the Receiptholders; and

(viii) (unless the Relevant Issuer's successor in business is the Substituted Obligor) the obligations of the Substituted Obligor under this Trust Deed, the Notes, the Receipts, and the Coupons are guaranteed by the Relevant Issuer to the Note Trustee's satisfaction.

15.2.2 Release of Substituted Issuer: An agreement by the Note Trustee pursuant to this Clause 14.2 shall, if so expressed, release the Relevant Issuer (or a previous substitute) from any or all of its obligations under this Trust Deed, the Notes, the Receipts, the Coupons and the Talons. Notice of the substitution shall be given to the Noteholders within 14 days of the execution of such documents and compliance with such requirements.

15.2.3 Completion of Substitution: On completion of the formalities set out in this Clause 14.2, the Substituted Obligor shall be deemed to be named in this Trust Deed, the Notes, the Certificates, the Receipts, the Coupons and the Talons as the principal debtor in place of the Relevant Issuer (or of any previous substitute) and this Trust Deed, the Notes, the Certificates, the Receipts, the Coupons and the Talons shall be deemed to be amended as necessary to give effect to the substitution.

16 Appointment, Retirement and Removal of the Note Trustee

16.1 Appointment: Subject as provided in Clause 16.2 (*Retirement and Removal*), each Relevant Issuer has the power of appointing new trustees but no-one may be so appointed unless previously approved by an Extraordinary Resolution. A trust corporation shall at all times be a Note Trustee and may be the sole Note Trustee. Any appointment of a new Note Trustee shall be notified by the Relevant issuer to the Agents and to the Noteholders as soon as practicable.

16.2 Retirement and Removal: Any Note Trustee may retire at any time on giving at least three months' written notice to the Issuers without giving any reason or being responsible for any costs occasioned by such retirement and the Noteholders may by Extraordinary Resolution remove any Note Trustee provided that the retirement or removal of a sole trust corporation shall not be effective until a trust corporation is appointed as successor Note Trustee. If a sole trust corporation gives notice of retirement or an Extraordinary Resolution is passed for its removal, each Issuer shall use all reasonable endeavours to procure that another trust corporation be appointed as Note Trustee but if it fails to do so within 30 days of the expiry of such three month notice period, the Note Trustee shall have the power to appoint a new Note Trustee.

16.3 Co-Note Trustees: The Note Trustee may, despite sub-Clause 16.1 (*Appointment*), by written notice to the Relevant Issuer (with a copy to Moody's and S&P) appoint anyone to act as an additional Note Trustee jointly with the Note Trustee;

16.3.1 if the Note Trustee considers the appointment to be in the interests of the Noteholders and/or the Couponholders and/or the Receiptholders; or

16.3.2 to conform with a legal requirement, restriction or condition in a jurisdiction in which a particular act is to be performed; or

16.3.3 to obtain a judgment or to enforce a judgment or any provision of this Trust Deed in any jurisdiction.

Subject to the provisions of this Trust Deed the Note Trustee may confer on any person so appointed such functions as it thinks fit. The Note Trustee may by written notice to each Relevant Issuer and that person remove that person. At the Note Trustee's request, each Relevant Issuer shall forthwith do all things as may be required to perfect such appointment or removal and each Relevant Issuer irrevocably appoints the Note Trustee as its attorney in its name and on its behalf to do so.

16.4 **Competence of a Majority of Note Trustees:** If there are more than two Note Trustees the majority of them shall be competent to perform the Note Trustee's functions provided the majority includes a trust corporation.

16.5 **Merger:** Any corporation into which the Note Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Note Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Note Trustee, shall be the successor of the Note Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Clause, without the execution or filing of any paper or any further act on the part of any of the parties thereto.

17 **Notes held in Clearing Systems and Couponholders**

17.1 **Notes Held in Clearing Systems:** So long as any Global Note is, or any Notes represented by a Global Certificate are, held on behalf of a clearing system, in considering the interests of Noteholders, the Note Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders or participants with entitlements to any such Global Note or the Registered Notes and may consider such interests on the basis that such accountholders or participants were the holder(s) thereof.

17.2 **Couponholders:** No notices need be given to Couponholders. They shall be deemed to have notice of the contents of any notice given to Noteholders. Even if it has express notice to the contrary, in exercising any of its functions by reference to the Interests of the Noteholders, the Note Trustee shall assume that the holder of each Note is the holder of all Receipts, Coupons and Talons relating to it.

18 **Currency Indemnity**

18.1 **Currency of Account and Payment:** The Contractual Currency is the sole currency of account and payment for all sums payable by the Relevant Issuer under or in connection with this Trust Deed, the Notes, the Receipts and the Coupons, including damages.

18.2 **Extent of Discharge:** An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Relevant Issuer or otherwise), by the Note Trustee or any Noteholder, Receiptholder or Couponholder in respect of any sum expressed to be due to it from the Relevant Issuer shall only discharge the Relevant Issuer to the extent of the Contractual Currency amount that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

18.3 **Indemnity:** If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under this Trust Deed, the Notes, the Receipts or the Coupons, each Relevant Issuer (on a several (and not joint) basis only) shall indemnify it against any Liabilities sustained by it as a result. In any event, each Relevant Issuer (on a several (and not joint) basis only) shall indemnify the recipient against the cost of making any such purchase.

18.4 **Indemnity Separate:** The indemnities in this Clause 18 (*Currency Indemnify*) and in sub-Clause 10.4 (*Indemnity*) constitute separate and independent obligations from the other obligations in this Trust Deed, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by the Note Trustee and/or any Noteholder, Receiptholder or Couponholder and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under this Trust Deed, the Notes, the Receipts and/or the Coupons or any other judgment or order. Any such Liability as referred to in sub-clause 18.3 (*Indemnity*) shall be deemed to constitute a Liability suffered by the Note Trustee, the Noteholders, the Receiptholders and the Couponholders and no proof or evidence of any actual Liability shall be required by the Relevant Issuer or its liquidator or liquidators.

19 **Communications**

19.1 **Method:** Each communication under this Trust Deed shall be made by fax, electronic communication or otherwise in writing. Each communication or document to be delivered to any party under this Trust Deed shall be sent to that party at the fax number, postal address or electronic address, and marked for the attention of the person (if any), from time to time designated by that party to each other party for the purpose of this Trust Deed. The initial fax number, postal address, electronic address and person so designated by the parties under this Trust Deed are set out in the Procedures Memorandum.

19.2 **Deemed Receipt:** Any communication from any party to any other under this Trust Deed shall be effective, (if by fax) when the relevant delivery receipt is received by the sender, (if in writing) when delivered and (if by electronic communication) when the relevant receipt of such communication being read is given, or where no read receipt is requested by the sender, at the time of sending, provided that no delivery failure notification is received by the sender within 24 hours of sending such communication; provided that any communication which is received (or deemed to take effect in accordance with the foregoing) outside business hours or on a non-business day in the place of receipt shall be deemed to take effect at the opening of business on the next following business day in such place. Any communication delivered to any party under this Trust Deed which is to be sent by fax or electronic communication will be written legal evidence.

19.3 **No Notice to Couponholders or Receiptholders:** Neither the Note Trustee nor the Relevant Issuer shall be required to give any notice to the Couponholders or Receiptholders for any purpose under this Trust Deed and the Couponholders and Receiptholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with Condition 17 (*Notices*).

20 **Several obligations and no cross-default**

Notwithstanding any other provision of this Trust Deed (or any other document entered into in connection with the issue of the Notes), the obligations of each Issuer are several and if a misrepresentation, breach, default or event of default (or anything analogous thereto) (a **"Default")** occurs as a result of any act or omission or state of affairs which, in each case, relates only to an Issuer, such Default shall be deemed not to have occurred in relation to the other Issuer (the **"Other Issuer")** and, accordingly, no liability, right, action, remedy, demand, claim, acceleration of any liability or other enforcement or remedied action may be taken against the Other Issuer.

21 Further Provisions

21.1 Partial Invalidity: If, at any time, any provision of this Trust Deed is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

21.2 Counterparts: This Trust Deed may be executed manually or by facsimile in any number of counterparts. This has the same effect as if the signatures on the counterparts were on a single copy of this Trust Deed.

22 Governing Law and Jurisdiction

22.1 Governing Law: This Trust Deed, the Notes and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with English law.

22.2 Jurisdiction: The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with this Trust Deed, the Notes, the Receipts, the Coupons or the Talons and accordingly any legal action or proceedings arising out of or in connection with this Trust Deed, the Notes, the Receipts, the Coupons or the Talons ("**Proceedings**") may be brought in such courts. The Issuers irrevocably submit to the jurisdiction of such courts and waive any objections to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This Clause is for the benefit of each of the Note Trustee, the Noteholders, the Receiptholders and the Couponholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

Schedule 1
Part A
Form of CGN Temporary Global Note

[CENTRAL NETWORKS EAST PLC]/[CENTRAL NETWORKS WEST PLC]
(Incorporated with limited liability in England and Wales under
the Companies Act 1985 with registered number [02366923]/[03600574])

EURO MEDIUM TERM NOTE PROGRAMME

TEMPORARY GLOBAL NOTE

Temporary Global Note No. [•]

This temporary Global Note is issued in respect of the Notes (the **"Notes"**) of the Tranche and Series specified in Part A of the Second Schedule hereto of [ISSUER] (the **"Issuer"**).

Interpretation and Definitions

References in this temporary Global Note to the "Conditions" are to the Terms and Conditions applicable to the Notes (which are in the form set out in Schedule 2 Part C (*Terms and Conditions of the Notes*) to the Trust Deed (as amended or supplemented as at the Issue Date, the **"Trust Deed"**) dated 26 November 2010 between the Issuer and Deutsche Trustee Company Limited as trustee, as such form is supplemented and/or modified and/or superseded by the provisions of this temporary Global Note (including the supplemental definitions and any modifications or additions set out in Part A of the Second Schedule hereto), which in the event of any conflict shall prevail). Other capitalised terms used in this temporary Global Note shall have the meanings given to them in the Conditions or the Trust Deed. If the Second Schedule hereto specifies that the applicable TEFRA exemption is either "C Rules" or "not applicable", this temporary Global Note is a "C Rules Note", otherwise this temporary Global Note is a "D Rules Note".

Aggregate Nominal Amount

The aggregate nominal amount from time to time of this temporary Global Note shall be an amount equal to the aggregate nominal amount of the Notes as shall be shown by the latest entry in the fourth column of the First Schedule hereto, which shall be completed by or on behalf of the Issuing and Paying Agent upon (i) the issue of Notes represented hereby, (ii) the exchange of the whole or a part of this temporary Global Note for a corresponding interest in a permanent Global Note or, for Definitive Notes, (iii) the redemption or purchase and cancellation of Notes represented hereby and/or (iv) in the case of Partly Paid Notes, the forfeiture of Notes represented hereby in accordance with the Conditions relating to such Partly Paid Notes, all as described below.

Promise to Pay

Subject as provided herein, the Issuer, for value received, promises to pay to the bearer of this temporary Global Note, upon presentation and (when no further payment is due in respect of this temporary Global Note) surrender of this temporary Global Note, on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Conditions may become repayable in accordance with the Conditions) the amount payable upon redemption under the Conditions in respect of the aggregate nominal amount of Notes represented by this temporary Global Note and (unless this temporary Global Note does not bear interest) to pay interest in respect of the Notes from the Interest Commencement Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Notes, together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions.

Exchange

Subject as provided in the Conditions applicable to Partly-paid Notes, on or after the first day following the expiry of 40 days after the Issue Date (the **"Exchange Dale"),** this temporary Global Note may be exchanged (free of charge to the holder) in whole or (in the case of a D Rules Note only) from time to time in part by its presentation and, on exchange in full, surrender to or to the order of the issuing and Paying Agent for interests in a permanent Global Note or, if so specified in the Second Schedule hereto, for Definitive Notes in an aggregate nominal amount equal to the nominal amount of this temporary Global Note submitted for exchange provided that in the case of any part of a D Rules Note submitted for exchange for a permanent Global Note or Definitive Notes, there shall have been Certification with respect to such nominal amount submitted for such exchange dated no earlier than the Exchange Date.

"Certification" means the presentation to the issuing and Paying Agent of a certificate or certificates with respect to one or more interests in this temporary Global Note, signed by Euroclear or Clearstream, Luxembourg, substantially to the effect set out in Schedule 4 (*Clearing System Certificate of Non-U.S. Citizenship and Residency*) to the Agency Agreement to the effect that it has received a certificate or certificates substantially to the effect set out in Schedule 3 (*Accountholder Certificate of Non-U.S. Citizenship and Residency*) to the Agency Agreement with respect thereto and that no contrary advice as to the contents thereof has been received by Euroclear or Clearstream, Luxembourg, as the case may be.

Upon the whole or a part of this temporary Global Note being exchanged for a permanent Global Note, such permanent Global Note shall be exchangeable in accordance with its terms for Definitive Notes.

The Definitive Notes for which this temporary Global Note or a permanent Global Note may be exchangeable shall be duly executed and authenticated, shall, in the case of Definitive Notes, have attached to them all Coupons (and, where appropriate, Talons) in respect of interest, and all Receipts in respect of Instalment Amounts, that have not already been paid on this temporary Global Note or the permanent Global Note, as the case may be, shall be security printed and shall be substantially in the form set out in the Schedules to the Trust Deed as supplemented and/or modified and/or superseded by the terms of the Second Schedule hereto.

On any exchange of a part of this temporary Global Note for an equivalent interest in a permanent Global Note or for Definitive Notes, as the case may be, the portion of the nominal amount hereof so exchanged shall be endorsed by or on behalf of the Issuing and Paying Agent in Part 1 of the First Schedule hereto, whereupon the nominal amount hereof shall be reduced for all purposes by the amount so exchanged and endorsed.

Benefit of Conditions

Except as otherwise specified herein, this temporary Global Note is subject to the Conditions and the Trust Deed and, until the whole of this temporary Global Note is exchanged for equivalent interests in a permanent Global Note or for Definitive Notes, the holder of this temporary Global Note shall in all respects be entitled to the same benefits as if it were the holder of the permanent Global Note (or the relevant part of it) or the Definitive Notes, as the case may be, for which it may be exchanged as if such permanent Global Note or Definitive Notes had been issued on the Issue Date.

Payments

No person shall be entitled to receive any payment in respect of the Notes represented by this temporary Global Note that falls due on or after the Exchange Date unless, upon due presentation of this temporary Global Note for exchange, delivery of (or, in the case of a subsequent exchange, due endorsement of) a permanent Global Note or delivery of Definitive Notes, as the case may be, is improperly withheld or refused by or on behalf of the Issuer.

Payments due in respect of a D Rules Note before the Exchange Date shall only be made in relation to such nominal amount of this temporary Global Note with respect to which there shall have been Certification dated no earlier than such due date for payment.

Any payments that are made in respect of this temporary Global Note shall be made to its holder against presentation and (if no further payment falls to be made on it) surrender of it at the specified office of the Issuing and Paying Agent or of any other Paying Agent provided for in the Conditions. If any payment in full of principal is made in respect of any Note represented by this temporary Global Note, the portion of this temporary Global Note representing such Note shall be cancelled and the amount so cancelled shall be endorsed by or on behalf of the Issuing and Paying Agent in the First Schedule hereto (such endorsement being prima facie evidence that the payment in question has been made) whereupon the nominal amount hereof shall be reduced for all purposes by the amount so cancelled and endorsed, if any other payments are made in respect of the Notes represented by this temporary Global Note, a record of each such payment shall be endorsed by or on behalf of the Issuing and Paying Agent on an additional schedule hereto (such endorsement being *prima facie* evidence that the payment in question has been made). Condition 8(e)(vii) (*Appointment of Agents*) and Condition 9(e) (*Payment by another Paying Agent*) will apply to the Definitive Notes only.

For the purposes of any payments made in respect of this temporary Global Note, the words "in the relevant place of presentation" shall not apply in the definition of **"business day"** in Condition 8(h) (No*n-Business Days*).

Cancellation

Cancellation of any Note represented by this temporary Global Note that is required by the Conditions to be cancelled (other than upon its redemption) shall be effected by reduction in the nominal amount of this temporary Global Note representing such Note on its presentation to or to the order of the Issuing and Paying Agent for endorsement in the First Schedule hereto, whereupon the nominal amount hereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Notices

Notices required to be given in respect of the Notes represented by this temporary Global Note may be given by their being delivered (so long as this temporary Global Note is held on behalf of Euroclear and Clearstream, Luxembourg or any other clearing system) to Euroclear, Clearstream, Luxembourg or such other clearing system, as the case may be, or otherwise to the holder of this temporary Global Note, rather than by publication as required by the Conditions, [except that so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in a leading newspaper having general circulation in Luxembourg (which is expected to be *the Luxemburger Wort*)].

No provision of this temporary Global Note shall alter or impair the obligation of the Issuer to pay the principal and premium of and interest on the Notes when due in accordance with the Conditions.

This temporary Global Note shall not be valid or become obligatory for any purpose until authenticated by or on behalf of the Issuing and Paying Agent.

This temporary Global Note [and any non-contractual obligations arising out of or in connection with it] shall be governed by English law.

In witness whereof the Issuer has caused this temporary Global Note to be duly signed on its behalf.

Dated as of the Issue Date.

[ISSUER]

By:

CERTIFICATE OF AUTHENTICATION

This temporary Global Note is authenticated
by or on behalf of the Issuing and Paying Agent.

[ISSUING AND PAYING AGENT]
as Issuing and Paying Agent

By:

Authorised Signatory
For the purposes of authentication only.

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

The First Schedule
Nominal amount of Notes represented by this temporary Global Note

The following (i) issue of Notes initially represented by this temporary Global Note, (ii) exchanges of the whole or a part of this temporary Global Note for interests in a permanent Global Note or for Definitive Notes and/or (iii) cancellations or forfeitures of Interests in this temporary Global Note have been made, resulting in the nominal amount of this temporary Global Note specified in the latest entry in the fourth column below:

Date	Amount of decrease in nominal amount of this temporary Global Note	Reason for decrease in nominal amount of this temporary Global Note (exchange, cancellation or forfeiture)	Nominal amount of this temporary Global Note on issue or following such decrease	Notation made by or on behalf of the Issuing and Paying Agent
Issue Date	not applicable	not applicable		

The Second Schedule

[Insert the provisions of the relevant Final Terms that relate to the Conditions or the Global Notes as the Second Schedule]

Schedule 1
Part B
Form of CGN Permanent Global Note

[CENTRAL NETWORKS EAST PLC]/[CENTRAL NETWORKS WEST PLC]
(Incorporated with limited liability in England and Wales under
the Companies Act 1985 with registered number [02366923]/[03600574])

EURO MEDIUM TERM NOTE PROGRAMME

PERMANENT GLOBAL NOTE

Permanent Global Note No. [•]

This permanent Global Note is issued in respect of the Notes (the **"Notes"**) of the Tranche(s) and Series specified in Part A of the Third Schedule hereto of [ISSUER] (the **"Issuer"**).

Interpretation and Definitions

References in this permanent Global Note to the "Conditions" are to the Terms and Conditions applicable to the Notes (which are in the form set out in Schedule 2 Part C (*Terms and Conditions of the Notes*) to the Trust Deed (as amended or supplemented as at the Issue Date, the **"Trust Deed")** dated 26 November 2010 between the Issuer and Deutsche Trustee Company Limited as trustee, as such form is supplemented and/or modified and/or superseded by the provisions of this permanent Global Note (including the supplemental definitions and any modifications or additions set out in Part A of the Third Schedule hereto), which in the event of any conflict shall prevail). Other capitalised terms used in this permanent Global Note shall have the meanings given to them in the Conditions or the Trust Deed.

Aggregate Nominal Amount

The aggregate nominal amount from time to time of this permanent Global Note shall be an amount equal to the aggregate nominal amount of the Notes as shall be shown by the latest entry in the fourth column of the First Schedule hereto, which shall be completed by or on behalf of the Issuing and Paying Agent upon (i) the exchange of the whole or a part of the temporary Global Note initially representing the Notes for a corresponding interest herein (in the case of Notes represented by a temporary Global Note upon issue), (ii) the issue of the Notes represented hereby (in the case of Notes represented by this permanent Global Note upon issue), (iii) the exchange of the whole or, where the limited circumstances so permit, a part of this permanent Global Note for Definitive Notes, (iv) the redemption or purchase and cancellation of Notes represented hereby and/or (v) in the case of Partly Paid Notes, the forfeiture of Notes represented hereby in accordance with the Conditions relating to such Partly Paid Notes, all as described below.

Promise to Pay

Subject as provided herein, the Issuer, for value received, hereby promises to pay to the bearer of this permanent Global Note, upon presentation and (when no further payment is due in respect of this permanent Global Note) surrender of this permanent Global Note, on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Conditions may become repayable in accordance with the Conditions) the amount payable upon redemption under the Conditions in respect of the aggregate nominal amount of Notes represented by this permanent Global Note and (unless this permanent Global Note does not bear interest) to pay interest in respect of the Notes from the Interest Commencement Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Notes, together with such other sums and additional amounts (if any) as may be payable under the Conditions, In accordance with the Conditions.

Exchange

This permanent Global Note is exchangeable (free of charge to the holder) on or after the Exchange Date in whole but not, except as provided in the next paragraph, in part for the Definitive Notes if this permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an **"Alternative Clearing System"**) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

This permanent Global Note is exchangeable in part (provided, however, that if this permanent Global Note is held by or on behalf of Euroclear and/or Clearstream, Luxembourg, the rules of Euroclear and/or Clearstream, Luxembourg, as the case may be, so permit) if so provided, and in accordance with, the Conditions relating to Partly Paid Notes.

"Exchange Date" means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and, except in the case of exchange above, in the cities in which Euroclear and Clearstream, Luxembourg or, if relevant, the Alternative Clearing System, are located.

Subject as provided in the Conditions applicable to Partly Paid Notes, any such exchange may be effected on or after an Exchange Date by the holder of this permanent Global Note surrendering this permanent Global Note or, in the case of a partial exchange, presenting it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for this permanent Global Note, or part thereof to be exchanged, the Issuer shall deliver, or procure the delivery of, duly executed and authenticated Definitive Notes in an aggregate nominal amount equal to the nominal amount of this permanent Global Note submitted for exchange (if appropriate, having attached to them all Coupons (and, where appropriate, Talons) in respect of interest, and all Receipts in respect of Instalment Amounts, that have not already been paid on this permanent Global Note), security printed and substantially in the form set out in the Schedules to the Trust Deed as supplemented and/or modified and/or superseded by the terms of the Third Schedule hereto.

On any exchange of a part of this permanent Global Note the portion of the nominal amount hereof so exchanged shall be endorsed by or on behalf of the Issuing and Paying Agent in the First Schedule hereto, whereupon the nominal amount hereof shall be reduced for all purposes by the amount so exchanged and endorsed.

Benefit of Conditions

Except as otherwise specified herein, this permanent Global Note is subject to the Conditions and the Trust Deed and, until the whole of this permanent Global Note is exchanged for Definitive Notes, the holder of this permanent Global Note shall in all respects be entitled to the same benefits as if it were the holder of the Definitive Notes for which it may be exchanged and as if such Definitive Notes had been Issued on the Issue Date.

Payments

No person shall be entitled to receive any payment in respect of the Notes represented by this permanent Global Note that falls due after an Exchange Date for such Notes, unless upon due presentation of this permanent Global Note for exchange, delivery of Definitive Notes is improperly withheld or refused by or on behalf of the Issuer or the Issuer does not perform or comply with any one or more of what are expressed to be its obligations under any Definitive Notes.

Payments in respect of this permanent Global Note shall be made to its holder against presentation and (if no further payment falls to be made on it) surrender of it at the specified office of the Issuing and Paying Agent or of any other Paying Agent provided for in the Conditions. A record of each such payment shall be endorsed on the First or Second Schedule hereto, as appropriate, by the Issuing and Paying Agent or by the relevant Paying Agent, for and on behalf of the Issuing and Paying Agent, which endorsement shall (until the contrary is proved) be *prima facie* evidence that the payment in question has been made. Condition 8(e)(vii) (*Appointment of Agents*) and Condition 9(e) (*Payment by another Paying Agent*) will apply to the Definitive Notes only.

For the purposes of any payments made in respect of this permanent Global Note, the words "in the relevant place of presentation" shall not apply in the definition of **"business day"** in Condition 8(h) (*Non-Business Days*).

Prescription

Claims in respect of principal and interest (as each is defined in the Conditions) in respect of this permanent Global Note shall become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (In the case of interest) from the appropriate Relevant Date.

Meetings

For the purposes of any meeting of Noteholders, the holder of this permanent Global Note shall [(unless this permanent Global Note represents only one Note)] be treated [as two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting,] as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

Cancellation

Cancellation of any Note represented by this permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) shall be effected by reduction in the nominal amount of this permanent Global Note representing such Note on its presentation to or to the order of the Issuing and Paying Agent for endorsement in the First Schedule hereto, whereupon the nominal amount hereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes may only be purchased by the Issuer if they are purchased together with the right to receive all future payments of Interest and Instalment Amounts (if any) thereon.

Issuer's Options

Any option of the Issuer provided for in the Conditions shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required.

Noteholders' Options

Any option of the Noteholders provided for in the Conditions may be exercised by the holder of this permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting this permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation accordingly in the Fourth Schedule hereto.

Notices

Notices required to be given in respect of the Notes represented by this permanent Global Note may be given by their being delivered (so long as this permanent Global Note is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system) to Euroclear, Clearstream, Luxembourg or such other clearing system, as the case may be, or otherwise to the holder of this permanent Global Note, rather than by publication as required by the Conditions, [except that so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange *(www.bourse.lu*) or in a leading newspaper having general circulation in Luxembourg (which is expected to be *the Luxemburger Wort*)].

Negotiability

This permanent Global Note is a bearer document and negotiable and accordingly:

1 is freely transferable by delivery and such transfer shall operate to confer upon the transferee all rights and benefits appertaining hereto and to bind the transferee with all obligations appertaining hereto pursuant to the Conditions

2 the holder of this permanent Global Note is and shall be absolutely entitled as against all previous holders to receive all amounts by way of amounts payable upon redemption, interest or otherwise payable in respect of this permanent Global Note and the Issuer has waived against such holder and any previous holder of this permanent Global Note all rights of set-off or counterclaim that would or might otherwise be available to it in respect of the obligations evidenced by this Global Note and

3 payment upon due presentation of this permanent Global Note as provided herein shall operate as a good discharge against such holder and all previous holders of this permanent Global Note.

No provisions of this permanent Global Note shall alter or impair the obligation of the Issuer to pay the principal and premium of and interest on the Notes when due in accordance with the Conditions.

This permanent Global Note shall not be valid or become obligatory for any purpose until authenticated by or on behalf of the Issuing and Paying Agent.

This permanent Global Note [and any non-contractual obligations arising out of or in connection with it] shall be governed by English law.

In witness whereof the Issuer has caused this permanent Global Note to be duly signed on its behalf.

Dated as of the Issue Date.

[ISSUER]

By:

CERTIFICATE OF AUTHENTICATION

This permanent Global Note is authenticated
by or on behalf of the Issuing and Paying Agent.

[ISSUING AND PAYING AGENT]
as Issuing and Paying Agent

By:

Authorised Signatory
For the purposes of authentication only.

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

The First Schedule
Nominal amount of Notes represented by this permanent Global Note

The following (i) issues of Notes initially represented by this permanent Global Note, (ii) exchanges of interests in a temporary Global Note for interests in this permanent Global Note, (iii) exchanges of the whole or a part of this permanent Global Note for Definitive Notes, (iv) cancellations or forfeitures of interests in this permanent Global Note and/or (v) payments of amounts payable upon redemption in respect of this permanent Global Note have been made, resulting in the nominal amount of this permanent Global Note specified in the latest entry in the fourth column:

Date	Amount of increase/decrease in nominal amount of this permanent Global Note	Reason for increase/decrease in nominal amount of this permanent Global Note (initial issue, exchange, cancellation, forfeiture or payment, stating amount of payment made)	Nominal amount of this permanent Global Note following such increase/decrease	Notation made by or on behalf of the Issuing and Paying Agent

The Second Schedule
Payments of Interest

The following payments of interest or Interest Amount in respect of this permanent Global Note have been made:

Due date of payment	Date of payment	Amount of interest	Notation made by or on behalf of the Issuing and Paying Agent

The Third Schedule

[Insert the provisions of the relevant Final Terms that relate to the Conditions or the Global Notes as the Third Schedule.]

The Fourth Schedule
Exercise of Noteholders' Option

The following exercises of the option of the Noteholders provided for in the Conditions have been made in respect of the stated nominal amount of this permanent Global Note:

Date of exercise	Nominal amount of this permanent Global Note in respect of which exercise is made	Date of which exercise of such option is effective	Notation made by or on behalf of the Issuing and Paying Agent

Schedule 1
Part C
Form of NGN Temporary Global Note

[CENTRAL NETWORKS EAST PLC]/[CENTRAL NETWORKS WEST PLC]
(Incorporated with limited liability in England and Wales under
the Companies Act 1985 with registered number [02366923]/[03600574])

EURO MEDIUM TERM NOTE PROGRAMME

TEMPORARY GLOBAL NOTE

Temporary Global Note No. [•]

This temporary Global Note is issued in respect of the Notes (the **"Notes")** of the Tranche and Series specified in Part A of the Schedule hereto of [ISSUER] (the **"Issuer'').**

Interpretation and Definitions

References in this temporary Global Note to the "Conditions" are to the Terms and Conditions applicable to the Notes (which are in the form set out in Schedule 2 Part C (*Terms and Conditions of the Notes*) to the Trust Deed (as amended or supplemented as at the Issue Date, the "Trust Deed") dated 26 November 2010 between the Issuer, and Deutsche Trustee Company Limited as trustee, as such form is supplemented and/or modified and/or superseded by the provisions of this temporary Global Note (including the supplemental definitions and any modifications or additions set out in Part A of the Schedule hereto), which in the event of any conflict shall prevail). Other capitalised terms used in this temporary Global Note shall have the meanings given to them in the Conditions or the Trust Deed. If the Second Schedule hereto specifies that the applicable TEFRA exemption is either "C Rules" or "not applicable", this temporary Global Note is a "C Rules Note", otherwise this temporary Global Note is a "D Rules Note".

Aggregate Nominal Amount

The aggregate nominal amount from time to time of this temporary Global Note shall be an amount equal to the aggregate nominal amount of the Notes from time to time entered in the records of both Euroclear and Clearstream, Luxembourg (together the "relevant Clearing Systems"), which shall be completed and/or amended, as the case may be, upon (i) the issue of Notes represented hereby, (ii) the exchange of the whole or a part of this temporary Global Note for a corresponding interest recorded in the records of the relevant Clearing Systems in a permanent Global Note or for Definitive Notes, (iii) the redemption or purchase and cancellation of Notes represented hereby and/or (iv) in the case of Partly Paid Notes, the forfeiture of Notes represented hereby in accordance with the Conditions relating to such Partly Paid Notes, all as described below.

The records of the relevant Clearing Systems (which expression in this temporary Global Note means the records that each relevant Clearing System holds for its customers which reflect the amount of such customers' interests in the Notes) shall be conclusive evidence of the nominal amount of the Notes represented by this temporary Global Note and, for these purposes, a statement issued by a relevant Clearing System (which statement shall be made available to the bearer upon request) stating the nominal amount of Notes represented by the temporary Global Note at any time shall be conclusive evidence of the records of the relevant Clearing Systems at that time.

Promise to Pay

Subject as provided herein, the Issuer, for value received, promises to pay to the bearer of this temporary Global Note, upon presentation and (when no further payment is due in respect of this temporary Global Note) surrender of this temporary Global Note, on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Conditions may become repayable in accordance with the Conditions) the amount payable upon redemption under the Conditions in respect of the aggregate nominal amount of Notes represented by this temporary Global Note and (unless this temporary Global Note does not bear interest) to pay interest in respect of the Notes from the Interest Commencement Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Notes, together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions.

Exchange

Subject as provided in the Conditions applicable to Partly-paid Notes, on or after the first day following the expiry of 40 days after the Issue Date (the **"Exchange Date"**), this temporary Global Note may be exchanged (free of charge to the holder) in whole or (in the case of a D Rules Note only) from time to time in part by its presentation and, on exchange in full, surrender to or to the order of the issuing and Paying Agent for interests recorded in the records of the relevant Clearing Systems in a permanent Global Note or, if so specified in Part A of the Schedule hereto, for Definitive Notes in an aggregate nominal amount equal to the nominal amount of this temporary Global Note submitted for exchange provided that, in the case of any part of a D Rules Note160 submitted for exchange for interests recorded in the records of the relevant Clearing Systems in a permanent Global Note or Definitive Notes, there shall have been Certification with respect to such nominal amount submitted for such exchange dated no earlier than the Exchange Date.

"**Certification**" means the presentation to the Issuing and Paying Agent of a certificate or certificates with respect to one or more interests in this temporary Global Note, signed by Euroclear or Clearstream, Luxembourg, substantially to the effect set out in Schedule 4 (Clear*ing System Certificate of Non-U.S. Citizenship and Residency*) to the Agency Agreement to the effect that it has received a certificate or certificates substantially to the effect set out in Schedule 3 (*Accountholder Certificate of Non-U.S. Citizenship and Residency*) to the Agency Agreement with respect thereto and that no contrary advice as to the contents thereof has been received by Euroclear or Clearstream, Luxembourg, as the case may be.

Upon the whole or a part of this temporary Global Note being exchanged for a permanent Global Note, such permanent Global Note shall be exchangeable in accordance with its terms for Definitive Notes.

The Definitive Notes for which this temporary Global Note or a permanent Global Note may be exchangeable shall be duly executed and authenticated, shall, in the case of Definitive Notes, have attached to them all Coupons (and, where appropriate, Talons) in respect of interest, and all Receipts in respect of Instalment Amounts, that have not already been paid on this temporary Global Note or the permanent Global Note, as the case may be, shall be security printed and shall be substantially in the form set out in the Schedules to the Trust Deed as supplemented and/or modified and/or superseded by the terms of Part A of the Schedule hereto.

On any exchange of a part of this temporary Global Note for an equivalent interest recorded in the records of the relevant Clearing Systems in a permanent Global Note or for Definitive Notes, as the case may be, the Issuer shall procure that details of the portion of the nominal amount hereof so exchanged shall be entered pro rata in the records of the relevant Clearing Systems and upon any such entry being made, the nominal amount of the Notes recorded in the records of the relevant Clearing Systems and represented by this temporary Global Note shall be reduced by an amount equal to such portion so exchanged.

Benefit of Conditions

Except as otherwise specified herein, this temporary Global Note is subject to the Conditions and the Trust Deed and, until the whole of this temporary Global Note is exchanged for equivalent interests in a permanent Global Note or for Definitive Notes, the holder of this temporary Global Note shall in all respects be entitled to the same benefits as if it were the holder of the permanent Global Note (or the relevant part of it) or the Definitive Notes, as the case may be, for which it may be exchanged as if such permanent Global Note or Definitive Notes had been issued on the issue Date.

Payments

No person shall be entitled to receive any payment in respect of the Notes represented by this temporary Global Note that falls due on or after the Exchange Date unless, upon due presentation of this temporary Global Note for exchange, delivery of (or, in the case of a subsequent exchange, a corresponding entry being recorded in the records of the relevant Clearing Systems) a permanent Global Note or delivery of Definitive Notes, as the case may be, is improperly withheld or refused by or on behalf of the Issuer.

Payments due in respect of a D Rules Note before the Exchange Date shall only be made in relation to such nominal amount of this temporary Global Note with respect to which there shall have been Certification dated no earlier than such due date for payment.

Any payments that are made in respect of this temporary Global Note shall be made to its holder against presentation and (if no further payment falls to be made on it) surrender of it at the specified office of the Issuing and Paying Agent or of any other Paying Agent provided for in the Conditions and each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant Clearing Systems referred to herein shall not affect such discharge. If any payment in full or in part of principal or, in the case of Instalment Notes, payment of an Instalment Amount, is made in respect of any Note represented by this temporary Global Note the Issuer shall procure that details of such payment shall be entered pro rata in the records of the relevant Clearing Systems and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the relevant Clearing Systems and represented by this temporary Global Note shall be reduced by the aggregate nominal amount of the Notes so redeemed or by the aggregate amount of the Instalment Amount so paid. If any other payments are made in respect of the Notes represented by this temporary Global Note, the Issuer shall procure that a record of each such payment shall be entered pro rata in the records of the relevant Clearing Systems. Condition 8(e)(vii) *(Appointment of Agents)* and Condition 9(e) (*Payment by another Paying Agent*) will apply to the Definitive Notes only.

For the purposes of any payments made in respect of this temporary Global Note, the words "in the relevant place of presentation" shall not apply in the definition of "business day" in Condition 8(h) (Non-Business Days).

Cancellation

On cancellation of any Note represented by this temporary Global Note that is required by the Conditions to be cancelled (other than upon its redemption), the issuer shall procure that details of such cancellation shall be entered pro rata in the records of the relevant Clearing systems and, upon any such entry being made, the nominal amount of the Note recorded in the records of the relevant Clearing Systems and represented by this temporary Global Note shall be reduced by the aggregate nominal amount of the Notes so cancelled.

Notices

Notices required to be given in respect of the Notes represented by this temporary Global Note may be given by their being delivered (so long as this temporary Global Note is held on behalf of Euroclear and/or Clearstream, Luxembourg or any other permitted clearing system) to Euroclear, Clearstream, Luxembourg or such other permitted clearing system, as the case may be, or otherwise to the holder of this temporary Global Note, rather than by publication as required by the Conditions, [except that so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort)].

No provision of this temporary Global Note shall alter or impair the obligation of the Issuer to pay the principal and premium of and interest on the Notes when due in accordance with the Conditions.

This temporary Global Note shall not be valid or become obligatory for any purpose until authenticated by or on behalf of the Issuing and Paying Agent and effectuated by the entity appointed as Common Safekeeper by the relevant Clearing Systems.

This temporary Global Note [and any non-contractual obligations arising out of or in connection with it] shall be governed by English law.

In witness whereof the Issuer has caused this temporary Global Note to be duly signed on its behalf.

Dated as of the Issue Date.

[ISSUER]

By:

CERTIFICATE OF AUTHENTICATION

This temporary Global Note is authenticated
by or on behalf of the Issuing and Paying Agent.

[ISSUING AND PAYING AGENT]
as Issuing and Paying Agent

By:

Authorised Signatory
For the purposes of authentication only.

Effectuation

This temporary Global Note

is effectuated by or on behalf of the Common Safekeeper.

[COMMON SAFEKEEPER]

as Common Safekeeper

By:

Authorised Signatory

For the purposes of effectuation only.

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

Schedule

[Insert the provisions of the relevant Final Terms that relate to the Conditions or the Global Notes as the Schedule]

Schedule 1
Part D
Form of NGN Permanent Global Note

[CENTRAL NETWORKS EAST PLC]/[CENTRAL NETWORKS WEST PLC]
(Incorporated with limited liability in England and Wales under
the Companies Act 1985 with registered number [02366923]/[03600574])

EURO MEDIUM TERM NOTE PROGRAMME

PERMANENT GLOBAL NOTE

Permanent Global Note No. [•]

This permanent Global Note is issued in respect of the Notes (the **"Notes")** of the Tranche(s) and Series specified in Part A of the Schedule hereto of [ISSUER] (the **"Issuer").**

Interpretation and Definitions

References in this permanent Global Note to the "Conditions" are to the Terms and Conditions applicable to the Notes (which are in the form set out in Schedule 2Part C (*Terms and Conditions of the Notes*) to the Trust Deed (as amended or supplemented as at the Issue Date, the "Trust Deed") dated 26 November 2010 between the Issuer and Deutsche Trustee Company Limited as trustee, as such form is supplemented and/or modified and/or superseded by the provisions of this permanent Global Note (including the supplemental definitions and any modifications or additions set out in Part A of the Schedule hereto), which in the event of any conflict shall prevail). Other capitalised terms used in this permanent Global Note shall have the meanings given to them in the Conditions or the Trust Deed.

Aggregate Nominal Amount

The aggregate nominal amount from time to time of this permanent Global Note shall be an amount equal to the aggregate nominal amount of the Notes from time to time entered in the records of both Euroclear and Clearstream, Luxembourg (together, the "relevant Clearing Systems"), which shall be completed and/or amended as the case may be upon (i) the exchange of the whole or a part of the interests recorded in the records of the relevant Clearing Systems in the temporary Global Note initially representing the Notes for a corresponding interest herein (in the case of Notes represented by a temporary Global Note upon issue), (ii) the issue of the Notes represented hereby (in the case of Notes represented by this permanent Global Note upon issue), (iii) the exchange of the whole or, where the limited circumstances so permit, a part of this permanent Global Note for Definitive Notes, (iv) the redemption or purchase and cancellation of Notes represented hereby and/or (v) in the case of Partly Paid Notes, the forfeiture of Notes represented hereby in accordance with the Conditions relating to such Partly Paid Notes, all as described below.

The records of the relevant Clearing Systems (which expression in this permanent Global Note means the records that each relevant Clearing System holds for its customers which reflect the amount of such customers' interests in the Notes) shall be conclusive evidence of the nominal amount of the Notes represented by this permanent Global Note and, for these purposes, a statement issued by a relevant Clearing System (which statement shall be made available to the bearer upon request) stating the nominal amount of Notes represented by this permanent Global Note at any time shall be conclusive evidence of the records of the relevant Clearing System at that time.

Promise to Pay

Subject as provided herein, the Issuer, for value received, hereby promises to pay to the bearer of this permanent Global Note, upon presentation and (when no further payment is due in respect of this permanent Global Note) surrender of this permanent Global Note on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Conditions may become repayable in accordance with the Conditions) the amount payable upon redemption under the Conditions in respect of the aggregate nominal amount of Notes represented by this permanent Global Note and (unless this permanent Global Note does not bear interest) to pay interest in respect of the Notes from the Interest Commencement Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Notes, together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions.

Exchange

This permanent Global Note is exchangeable (free of charge to the holder) on or after the Exchange Date in whole but not, except as provided in the next paragraph, in part for the Definitive Notes if this permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other permitted clearing system (an **"Alternative Clearing System"**) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

This permanent Global Note is exchangeable in part (provided, however, that if this permanent Global Note is held by or on behalf of Euroclear and/or Clearstream, Luxembourg, the rules of Euroclear and/or Clearstream, Luxembourg, as the case may be, so permit) if so provided, and in accordance with, the Conditions relating to Partly Paid Notes.

"Exchange Date" means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and, except in the case of exchange above, in the cities in which Euroclear and Clearstream, Luxembourg or, if relevant, the Alternative Clearing System, are located.

Subject as provided in the Conditions applicable to Partly Paid Notes, any such exchange may be effected on or after an Exchange Date by the holder of this permanent Global Note surrendering this permanent Global Note or, in the case of a partial exchange, presenting it to or to the order of the Issuing and Paying Agent. In exchange for this permanent Global Note, or part thereof to be exchanged, the Issuer shall deliver, or procure the delivery of, duly executed and authenticated Definitive Notes in an aggregate nominal amount equal to the nominal amount of this permanent Global Note submitted for exchange (if appropriate, having attached to them all Coupons (and, where appropriate, Talons) in respect of interest, and all Receipts in respect of Instalment Amounts, that have not already been paid on this permanent Global Note), security printed and substantially in the form set out in the Schedules to the Trust Deed as supplemented and/or modified and/or superseded by the terms of Part A of the Schedule hereto.

On any exchange of a part of this permanent Global Note, the Issuer shall procure that the portion of the nominal amount hereof so exchanged shall be entered pro rata in the records of the relevant Clearing Systems and upon any such entry being made, the nominal amount of the Notes recorded in the records of the relevant Clearing Systems and represented by this permanent Global Note shall be reduced by an amount equal to such portion so exchanged.

Benefit of Conditions

Except as otherwise specified herein, this permanent Global Note, the Issuer shall procure that is subject to the Conditions and the Trust Deed and, until the whole of this permanent Global Note is exchanged for Definitive Notes, the holder of this permanent Global Note shall in all respects be entitled to the same benefits as if it were the holder of the Definitive Notes for which it may be exchanged and as if such Definitive Notes had been issued on the issue Date.

Payments

No person shall be entitled to receive any payment in respect of the Notes represented by this permanent Global Note that falls due after an Exchange Date for such Notes, unless upon due presentation of this permanent Global Note for exchange, delivery of Definitive Notes is improperly withheld or refused by or on behalf of the Issuer or the Issuer does not perform or comply with any one or more of what are expressed to be its obligations under any Definitive Notes.

Payments in respect of this permanent Global Note shall be made to its holder against presentation and (if no further payment falls to be made on it) surrender of it at the specified office of the Issuing and Paying Agent or of any other Paying Agent provided for in the Conditions and each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant Clearing Systems referred to herein shall not affect such discharge. The Issuer shall procure that details of each such payment shall be entered pro rata in the records of the relevant Clearing Systems and in the case of any payment of principal, or in the case of Instalment Notes, payment of an Instalment Amount, and upon any such entry being made, the nominal amount of the Notes recorded in the records of the relevant Clearing Systems and represented by this permanent Global Note shall be reduced by the aggregate nominal amount of the Notes so redeemed or by the aggregate amount of the Instalment Amount so paid. Condition 8(e)(vii) (*Appointment of Agents*) and Condition 9(e) (*Payment by another Paying Agent*)will apply to the Definitive Notes only.

For the purposes of any payments made in respect of this permanent Global Note, the words "in the relevant place of presentation" shall not apply in the definition of **"business day"** in Condition 8(h) (Non-Business Days).

Prescription

Claims in respect of principal and interest (as each is defined in the Conditions) in respect of this permanent Global Note shall become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date.

Meetings

For the purposes of any meeting of Noteholders, the holder of this permanent Global Note shall [(unless this permanent Global Note represents only one Note)] be treated [as two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting,] as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

Cancellation

On cancellation of any Note represented by this permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption), the Issuer shall procure that details of such cancellation shall be entered pro rata in the records of the relevant Clearing Systems and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the relevant Clearing Systems and represented by this permanent Global Note shall be reduced by the aggregate nominal amount of the Notes so cancelled.

Purchase

Notes may only be purchased by the Issuer if they are purchased together with the right to receive all future payments of interest and Instalment Amounts (if any) thereon.

Issuer's Options

Any option of the Issuer provided for in the Conditions shall be exercised by the Issuer giving notice to the Noteholders and the relevant Clearing Systems (or procuring that such notice is given on its behalf) within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the case of a partial exercise of an option, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg and shall be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion. Following the exercise of any such option, the issuer shall procure that the nominal amount of the Notes recorded in the records of the relevant Clearing Systems and represented by this permanent Global Note shall be reduced accordingly.

Noteholders' Options

Any option of the Noteholders provided for in the Conditions may be exercised by the holder of this permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised. Following the exercise of any such option, the Issuer shall procure that the nominal amount of the Notes recorded in the records of the relevant Clearing Systems and represented by this permanent Global Note shall be reduced by the aggregate nominal amount stated in the relevant exercise notice.

Notices

Notices required to be given in respect of the Notes represented by this permanent Global Note may be given by their being delivered (so long as this permanent Global Note is held on behalf of Euroclear and/or Clearstream, Luxembourg and/or an Alternative Clearing System) to Euroclear, Clearstream, Luxembourg and/or such Alternative Clearing System, as the case may be, or otherwise to the holder of this permanent Global Note, rather than by publication as required by the Conditions, [except that so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published either on the website of the Luxembourg Stack Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort)].

Negotiability

This permanent Global Note is a bearer document and negotiable and accordingly:

1 is freely transferable by delivery and such transfer shall operate to confer upon the transferee all rights and benefits appertaining hereto and to bind the transferee with all obligations appertaining hereto pursuant to the Conditions

2 the holder of this permanent Global Note is and shall be absolutely entitled as against all previous holders to receive all amounts by way of amounts payable upon redemption, interest or otherwise payable in respect of this permanent Global Note and the Issuer has waived against such holder and any previous holder of this permanent Global Note all rights of set-off or counterclaim that would or might otherwise be available to it in respect of the obligations evidenced by this Global Note and

3 payment upon due presentation of this permanent Global Note as provided herein shall operate as a good discharge against such holder and all previous holders of this permanent Global Note.

No provisions of this permanent Global Note shall alter or impair the obligation of the Issuer to pay the principal and premium of and interest on the Notes when due in accordance with the Conditions.

This permanent Global Note shall not be valid or become obligatory for any purpose until authenticated by or on behalf of the Issuing and Paying Agent and effectuated by the entity appointed as Common Safekeeper by the relevant Clearing Systems.

This permanent Global Note [and any non-contractual obligations arising out of or in connection with it] shall be governed by English law.

In witness whereof the Issuer has caused this permanent Global Note to be duly signed on its behalf.

Dated as of the Issue Date.

[ISSUER]

By:

CERTIFICATE OF AUTHENTICATION

This permanent Global Note is authenticated
by or on behalf of the Issuing and Paying Agent.

[ISSUING AND PAYING AGENT]

as Issuing and Paying Agent

By:

Authorised Signatory
For the purposes of authentication only.

Effectuation

This permanent Global Note

is effectuated by or on behalf of the Common Safekeeper.

[COMMON SAFEKEEPER]

as Common Safekeeper

By:

Authorised Signatory

For the purposes of effectuation only.

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED INSECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

Schedule

[Insert the provisions of the relevant Final Terms that relate to the Conditions or the Global Notes as the Schedule.]

Schedule 1
Part E
Form of Global Certificate

[CENTRAL NETWORKS EAST PLC]/[CENTRAL NETWORKS WEST PLC]
(Incorporated with limited liability in England and Wales under
the Companies Act 1985 with registered number [02366923]/[03600574])

EURO MEDIUM TERM NOTE PROGRAMME

GLOBAL CERTIFICATE

Global Certificate No. [●]

This Global Certificate is issued in respect of the nominal amount specified above of the Notes (the **"Notes"**) of the Tranche and Series specified in Part A of the Schedule hereto of [ISSUER] (the **"Issuer"**). This Global Certificate certifies that the person whose name is entered in the Register (the **"Registered Holder"**) is registered as the holder of an issue of Notes of the nominal amount, specified currency and specified denomination set out in Part A of the Schedule hereto.

Interpretation and Definitions

References in this Global Certificate to the "Conditions" are to the Terms and Conditions applicable to the Notes (which are in the form set out in Schedule 2 Part C (*Terms and Conditions of the Notes*) to the Trust Deed (as amended or supplemented as at the Issue Date, the **"Trust Deed"**) dated 26 November 2010 between the Issuer and Deutsche Trustee Company Limited as trustee, as such form is supplemented and/or modified and/or superseded by the provisions of this Global Certificate (including the supplemental definitions and any modifications or additions set out in Part A of the Schedule hereto), which in the event of any conflict shall prevail). Other capitalised terms used in this Global Certificate shall have the meanings given to them in the Conditions or the Trust Deed.

Promise to Pay

The Issuer, for value received, promises to pay to the holder of the Notes represented by this Global Certificate upon presentation and (when no further payment is due in respect of the Notes represented by this Global Certificate) surrender of this Global Certificate on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Conditions may become repayable in accordance with the Conditions) the amount payable upon redemption under the Conditions in respect of the Notes represented by this Global Certificate and (unless the Notes represented by this Certificate do not bear interest) to pay interest in respect of such Notes from the Interest Commencement Date in arrear at the rates, on the dates for payment, and in accordance with the methods of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Notes represented by this Global Certificate, together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions. Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

For the purposes of this Global Certificate, (a) the holder of the Notes represented by this Global Certificate is bound by the provisions of the Agency Agreement, (b) the Issuer certifies that the Registered Holder is, at the date hereof, entered in the Register as the holder of the Notes represented by this Global Certificate, (c) this Global Certificate is evidence of entitlement only, (d) title to the Notes represented by this Global Certificate passes only on due registration on the Register, and (e) only the holder of the Notes represented by this Global Certificate is entitled to payments in respect of the Notes represented by this Global Certificate.

Transfer of Notes represented by permanent Global Certificates

If the Schedule hereto states that the Notes are to be represented by a permanent Global Certificate on issue, transfers of the holding of Notes represented by this Global Certificate pursuant to Condition 2(b) may only be made in part:

(i) if the Notes represented by this Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an **"Alternative Clearing System"**) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or

(ii) with the consent of the Issuer

provided that, in the case of the first transfer of part of a holding pursuant to (i) above, the holder of the Notes represented by this Global Certificate has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such transfer. Where the holding of Notes represented by this Global Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a Global Certificate. Where transfers are permitted in part, Certificates issued to transferees shall not be Global Certificates unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or an Alternative Clearing System.

Meetings

For the purposes of any meeting of Noteholders, the holder of the Notes represented by this Global Certificate shall (unless this Global Certificate represents only one Note) be treated as [two persons for the purposes of any quorum requirements of a meeting of Noteholders and as] being entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes.

This Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar and in the case of Registered Notes held under the NSS only, effectuated by the entity appointed as Common Safekeeper by the relevant Clearing Systems.

This Global Certificate [and any non-contractual obligations arising out of or in connection with it] shall be governed by English law.

In witness whereof the Issuer has caused this Global Certificate to be signed on its behalf.

Dated as of the Issue Date.

[ISSUER]

By:

CERTIFICATE OF AUTHENTICATION

This Global Certificate is authenticated
by or on behalf of the Registrar.

[REGISTRAR]
as Registrar

By:

Authorised Signatory
For the purposes of authentication only.

Effectuation

This Global Certificate is effectuated
by or on behalf of the Common Safekeeper

[COMMON SAFEKEEPER]
as Common Safekeeper

By:

Authorised Signatory
For the purposes of effectuation of Registered Notes held through the NSS only

Form of Transfer

For value received the undersigned transfers to

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF TRANSFEREE)

[●] nominal amount of the Notes represented by this Global Certificate, and all rights under them.

Dated

Signed ______________________________ Certifying Signature

Notes:

(i) The signature of the person effecting a transfer shall conform to a list of duly authorised specimen signatures supplied by the holder of the Notes represented by this Global Certificate or (if such signature corresponds with the name as it appears on the face of this Global Certificate) be certified by a notary public or a recognised bank or be supported by such other evidence as a Transfer Agent or the Registrar may reasonably require.

(ii) A representative of the Noteholder should state the capacity in which he signs e.g. executor.

Schedule

[Insert the provisions of the relevant Final Terms that relate to the Conditions or the Global Certificate as the Schedule.]

Schedule 2
Part A
Form of Bearer Note

On the front:

[Denomination]	**[ISIN]**	**[Series]**	**[Certif. No.]**

[Currency and denomination]

[CENTRAL NETWORKS EAST PLC]/[CENTRAL NETWORKS WEST PLC]
(Incorporated with limited liability in England and Wales under
the Companies Act 1985 with registered number [02366923]/[03600574])

EURO MEDIUM TERM NOTE PROGRAMME

Series No. [●]

[Title of issue]

This Note forms one of the Series of Notes referred to above (the **"Notes")** of [ISSUER] (the **"Issuer")** designated as specified in the title hereof. The Notes are subject to the Terms and Conditions (the **"Conditions")** endorsed hereon and are issued subject to, and with the benefit of, the Trust Deed referred to in the Conditions. Expressions defined in the Conditions have the same meanings in this Note.

The Issuer for value received promises to pay to the bearer of this Note, on presentation and (when no further payment is due in respect of this Note) surrender of this Note on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Conditions may become repayable in accordance with the Conditions) the amount payable upon redemption under the Conditions and (unless this Note does not bear interest) to pay interest from the Interest Commencement Date in arrear at the rates, in the amounts and on the dates for payment provided for in the Conditions together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions.

This Note shall not become valid or obligatory for any purpose until authenticated by or on behalf of the Issuing and Paying Agent.

In witness whereof the Issuer has caused this Note to be signed on its behalf.

Dated as of the Issue Date.

[ISSUER]

By:

CERTIFICATE OF AUTHENTICATION

This Note is authenticated
by or on behalf of the Issuing and Paying Agent.

[ISSUING AND PAYING AGENT]
as Issuing and Paying Agent

By:

Authorised Signatory
For the purposes of authentication only.

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

On the back:

Terms and Conditions of the Notes

[The Terms and Conditions that are set out in Schedule 2 Part C (*Terms and Conditions of the Notes*) to the Trust Deed as amended by and incorporating any additional provisions forming part of such Terms and Conditions and set out in Part A of the relevant Final Terms shall be set out here.]

ISSUING AND PAYING AGENT

[ISSUING AND PAYING AGENT]

PAYING AGENT[S]

•	•
•	•
•	•

Schedule 2
Part B
Form of Certificate

On the front:

[CENTRAL NETWORKS EAST PLC]/[CENTRAL NETWORKS WEST PLC]
(Incorporated with limited liability in England and Wales under
the Companies Act 1985 with registered number [02366923]/[03600574])

EURO MEDIUM TERM NOTE PROGRAMME

Series No. [●]

[Title of Issue]

This Certificate certifies that [●] of [●] (the **"Registered Holder")** is, as at the date hereof, registered as the holder of [nominal amount] of Notes of the Series of Notes referred to above (the **"Notes")** of [ISSUER] (the **"Issuer"),** designated as specified in the title hereof. The Notes are subject to the Terms and Conditions (the **"Conditions")** endorsed hereon and are issued subject to, and with the benefit of, the Trust Deed referred to in the Conditions. Expressions defined in the Conditions have the same meanings in this Certificate.

The Issuer, for value received, promises to pay to the holder of the Note(s) represented by this Certificate upon presentation and (when no further payment is due in respect of the Note(s) represented by this Certificate) surrender of this Certificate on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Conditions may become repayable in accordance with the Conditions) the amount payable upon redemption under the Conditions in respect of the Notes represented by this Certificate and (unless the Note(s) represented by this Certificate do not bear interest) to pay interest in respect of such Notes from the Interest Commencement Date in arrear at the rates, in the amounts and on the dates for payment provided for in the Conditions together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions.

For the purposes of this Certificate, (a) the holder of the Note(s) represented by this Certificate is bound by the provisions of the Agency Agreement, (b) the Issuer certifies that the Registered Holder is, at the date hereof, entered in the Register as the holder of the Note(s) represented by this Certificate, (c) this Certificate is evidence of entitlement only, (d) title to the Note(s) represented by this Certificate passes only on due registration on the Register, and (e) only the holder of the Note(s) represented by this Certificate is entitled to payments in respect of the Note(s) represented by this Certificate.

This Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

In witness whereof the Issuer has caused this Certificate to be signed on its behalf.

Dated as of the Issue Date.

[ISSUER]

By:

CERTIFICATE OF AUTHENTICATION

This Certificate is authenticated
by or on behalf of the Registrar.

[REGISTRAR]

as Registrar

By:

Authorised Signatory
For the purposes of authentication only.

On the back:

Terms and Conditions of the Notes

[The Terms and Conditions that are set out in Schedule 2 Part C (*Terms and Conditions of the Notes*) to the Trust Deed as amended by and incorporating any additional provisions forming part of such Terms and Conditions and set out in Part A of the relevant Final Terms shall be set out here.]

Form of Transfer

For value received the undersigned transfers to

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF TRANSFEREE)

[●] nominal amount of the Notes represented by this Certificate, and all rights under them.

Dated

Signed ______________________ Certifying Signature

Notes:

(i) The signature of the person effecting a transfer shall conform to a list of duly authorised specimen signatures supplied by the holder of the Notes represented by this Certificate or (if such signature corresponds with the name as it appears on the face of this Certificate) be certified by a notary public or a recognised bank or be supported by such other evidence as a Transfer Agent or the Registrar may reasonably require.

(ii) A representative of the Noteholder should state the capacity in which he signs.

Unless the context otherwise requires capitalised terms used in this Form of Transfer have the same meaning as in the Trust Deed dated 26 November 2010 between the Issuer and the Note Trustee, [OTHER].

[TO BE COMPLETED BY TRANSFEREE:

[INSERT ANY REQUIRED TRANSFEREE REPRESENTATIONS, CERTIFICATIONS, ETC.]]

ISSUING AND PAYING AGENT, TRANSFER AGENT [AND REGISTRAR]

[ISSUING AND PAYING AGENT]

[●]

PAYING AGENT[S] AND TRANSFER AGENT[S]

[●]

Schedule 2
Part C
Terms and Conditions of the Notes

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as ***supplemented or varied in accordance with the provisions of Part A of the relevant Final Terms, shall be*** *applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are constituted by, are subject to, and have the benefit of, a trust deed dated 26 November 2010 (as amended or supplemented as at the date of issue of the Notes (the **"Issue Date"),** the **"Trust Deed")** between Central Networks East plc (**"CNE"**)and Central Networks West plc **("CNW"** and, together with **CNE,** the **"Issuers"** and each an **"Issuer"))** and Deutsche Trustee Company Limited (the **"Note Trustee",** which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). Notes issued by each Issuer are obligations solely of that Issuer (the "Relevant Issuer") and without recourse whatsoever to the other Issuer. These terms and conditions (the **"Conditions")** include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Registered Notes, Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An Agency Agreement dated 26 November 2010 (as amended or supplemented as at the Issue Date, the **"Agency Agreement")** has been entered into in relation to the Notes between the Issuers, the Note Trustee, Deutsche Bank AG, London Branch as issuing and paying agent and the other agents named in it. The issuing and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the **"Issuing and Paying Agent",** the **"Luxembourg Paying Agent",** the **"Paying Agents"** (which expression shall include the Issuing and Paying Agent and the Luxembourg Paying Agent), the **"Registrar",** the **"Transfer Agents"** (which expression shall include the Registrar) and the **"Calculation Agent(s)".** Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Note Trustee (presently at Winchester House, 1 Great Winchester Street, London EC2N 2DB) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders, the holders of the interest coupons (the **"Coupons")** relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the **"Talons")** (the **"Couponholders")** and the holders of the receipts for the payment of instalments of principal (the **"Receipts")** relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, **"Tranche"** means Notes which are identical in all respects.

1 Form, Denomination and Title

The Notes are issued in bearer form (**"Bearer Notes"**) or in registered form (**"Registered Notes"**) in each case in the Specified Denomination(s) shown in the Final Terms provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a Prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

All Registered Notes shall have the same Specified Denomination.

Each Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note, a Partly Paid Note or a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the Final Terms.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates **("Certificates")** and, save as provided in Condition 2(c) (*Exercise of Options or Partial Redemption in Respect of Registered Notes*), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuers shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the **"Register"**). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, **"Noteholder"** means the bearer of any Bearer Note and the Receipts relating to it orthe person in whose name a Registered Note is registered (as the case may be), **"holder"** (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them in the Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 No Exchange of Notes and Transfers of Registered Notes

(a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not he exchanged for Registered Notes.

(b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Relevant Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuers, with the prior written approval of the Registrar and the Note Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of a Relevant Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only he issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) (*Transfer of Registered Notes*) or (c) (*Exercise of Options or Partial Redemption in Respect of Registered Notes*) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(g) (*Redemption at the Option of Noteholders*)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d) (*Delivery of New Certificates*), **"business day"** means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Relevant Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Relevant Issuer at its option pursuant to Condition 6(e) (*Redemption at the Option of the Relevant Issuer*) or 6(f) (*Optional Redemption Period Redemption*), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3 Status

The Notes and the Receipts and Coupons relating to them constitute (subject to Condition 4 (*Negative Pledge*)) direct, general, unconditional and unsecured obligations of the Issuers and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuers under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness of the Issuers present and future.

4 Negative Pledge

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), the Relevant Issuer will not create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes and the Coupons either (A) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (B) such other security as either (i) the Note Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

In this Condition:

"Relevant Indebtedness" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities having an original maturity of more than one year which (with the consent of the Relevant Issuer of such indebtedness) for the time being are, or are intended to be capable of being, quoted, listed or dealt in or traded on a stock exchange or over-the-counter or other securities market.

5 Interest and other Calculations

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h) (*Calculations*).

(b) **Interest on Floating Rate Notes and Index Linked Notes:**

(i) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such Interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h) (*Calculations*). Such Interest Payment Date(s) is/are either shown in the Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown in the Final Terms as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the mouth in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the Final Terms.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), **"ISDA Rate"** for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified in the relevant Final Terms

(y) the Designated Maturity is a period specified in the relevant Final Terms and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Final Terms.

For the purposes of this sub-paragraph (A), **"Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date"** and**"Swap Transaction"** have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the Final Terms.

(y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Note Trustee and the Relevant Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iv) Rate of Interest for Index Linked Interest Notes*:* The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified in the Final Terms and interest will accrue by reference to an Index or Formula as specified in the Final Terms.

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i) (*Early Redemption*)).

(d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the Final Terms.

(e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the Final Terms.

(f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 (*Interest and other Calculations*) to the Relevant Date (as defined in Condition 9 (*Taxation*)).

(g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts, Redemption Amounts and Rounding:**

(i) If any Margin is specified in the Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) (*Interest on Floating Rate Notes and Index Linked Notes*) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the Final Terms, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes **"unit"** means the lowest amount of such currency that is available as legal tender in the countries of such currency.

(h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the Final Terms, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts,** Optional Redemption Amounts and Instalment Amounts: The Calculation Agent shall as soon, as practicable on each Interest Determination

Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of each denomination of the Notes for the relevant Interest Accrual Period, Interest Period or Interest Payment Date calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation and/or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period, Interest Period or Interest Payment Date and, if required, the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Note Trustee, the Relevant Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii) (*Interest on Floating Rate Notes and Index Linked Notes*), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Note Trustee by way of adjustment) without notice in the event of all extension or shortening of the Interest Period. If the Notes become due and payable under Condition 11 (*Events of Default*), the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Note Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) **Determination or Calculation by Note Trustee:** If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, or take any action that it is required to do pursuant to these Conditions, the Calculation Agent shall forthwith notify the Relevant Issuer, the Note Trustee and the Issuing and Paying Agent and the Note Trustee (whether or not it receives such notice) shall do so (or shall appoint an Agent. In its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent in doing so, the Note Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(k) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Business Day" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a **"TARGET Business Day"**) and/or

(iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the **"Calculation Period"):**

(i) if **"Actual/Actual"** or **"Actual/Actual—ISDA"** is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if **"Actual/365 (Fixed)"** is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365

(iii) if **"Actual/365 (Sterling)"** is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Period Date falling in a leap year, 366

(iv) if **"Actual/360"** is specified in the Final Terms, the actual number of days in the Calculation Period divided by 360

(v) if **"30/360", "360/360" or "Bond Basis"** is specified in the Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30

(vi) if **"30E/360"** or**"Eurobond Basis"** is specified in the Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D2 " is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30

(vii) if **"30E/360 (ISDA)"** is specified in the Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

" Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_2 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30

(viii) if **"Actnal/Actual-ICMA"** is specified in the Final Terms,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"Determination Period" means the period from and including a Determination Date in any year to but excluding the next Determination Date and

"Determination Date" means the date(s) specified as such in the Final Terms or, if none is so specified, the Interest Payment Date(s)

"Euro-zone" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"Interest Accrual Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"Interest Amount" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the Final Terms, shall mean the Fixed Coupon Amount or Broken Amount specified in the Final Terms as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"InterestCommencement Date" means the Issue Date or such other date as may be specified in the Final Terms.

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the Final Terms or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"Interest Period" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

"Interest Period Date" means each Interest Payment Date unless otherwise specified in the Final Terms.

"ISDA Definitions" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the Final Terms.

“Rate of Interest” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the Final Terms.

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified in the Final Terms.

“Reference Rate” means the rate specified as such in the Final Terms.

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service as may be specified in the Final Terms. **“Specified Currency”** means the currency specified as such in the Final Terms or, if none is specified, the currency in which the Notes are denominated.

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(1) **Calculation Agent:** The Relevant Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the Final Terms and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Relevant Issuer shall (with the prior approval of the Note Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(m) **Adjustment to Rate of Interest:** If, in respect of a Tranche of Notes, **“Ratings Downgrade Rate Adjustment”** is specified in the relevant Final Terms as being applicable, the Rate of Interest specified in the Final Terms (the **“Initial Rate of Interest”**) and payable on the Notes will be subject to adjustment from time to time in the event of a Rating Change or Rating Changes, within the period from and including the Issue Date of such Tranche of Notes to and including the date falling 18 months from such Issue Date (the **“Rating Change Period”**, with the final date of such Rating Change Period being the **“Rating Change Period End Date”**), which adjustment shall be determined as follows.

If, following a Rating Change within the Rating Change Period:

(i) the lowest Rating then assigned to the Notes is A- or A3 or higher, then (unless there is a subsequent Rating Change within the Rating Change Period) from and including the first Interest Payment Date following the Rating Change, the rate of interest payable on the Notes shall be the Initial Rate of Interest;

(ii) the lowest Rating then assigned to the Notes is BBB+ or Baal, then (unless there is a subsequent Rating Change within the Rating Change Period) from and including the first Interest Payment Date following the Rating Change, the rate of interest payable on the Notes shall be the Initial Rate of Interest plus 0.25 per cent, per annum;

(iii) the lowest Rating then assigned to the Notes is BBB or Baa2, then (unless there is a subsequent Rating Change within the Rating Change Period) from and including the first Interest Payment Date following the Rating Change, the rate of interest payable on the Notes shall be the Initial Rate of Interest plus 0.50 per cent, per annum; or

(iv) the lowest Rating then assigned to the Notes is BBB- or Baa3 or lower, or if such Ratings are withdrawn by both of Moody's and S&P, then (unless there is a subsequent Rating Change within the Rating Change Period) from and including the first Interest Payment Date following the Rating Change the rate of interest payable on the Notes shall be the Initial Rate of Interest plus 0.75 per cent, per annum

in each case, the **"Revised Rate of Interest"**.

Following each Rating Change the Relevant Issuer will notify the Noteholders of the Revised Rate of Interest following such Rating Change in accordance with the provisions of Condition 17 (*Notices*) as soon as reasonably practicable after the occurrence of the Rating Change. If, in respect of an Interest Period (the **"Relevant Interest Period"),** there is more than one Rating Change, the Revised Rate of Interest which will apply for the succeeding Interest Period will be the Revised Rate of Interest resulting from the last Rating Change in the Relevant Interest Period.

There shall be no limit to the number of times that adjustments to the rate of interest payable on the Notes may be made pursuant to this Condition 6(m) during the Rating Change Period, provided always that at no time during the term of the Notes will the rate of interest payable on the Notes be less than the Initial Interest Rate or more than the Initial Interest Rate plus 0.75 per cent, per annum. For the avoidance of doubt, the rate of interest payable on the Notes from and including the first Interest Payment Date following the Rating Change Period End Date to maturity of the Notes shall be determined in accordance with the Ratings assigned to the Notes as of the Rating Change Period End Date.

"Rating Agency" means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies Inc. or any of its subsidiaries and their successors or Moody's Investors Service Limited or any of its subsidiaries and their successors or any rating agency substituted for any of them (or any permitted substitute of them) by the Relevant Issuer from time to time with the prior written approval of the Note Trustee; and

"Rating Change" means the public announcement by any Rating Agency assigning a credit rating to the Notes of a change in, or confirmation of, the rating of the Notes *or,* as the case may be, of a credit rating being applied.

6 Redemption, Purchase and Options

(a) **Redemption by Instalments and Final Redemption:**

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6 (*Redemption*, *Purchase and Options),* each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the Final Terms. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the Final Terms at its Final Redemption Amount (which, unless otherwise provided in the Final Terms, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) **Early Redemption:**

(i) *Zero Coupon Notes:*

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) (*Redemption For Taxation Reasons*) or upon it becoming due and payable as provided in Condition 11 (*Events of Default*) shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the Final Terms.

(B) Subject to the provisions of sub-paragraph (C) below, the **"Amortised Face Amount"** of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) (*Redemption for Taxation Reasons*) or upon it becoming due and payable as provided in Condition 11 *(Events of Default)* is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c) (*Zero Coupon Notes*).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the Final Terms.

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) (*Redemption for Taxation Reasons*) or upon it becoming due and payable as provided in Condition 11 *(Events of Default*), shall be the Final Redemption Amount unless otherwise specified in the Final Terms.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Relevant Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Note Trustee and the Noteholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) (*Early Redemption*) above) (together with interest accrued to the date fixed for redemption), if (i) the Relevant Issuer satisfies the Note Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 9 (*Taxation*) as a result of any change in, of amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Relevant Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Relevant Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c)

(*Redemption for Taxation Reasons*), the Relevant Issuer shall deliver to the Note Trustee a certificate signed by a Director of the Relevant Issuer stating that the obligation referred to in (i) above cannot be avoided by the Relevant Issuer taking reasonable measures available to it and the Note Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on Noteholders and Couponholders.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

(d) **Redemption For Indexation Reasons:** Upon the occurrence of any Index Event (as defined below), the Relevant Issuer may, upon giving not less than 30 nor more than 60 days' notice to the Note Trustee and the holders of the Indexed Notes in accordance with Condition 17 (*Notices*), redeem all (but not some only) of the Indexed Notes of all Tranches on any Interest Payment Date at the Principal Amount Outstanding (adjusted inaccordance with Condition 7(b) (*Application of the Index Ratio*)) plus accrued but unpaid interest. No single Tranche of Indexed Notes may be redeemed in these circumstances unless all the other Tranches of Indexed Notes linked to the same underlying Index are also redeemed at the same time. Before giving any such notice, the Relevant Issuer shall provide to the Note Trustee a certificate signed by a Director of the Relevant Issuer (a) stating that the Relevant Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Relevant Issuer so to redeem have occurred and (b) confirming that the Relevant Issuer will have sufficient funds on such Interest Payment Date to effect such redemption. The Note Trustee shall be entitled to rely on such certificate without liability to any person.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

"Index Event" means (i) if the Index Figure for three consecutive months falls to be determined on the basis of an Index Figure previously published as provided in Condition 7(c)(ii) (*Delay in publication of Index*)and the Note Trustee has been notified by the Issuing and Paying Agent or Agent Bank that publication of the Index has ceased or (ii) notice is published by Her Majesty's Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt, and (in either case) no amendment or substitution of the Index has been advised by the Indexation Adviser to the Relevant Issuer and such circumstances are continuing.

(e) **Redemption at the Option of the Relevant Issuer:** If Call Option is specified in the Final Terms, the Relevant Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Note Trustee and the Noteholders (or such other notice period as may be specified in the Final Terms) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the Final Terms.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place as the Note Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

In the case of a partial redemption of a Tranche of Notes represented by a New Global Note (as defined in the Trust Deed) pursuant to this Condition, the Notes to be redeemed (the **"Redeemed Notes")** will be selected in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), not more than 30 days prior to the date fixed for redemption.

(f) **Optional Redemption Period Redemption:** If Optional Redemption Period Call Option is specified in the Final Terms, the Relevant Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Note Trustee and the Noteholders (or such other notice period as may be specified in the Final Terms) redeem all of a Tranche or Sub-Tranche of a Series of Notes within the Optional Redemption Period relating to such Tranche or Sub-Tranche of Notes at 101% of the Issue Price of such Notes on any Issuer Optional Redemption Date together with interest accrued to the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

"Issuer Optional Redemption Date" means, in relation to the Notes in respect of which any such notice is given, the date for redemption specified in such notice in accordance with this Condition.

"Optional Redemption Period" means, in respect of a Tranche or Sub-Tranche of a Series of Notes issued whilst the Relevant Issuer is a direct or indirect subsidiary (where 'subsidiary' has the meaning given to it in section 1159 of the Companies Act 2006) of E.ON UK plc, the period from the date of issue of such Tranche or Sub-Tranche of Notes until the earlier of:

(i) the date falling 18 months after such date of issue; and

(ii) the date that the Relevant Issuer ceases to be a direct or indirect subsidiary (where 'subsidiary' has the meaning given to it in section 1159 of the Companies Act 2006) of E.ON UK plc.

(g) **Redemption at the Option of Noteholders:** If Put Option is specified in the Final Terms, the Relevant Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Relevant Issuer (or such other notice period as may be specified in the Final Terms) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice **("Exercise Notice")** in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Relevant Issuer.

(h) **Redemption at the Option of the Noteholders on a Restructuring Event**

(i)

(a) If, at any time while any of the Notes remains outstanding, a Restructuring Event (as defined below) occurs and prior to the commencement of or during the Restructuring Period (as defined below):

(A) an independent financial adviser (as described below) shall have certified in writing to the Note Trustee that such Restructuring Event will not be or is not, in its opinion, materially prejudicial to the interests of the Noteholders; or

(B) if there are Rated Securities (as defined below), each Rating Agency (as defined below) that at such time has assigned a current rating to the Rated Securities confirms in writing to the Relevant Issuer in writing at its request (which it shall make as set out below) that it will not be withdrawing or reducing the then current rating assigned to the Rated Securities by it from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Bal, or their respective equivalents for the time being, or worse) or, if the Rating Agency shall have already rated the Rated Securities below investment grade (as described above), the rating will not be lowered by one full rating category or more, in each case as a result, in whole or in part, of any event or circumstance comprised in or arising as a result of the applicable Restructuring Event,

the following provisions of this Condition 6(h) (*Redemption at the Option of the Noteholders on a Restructuring Event*) shall cease to have any further effect in relation to such Restructuring Event.

(b) If, at any time while any of the Notes remains outstanding, a Restructuring Event occurs and (subject to Condition 6(h)(i)(a) (*Redemption at the Option of the Noteholders on a Restructuring Event*)):

(A) within the Restructuring Period, either;

(i) if at the time such Restructuring Event occurs there are Rated Securities, a Rating Downgrade (as defined below) in respect of such Restructuring Event also occurs; or

(ii) if at such time there are no Rated Securities, a Negative Rating Event (as defined below) in respect of such Restructuring Event also occurs; and

(B) an independent financial adviser shall have certified in writing to the Note Trustee that such Restructuring Event is, in its opinion, materially prejudicial to the interests of the Noteholders (a **"Negative Certification"**),

then, unless at any time the Relevant Issuer shall have given notice under Condition 6(e) (*Redemption at the Option of the Relevant Issuer*) or 6(f) (*Optional Redemption Period Redemption*) (if applicable) or the holder shall have given notice under Condition 6(g) (*Redemption at the Option of the Noteholders*) (if applicable), the holder of each Note will, upon the giving of a Put Event Notice (as defined below), have the option (the **"Put Option"**) to require the Relevant Issuer to redeem or, at the option of the Relevant Issuer, purchase (or procure the purchase of) that Note on the Put Date (as defined below), at its Optional Redemption Amount together with (or, where purchased, together with an amount equal to) interest (if any) accrued to (but excluding) the Put Date.

A Restructuring Event shall be deemed not to be materially prejudicial to the interests of the Noteholders if, notwithstanding the occurrence of a Rating Downgrade or a Negative Rating Event, the rating assigned to the Rated Securities by any Rating Agency (as defined below) is subsequently increased to, or, as the case may be, there is assigned to the Notes or other unsecured and unsubordinated debt of the Issuer having an initial maturity of five years or more by any Rating Agency, an investment grade rating (BBB-/Baa3) or their respective equivalents for the time being) or better prior to any Negative Certification being issued.

Any Negative Certification shall, in the absence of manifest error, be conclusive and binding on the Note Trustee, the Issuer and the Noteholders. The Relevant Issuer may, at any time, with the approval of the Note Trustee appoint an independent financial adviser for the purposes of this Condition 6(h) (*Redemption at the Option of the Noteholders on a Restructuring Event*). If, within five Business Days following the occurrence of a Rating Downgrade or a Negative Rating Event, as the case may be, in respect of a Restructuring Event, the Issuer shall not have appointed an independent financial adviser for the purposes of Condition 6(h)(i)(b)(B) and (if so required by the Note Trustee) the Note Trustee is indemnified and/or prefunded and/or secured to its satisfaction against the costs of such adviser, the Note Trustee may appoint an independent financial adviser for such purpose following consultation with the Issuer.

(ii) Promptly upon the Issuer becoming aware that a Put Event (as defined below) has occurred, and in any event not later than 14 days after the occurrence of a Put Event, the Issuer shall, and at any time upon the Note Trustee becoming similarly so aware the Note Trustee may, and if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding shall, give notice (a **"Put Event Notice")** to the Noteholders in accordance with Condition 17 (*Notices*) specifying the nature of the Put Event and the procedure for exercising the Put Option.

(iii) To exercise the Put Option, the holder of a Note must comply with the provisions of Condition 6(g) (*Redemption at the Option of the Noteholders*). The applicable notice period for the purposes of Condition 6(g) (*Redemption at the Option of the Noteholders*) shall be the period (the **"Put Period")** of 45 days after that on which a Put Event Notice is given. Subject to the relevant Noteholder having complied with Condition 6(g) (*Redemption at the Option of the Noteholders*), the Issuer shall redeem or, at the option of the Issuer, purchase (or procure the purchase of) the relevant Note on the fifteenth day after the date of expiry of the Put Period (the **"Put Date")** unless previously redeemed or purchased.

(iv) For the purposes of these Conditions:

(a) **"Distribution Services Area"** means, in respect of a Relevant Issuer, the area specified as such in the distribution licence granted to it on 1 October 2001 under section 6(l)(c) of the Electricity Act 1989 (as amended by section 30 of the Utilities Act 2000), as of the date of such distribution licence.

(b) A **"Negative Rating Event"** shall be deemed to have occurred if (1) an Issuer does not, either prior to or not later than 14 days after the date of the relevant Restructuring Event, seek, and thereupon use all reasonable endeavours to obtain, a rating of the Notes or any other unsecured and unsubordinated debt of an Issuer having an initial maturity of five years or more from a Rating Agency or (2) if it does so seek and use such endeavours, it is unable, as a result of such Restructuring Event, to obtain such a rating of at least investment grade (BBB-/Baa3, or their respective equivalents for the time being).

(c) A **"Put Event"** occurs on the date of the last to occur of (1) a Restructuring Event, (2) either a Rating Downgrade or, as the case may be, a Negative Rating Event and (3) the relevant Negative Certification.

(d) **"Rating Agency"** means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies Inc. or any of its subsidiaries and their successors **("Standard & Poor's")** or Moody's Investors Service Limited or any of its subsidiaries and their successors **("Moody's")** or any rating agency substituted for any of them (or any permitted substitute of them) by an issuer from time to time with the prior written approval of the Note Trustee.

(e) A **"Rating Downgrade"** shall be deemed to have occurred in respect of a Restructuring Event if the then current rating assigned to the Rated Securities by any Rating Agency (whether provided by a Rating Agency at the invitation of the Issuers or by its own volition) is withdrawn or reduced from an investment grade rating (BBB-/Baa3), or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Bal), or their respective equivalents for the time being, or worse) or, if the Rating Agency shall then have already rated the Rated Securities below investment grade (as described above), the rating is lowered one full rating category or more.

(f) **"Rated Securities"** means the Notes, if at any time and for so long as they have a rating from a Rating Agency, and otherwise any other unsecured and unsubordinated debt of an Issuer having an initial maturity of five years or more which is rated by a Rating Agency.

(g) **"Restructuring Event"** means the occurrence of any one or more of the following events:

(A) (i) the Secretary of State for Business, Innovation and Skills (or any successor) giving the Relevant Issuer written notice of any revocation of its Distribution Licence; or

(ii) the Relevant Issuer agreeing in writing with the Secretary of State for Business, Innovation and Skills (or any successor) to any revocation or surrender of its Distribution Licence; or

(iii) any legislation (whether primary or subordinate) being enacted which terminates or revokes the Distribution Licence of the Relevant Issuer;

except, in each such case, in circumstances where a licence or licences on substantially no less favourable terms is or are granted to the Relevant Issuer or a wholly-owned subsidiary of the Relevant Issuer where such subsidiary at the time of such grant either executes in favour of the Note Trustee an unconditional and irrevocable guarantee in respect of all Notes issued by the Relevant Issuer in such form as the Note Trustee may approve or becomes the primary obliger under the Notes issued by the Relevant Issuer in accordance with Condition 12(c) (*Substitution*); or

(B) any modification (other than a modification which is of a formal, minor or technical nature) being made to the terms and conditions upon which an Issuer is authorised and empowered under relevant legislation to distribute electricity in the Distribution Services Area unless a Director of such Issuer has certified in good faith to the Note Trustee that the modified terms and conditions are not materially less favourable to the business of the Issuer;

(C) any legislation (whether primary or subordinate) is enacted which removes, qualifies or amends (other than an amendment which is of a formal, minor or technical nature) the duties of the Secretary of State for Business, Innovation and Skills (or any successor) and/or the Gas and Electricity Markets Authority (or any successor) under section 3A of the Electricity Act 1989 (as amended by the Utilities Act 2000) (as this may be amended from time to time) unless two Authorised Persons of such Issuer has certified in good faith to the Note Trustee that such removal, qualification or amendment does not have a materially adverse effect on the financial condition of the Issuer.

(h) **"Restructuring Period"** means:

(A) if at the time a Restructuring Event occurs there are Rated Securities, the period of 90 days starting from and including the day on which that Restructuring Event occurs; or

(B) if at the time a Restructuring Event occurs there are no Rated Securities, the period starting from and including the day on which that Restructuring Event occurs and ending on the day 90 days following the later of (aa) the date (if any) on which the Issuer shall seek to obtain a rating as contemplated by the definition of Negative Rating Event; (bb) the expiry of the 14 days referred to in the definition of Negative Rating Event and (cc) the date on which a Negative Certification shall have been given to the Note Trustee in respect of that Restructuring Event.

(i) A Rating Downgrade or a Negative Rating Event or a non-investment grade rating shall be deemed not to have occurred as a result or in respect of a Restructuring Event if the Rating Agency making the relevant reduction in rating or, where applicable, refusal to assign a rating of at least investment grade as provided in this Condition 6(h) (*Redemption at the Option of the Noteholders on a Restructuring Event*) does not announce or publicly confirm or inform the Relevant Issuer in writing at its request (which it shall make as set out in the following paragraph) that the reduction or, where applicable, declining to assign a rating of at least investment grade was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of the applicable Restructuring Event.

The Relevant Issuer undertakes to contact the relevant Rating Agency immediately following that reduction, or where applicable the refusal to assign a rating of at least investment grade, to confirm whether that reduction, or refusal to assign a rating of at least investment grade was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of the applicable Restructuring Event. The Relevant Issuer shall notify the Note Trustee immediately upon receipt of any such confirmation from the relevant Rating Agency.

(i) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified in the Final Terms.

(j) **Purchases:** The Relevant Issuer may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(k) **Cancellation:** All Notes purchased by or on behalf of the Relevant Issuer may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Relevant Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Relevant Issuer in respect of any such Notes shall be discharged.

7 Indexation

This Condition 7 (*Indexation*) is applicable only if the relevant Final Terms specifies the Notes as Indexed Notes.

(a) **Definitions**

"Affiliate" means in relation to any person, any entity controlled, directly or indirectly, by that person, any entity that controls directly or indirectly, that person or any entity, directly or indirectly under common control with that person and, for this purpose, "control" means control as defined in the Companies Act;

“Base Index Figure” means (subject to Condition 7(c)(i) (Change in base)) the base index figure as specified in the relevant Final Terms;

“Calculation Date” means any date when a payment of interest or, as the case may be, principal falls due;

“Index” or **“Index Figure”** means, in relation to any relevant month (as defined in Condition 7(c)(ii) (Delay in publication of Index)), subject as provided in Condition 7(c)(i) (*Change in base*), the UK Retail Price Index **(“RPI”)** (for all items) published by the Office for National Statistics (January 1987 = 100) (currently contained in the Monthly Digest of Statistics) or any comparable index which may replace the UK Retail Price Index for the purpose of calculating the amount payable on repayment of the Reference Gilt.

Any reference to the **“Index Figure applicable”** to a particular Calculation Date shall, subject as provided in Condition 7(c) (*Changes in Circumstances Affecting the Index*) and Condition 7(e) (*Cessation of or Fundamental Changes to the Index*) below, and if “3 months lag” is specified in the relevant Final Terms, be calculated in accordance with the following formula:

$$IFS = RPIm3 + \frac{(\text{Day of Calculation Date 1})}{(\text{Days in month of Calculation Date})} (RPIm2\ RPIm3)$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

“IFA” means the Index Figure applicable;

“RPIm-3” means the Index Figure for the first day of the month that is three months prior to the month in which the payment falls due;

“RPIm-2” means the Index Figure for the first day of the month that is two months prior to the month in which the payment falls due;

Any reference to the **“Index Figure applicable”** to a particular Calculation Date shall, subject as provided in Condition 7(c) (*Changes in Circumstances Affecting the Index*) and Condition 7(e) (*Cessation of or Fundamental Changes to the Index*) below, and if “8 months lag” is specified in the relevant Final Terms, he construed as a reference to the Index Figure published in the seventh month prior to that particular month and relating to the month before that of publication;

“Index Ratio” applicable to any Calculation Date means the Index Figure applicable to such date divided by the Base Index Figure;

“Limited Index Ratio” means (a) in respect of any month prior to the relevant Issue Date, the Index Ratio for that month; (b) in respect of any Limited Indexation Month after the relevant Issue Date, the product of the Limited Indexation Factor for that month and the Limited Index Ratio as previously calculated in respect of the month twelve months prior thereto; and (c) in respect of any other month, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

“Limited Indexation Factor” means, in respect of a Limited Indexation Month, the ratio of the Index Figure applicable to that month divided by the Index Figure applicable to the month twelve months prior thereto, provided that (a) if such ratio is greater than the Maximum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

“Limited Indexation Month” means any month specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

"Limited Indexed Notes" means Indexed Notes to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the relevant Final Terms) applies;

"Maximum Indexation Factor" means the indexation factor specified as such in the relevant Final Terms;

"Minimum Indexation Factor" means the indexation factor specified as such in the relevant Final Terms; and

"Reference Gilt" means the Treasury Stock specified as such in the relevant Final Terms for so long as such stock is in issue, and thereafter such issue of index-linked Treasury Stock determined to be appropriate by a gilt-edged market maker or other adviser selected by the Relevant Issuer and approved by the Note Trustee (an **"Indexation Adviser").**

(b) **Application of the Index Ratio**

Each payment of interest and principal in respect of the Indexed Notes shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio or Limited Index Ratio in the case of Limited Indexed Notes applicable to the month in which such payment falls to be made and rounded in accordance with Condition 5(g) (*Margin, Maximum/Minimum Rates of Interest, Instalment Amounts, Redemption Amounts and Rounding*).

(c) **Changes in Circumstances Affecting the Index**

(i) **Change in base:** If at any time and from time to time the Index is changed by the substitution of a new base therefore, then with effect from the calendar month from and including that in which such substitution takes effect (1) the definition of "Index" and "Index Figure" in Condition 7(a) (*Definitions*) shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefore); and (2) the new Base Index Figure shall be the product of the existing Base Index Figure and the Index Figure immediately following such substitution, divided by the Index Figure immediately prior to such substitution.

(ii) **Delay in publication of Index:** If the Index Figure relating to any month (the **"relevant month")** which is required to be taken account for the purposes of the determination of the Index Figure applicable for any date is not published on or before the fourteenth business day before the date on which any payment of interest or principal on the Notes is due (the **"date for payment"),** the Index Figure relating to the relevant month shall be (1) such substitute index figure (if any) as the Note Trustee considers to have been published by the Bank of England or, as the case may be, the United Kingdom Debt Management Office (or such other designated debt manager of Her Majesty's Treasury, from time to time) for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser (and approved by the Note Trustee); or (2) if no such determination is made by such Indexation Adviser within 7 days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 7(c)(i) (*Change in base*)) before the date for payment.

(d) **Application of Changes**

Where the provisions of Condition 7(c)(ii) (*Delay in publication of Index*) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 7(c)(ii)(2), the Index Figure relating to the relevant month is subsequently published while a Note is still outstanding, then:

(i) in relation to a payment of principal or interest in respect of such Note other than upon final redemption of such Note, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced by an amount equal to (respectively) the shortfall or excess of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 7(c)(ii)(2), below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the fourteenth Business Day before the date for payment; and

(ii) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

(e) **Cessation of or Fundamental Changes to the Index**

(i) If (1) the Note Trustee has been notified by the Agent Bank (or the Calculation Agent, if applicable) that the Index has ceased to be published; or (2) the Note Trustee has been notified by the Agent Bank (or the Calculation Agent, if applicable) when any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would, in the opinion of the Note Trustee acting solely on the advice of an Indexation Adviser, be materially prejudicial to the interests of the Noteholders, the Note Trustee will give written notice of such occurrence to the Relevant Issuer, and the Relevant Issuer and the Note Trustee together shall seek to agree for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Relevant Issuer and the Noteholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made.

(ii) If the Relevant Issuer and the Note Trustee fail to reach agreement as mentioned above within 20 Business Days following the giving of notice as mentioned in paragraph (i), a bank or other person in London shall be appointed by the Relevant Issuer and the Note Trustee or, failing agreement on and the making of such appointment within 20 Business Days following the expiry of the day period referred to above, by the Note Trustee (in each case, such bank or other person so appointed being referred to as the **"Expert"**), to determine for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Relevant Issuer and the Noteholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of any Indexation Adviser and of any of the Relevant Issuer and the Note Trustee in connection with such appointment shall be borne by the Relevant Issuer.

(iii) The Index shall be adjusted or replaced by a substitute index as agreed by the Relevant Issuer and the Note Trustee or as determined by the Expert pursuant to the foregoing paragraphs, as the case may be, and references in these Conditions to the Index and to any Index Figure shall be deemed amended in such manner as the Note Trustee and the Relevant Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be effective from the date of such notification and binding upon the Relevant Issuer, the Financial Guarantor(s), the other Secured Creditors, the Note Trustee and the Noteholders, and the Relevant Issuer shall give notice to the Noteholders in accordance with Condition 17 (*Notices*) of such amendments as promptly as practicable following such notification.

8 Payments and Talons

(a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 8(f)(vi) (*Unmatured Coupons and Receipts and unexchanged Talons*)) or Coupons (in the case of interest, save as specified in Condition 8(f)(ii) *(Unmatured Coupons and Receipts and unexchanged Talons*)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the bolder, by transfer to an account denominated in such currency with, a Bank. **"Bank"** means a bank in the principal financial centre for such currency or, in the case of euro, in a city ill which banks have access to the TARGET System.

(b) **Registered Notes:**

(i) Payments of principal (which for the purposes of this Condition 8(b) (*Registered Notes*)shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) (*Registered Notes*) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the day before the due date for payment thereof (the **"Record Date"**). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Relevant Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Relevant Issuer, any adverse tax consequence to the Relevant Issuer.

(d) **Payments subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8 (*Payments and Talons*). No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents:** The Issuing and Paying Agent, the Luxembourg Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuers are listed in the Agency Agreement. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuers and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuers reserve the right at any time with the approval of the Note Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuers shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities, (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Note Trustee and (vii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index linked Notes), should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 10 (*Prescription*)).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Relevant Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10 (*Prescription*)).

(h) **Non-Business Days:** Subject as provided in the relevant Final Terms, if any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, **"business day"** means a day (other than a Saturday or a Sunday) on which banks are open for presentation and payment of debt securities and for dealings in foreign currency in London and in the relevant place of presentation and in the cities referred to in the definition of Business Days and (in the case of a payment in a currency other than euro), where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which dealings may be carried on in the relevant currency in the principal financial centre of the country of such currency and, in relation to any sum payable in euro, a day on which the TARGET system is open.

9 Taxation

All payments of principal and interest by or on behalf of the Relevant Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Relevant Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of the Note, Receipt or Coupon; or

(b) **Lawful avoidance of withholding:** to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note (or the Certificate representing it), Receipt or Coupon is presented for payment; or

(c) **Presentation more than 30 days after the Relevant Date:** presented or surrendered (or in respect of which the Certificate representing it is presented or surrendered) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day; or

(d) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(e) **Payment by another Paying Agent:** (except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions, **"Relevant Date"** in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) **"principal"** shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 (*Redemption, Purchase and Options*) or any amendment or supplement to it, (ii) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 (*Interest and Other Calculations*) or any amendment or supplement to it and (iii) **"principal"** and/or **"interest"** shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

10 Prescription

Claims against the Relevant Issuer for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 Events of Default

If any of the following events ("**Events of Default**") occurs and is continuing, the Note Trustee at its discretion may, and if so requested by holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, give notice to the Relevant Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

(i) **Non-Payment:** default is made for more than 14 days in the payment on the due date of interest or principal in respect of any of the Notes; or

(ii) **Breach of Other Obligations:** the Relevant Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Note Trustee capable of remedy, is not in the opinion of the Note Trustee remedied within 30 days after notice of such default shall have been given to the Relevant Issuer by the Note Trustee; or

(iii) **Cross-Acceleration:** (A) any other present or future indebtedness of the Relevant Issuer for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Relevant Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (iii) have occurred equals or exceeds £30,000,000 or its equivalent in any other currency (as reasonably determined by the Note Trustee); or

(iv) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any substantial part of the property, assets or revenues of the Relevant Issuer and is not discharged or stayed within 90 days; or

(v) **Insolvency:** the Relevant Issuer is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of its debts generally or a material part of a particular type of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting its debts generally or any part of a particular type of the debts of the Relevant Issuer; or

(vi) **Winding-up:** (A) an administrator or liquidator is appointed in relation to the Relevant Issuer (and, in each case, not discharged within 90 days) or (B) an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Relevant Issuer, or (C) the Relevant Issuer shall apply or petition for a winding-up or administration order in respect of itself or (D) the Relevant Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, in each case ((A) to (D) inclusive) except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Note Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; or

(vii) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Relevant Issuer; or

(viii) **Illegality:** it is or will become unlawful for the Relevant Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed,

provided that in the case of paragraphs (ii) to (v), (vii) and (viii) the Note Trustee shall have certified (without liability on its part) that in its opinion such event is materially prejudicial to the interests of the Noteholders.

12 Meetings of Noteholders, Modification, Waiver and Substitution

(a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders of one or more Tranches of Notes to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent in nominal amount of the affected Tranche or Tranches of Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing one more than fifty per cent. in nominal amount of the affected Tranche or Tranches of Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the affected Tranche or Tranches of Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia,* (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown in the Final Terms, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than fifty per cent, or at any adjourned meeting not less than 25 per cent, in nominal amount of the affected Tranche or Tranches of Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent, in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of affected Tranche or Tranches of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) **Modification of the Trust Deed:** The Note Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Note Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Note Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(c) **Substitution:** The Note Trustee may agree, subject to the execution of a deed or undertaking supplemental to the Trust Deed in form and manner satisfactory to the Note Trustee and such other conditions as the Note Trustee may require, but without the consent of the Noteholders, the Receiptholders or the Couponholders, to the substitution of the Relevant Issuer's successor in business in place of the Relevant Issuer or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Note Trustee may agree, without the consent of the Noteholders, the Receiptholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Note Trustee be materially prejudicial to the interests of the Noteholders.

(d) **Entitlement of the Note Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Note Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Note Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Relevant Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

(e) **Modification of** the **Conditions:** these Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

13 Enforcement

At any time after the occurrence of an Event of Default which is continuing, and, in the case of paragraphs (ii) to (v), (vii) and (viii) of Condition 11 (*Events of Default*) where the Note Trustee has certified (without liability on its part) that in its opinion such event is materially prejudicial to the interests of the Noteholders, the Note Trustee may, at its discretion and without further notice, institute such proceedings against the Relevant Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes, the Receipts and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder, Receiptholder or Couponholder may proceed directly against the Relevant Issuer unless the Note Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 Indemnification of the Note Trustee

The Trust Deed contains provisions for the indemnification of the Note Trustee and for its relief from responsibility. The Note Trustee is entitled to enter into business transactions with the Issuers and any entity related to the Issuers without accounting for any profit.

The Note Trustee may rely without liability on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Note Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Note Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuers, the Note Trustee and the Noteholders.

15 Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent in London (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Relevant Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Relevant Issuer on demand the amount payable by the Relevant Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Relevant Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

16 Further Issues

The Relevant Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the sameterms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such different terms as the Relevant Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further issues may be constituted by the Trust Deed or any deed supplemental to it. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Note Trustee so decides.

17 Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). If in the opinion of the Note Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

18 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

19 Governing Law and Jurisdiction

(a) **Governing Law:** The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection, with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons (**"Proceedings"**) may be brought in such courts. The Issuers have in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

Schedule 2
Part D
Form of Coupon

On the front:

[ISSUER]

EURO MEDIUM TERM NOTE PROGRAMME

Series No. [•]

[Title of issue]

Coupon for [[set out amount due, if known]/the amount] due on [the Interest Payment Date falling in]* [•],[•].

[Coupon relating to Note in the nominal amount of [•]]**

This Coupon is payable to bearer (subject to the Conditions endorsed on the Note to which this Coupon relates, which shall be binding upon the holder of this Coupon whether or not it is for the time being attached to such Note) at the specified offices of the Issuing and Paying Agent and the Paying Agents set out on the reverse hereof (or any other Issuing and Paying Agent or further or other Paying Agents or specified offices duly appointed or nominated and notified to the Noteholders).

[If the Note to which this Coupon relates shall have become due and payable before the maturity date of this Coupon, this Coupon shall become void and no payment shall be made in respect of it.]***

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

[ISSUER]

By:

[Cp. No.] **[Denomination]** **[ISIN]** **[Series]** **[Certif. No.]**

On the back:

ISSUING AND PAYING AGENT

[•]

PAYING AGENT[S]

[•]
[•]

[*Only necessary where Interest Payment Dates are subject to adjustment in accordance with a Business Day Convention otherwise the particular Interest Payment Date should be specified.]

[**Only required for Coupons relating to Floating Rate or Index Linked Interest Notes that are issued in more than one denomination.]

[***Delete if Coupons are not to become void upon early redemption of Note.]

Schedule 2
Part E
Form of Talon

On the front:

[ISSUER]

EURO MEDIUM TERM NOTE PROGRAMME

Series No. [•]

[Title of issue]

Talon for further Coupons falling due on [the Interest Payment Dates falling in]*[•][•].

[Talon relating to Note in the nominal amount of [•]]**

After all the Coupons relating to the Note to which this Talon relates have matured, further Coupons (including if appropriate a Talon for further Coupons) shall be issued at the specified office of the Issuing and Paying Agent set out on the reverse hereof (or any other Issuing and Paying Agent or specified office duly appointed or nominated and notified to the Noteholders) upon production and surrender of this Talon.

If the Note to which this Talon relates shall have become due and payable before the original due date for exchange of this Talon, this Talon shall become void and no exchange shall be made in respect of it.

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

[ISSUER]

By:

[Talon No.] **[ISIN]** **[Series]** **[Certif. No.]**

On the back:

ISSUING AND PAYING AGENT

[•]

[* The maturity dates of the relevant Coupons should be set out if known, otherwise reference should be made to the months and years in which the Interest Payment Dates fall due.]

[** Only required where the Series comprises Notes of more than one denomination.]

Schedule 2
Part F
Form of Receipt

[ISSUER]

EURO MEDIUM TERM NOTE PROGRAMME

Series No. [•]

Receipt for the sum of [•] being the instalment of principal payable in accordance with the Terms and Conditions endorsed on the Note to which this Receipt relates (the "**Conditions**") on [•].

This Receipt is issued subject to and in accordance with the Conditions which shall be binding upon the holder of this Receipt (whether or not it is for the time being attached to such Note) and is payable at the specified office of any of the Paying Agents set out on the reverse of the Note to which this Receipt relates (and/or any other or further Paying Agents and/or specified offices as may from time to time be duly appointed and notified to the Noteholders).

This Receipt must be presented for payment together with the Note to which it relates. If the Note to which this Receipt appertains shall have become due and payable on or before the maturity date of this Receipt, this Receipt shall become void and no payment shall be made in respect of it. The issuer shall have no obligation in respect of this Receipt if it is presented without the Note to which it relates.

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

[ISSUER]

By:

Schedule 3
Provisions for Meetings of Noteholders

Interpretation

1 In this Schedule:

1.1 references to a meeting are to a meeting of Noteholders of a single series of Notes and include, unless the context otherwise requires, any adjournment

1.2 references to **"Notes"** and "**Noteholders**" are only to the Notes of the Series in respect of which a meeting has been, or is to be, called, and to the holders of these Notes, respectively

1.3 "**agent**" means a holder of a voting certificate or a proxy for, or representative of, a Noteholder

1.4 "**block voting instruction**" means an instruction issued in accordance with paragraphs 8 to 14

1.5 "**Extraordinary Resolution**" means a resolution passed at a meeting duly convened and held in accordance with this Trust Deed by a majority of at least 75 per cent of the votes cast

1.6 "**proxy**" has the meaning given to it in paragraph 9.6 below

1.7 **"required proportion"** means the proportion of the Notes shown by the table in paragraph 19.2 below

1.8 **"voting certificate"** means a certificate issued in accordance with paragraphs 5, 6, 7 and 14 and

1.9 references to persons representing a proportion of the Notes are to Noteholders or agents holding or representing in the aggregate at least that proportion in nominal amount of the Notes for the time being outstanding.

Powers of meetings

2 A meeting shall, subject to the Conditions and without prejudice to any powers conferred on other persons by this Trust Deed, have power by Extraordinary Resolution:

2.1 to sanction any proposal by the Issuer or the Note Trustee for any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders and/or the Couponholders against the Issuer, whether or not those rights arise under this Trust Deed

2.2 to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other entity

2.3 to assent to any modification of this Trust Deed, the Notes, the Receipts, the Talons or the Coupons proposed by the Issuer or the Note Trustee

2.4 to authorise anyone to concur in and do anything necessary to carry out and give effect to an Extraordinary Resolution

2.5 to give any authority, direction or sanction required to be given by Extraordinary Resolution

2.6 to appoint any persons (whether Noteholders or not) as a committee or committees to represent the Noteholders' interests and to confer on them any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution

2.7 to approve a proposed new Note Trustee and to remove a Note Trustee

2.8 to approve the substitution of any entity for the Issuer (or any previous substitute) as principal debtor under this Trust Deed and

2.9 to discharge or exonerate the Note Trustee from any liability in respect of any act or omission for which it may become responsible under this Trust Deed, the Notes, the Receipts, the Talons or the Coupons provided that the special quorum provisions in paragraph 19 shall apply to any Extraordinary Resolution (a **"special quorum resolution")** for the purpose of subparagraph 2.2 or 2.8, any of the proposals listed in Condition 12(a) (*Meetings of Noteholders*) or any amendment to this proviso.

Convening a meeting

3 The Issuer or the Note Trustee may at any time convene a meeting. If it receives a written request by Noteholders holding at least 10 per cent in nominal amount of the Notes of any Series for the time being outstanding and is indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses, the Note Trustee shall convene a meeting of the Noteholders of that Series. Every meeting shall be held on a date and at a time and place approved by the Note Trustee.

4 At least 21 days' notice (exclusive of the day on which the notice is given and of the day of the meeting) shall be given to the Noteholders and the Paying Agents. A copy of the notice shall be given by the party convening the meeting to the other parties. The notice shall specify the day, time and place of meeting and, unless the Note Trustee otherwise agrees, the nature of the resolutions to be proposed and shall explain how Noteholders may appoint proxies or representatives, obtain voting certificates and use block voting instructions and the details of the time limits applicable.

Arrangements for voting

5 If a holder of a Bearer Note wishes to obtain a voting certificate in respect of it for a meeting, he must deposit it for that purpose at least 48 hours before the time fixed for the meeting with a Paying Agent or to the order of a Paying Agent with a bank or other depositary nominated by the Paying Agent for the purpose. The Paying Agent shall then issue a voting certificate in respect of it.

6 A voting certificate shall:

6.1 be a document in the English language

6.2 be dated

6.3 specify the meeting concerned and the serial numbers of the Notes deposited and

6.4 entitle, and state that it entitles, its bearer to attend and vote at that meeting in respect of those Notes.

7 Once a Paying Agent has issued a voting certificate for a meeting in respect of a Note, it shall not release the Note until either:

7.1 the meeting has been concluded or

7.2 the voting certificate has been surrendered to the Paying Agent.

8 If a holder of a Bearer Note wishes the votes attributable to it to be included in a block voting instruction for a meeting, then, at least 48 hours before the time fixed for the meeting, (i) he must deposit the Note for that purpose with a Paying Agent or to the order of a Paying Agent with a bank or other depositary nominated by the Paying Agent for the purpose and (ii) he or a duly authorised person on his behalf must direct the Paying Agent how those votes are to be cast The Paying Agent shall issue a block voting instruction in respect of the votes attributable to all Notes so deposited.

9 A block voting instruction shall:

9.1 be a document in the English language

9.2 be dated

9.3 specify the meeting concerned

9.4 list the total number and serial numbers of the Notes deposited, distinguishing with regard to each resolution between those voting for and those voting against it

9.5 certify that such list is in accordance with Notes deposited and directions received as provided in paragraphs 8, 11 and 14 and

9.6 appoint a named person (a "proxy") to vote at that meeting in respect of those Notes and in accordance with that list. A proxy need not be a Noteholder.

10 Once a Paying Agent has issued a block voting instruction for a meeting in respect of the votes attributable to any Notes:

10.1 it shall not release the Notes, except as provided in paragraph 11, until the meeting has been concluded and

10.2 the directions to which it gives effect may not be revoked or altered during the 48 hours before the time fixed for the meeting.

11 If the receipt for a Note deposited with a Paying Agent in accordance with paragraph 8 is surrendered to the Paying Agent at least 48 hours before the time fixed for the meeting, the Paying Agent shall release the Note and exclude the votes attributable to it from the block voting instruction.

12 Each block voting instruction shall be deposited at least 24 hours before the time fixed for the meeting at such place as the Note Trustee shall designate or approve, and in default it shall not be valid unless the chairman of the meeting decides otherwise before the meeting proceeds to business. If the Note Trustee requires, a notarially certified copy of each block voting instruction shall be produced by the proxy at the meeting but the Note Trustee need not investigate or be concerned with the validity of the proxy's appointment.

13 A vote cast in accordance with a block voting instruction shall be valid even if it or any of the Noteholders' instructions pursuant to which it was executed has previously been revoked or amended, unless written intimation of such revocation or amendment is received from the relevant Paying Agent by the Issuer or the Note Trustee at its registered office or by the chairman of the meeting in each case at least 24 hours before the time fixed for the meeting.

14 No Note may be deposited with or to the order of a Paying Agent at the same time for the purposes of both paragraph 5 and paragraph 8 for the same meeting.

15

15.1 A holder of a Registered Note may, by an instrument in writing in the form available from the specified office of a Transfer Agent in the English language executed by or on behalf of the holder and delivered to the Transfer Agent at least 24 hours before the time fixed for a meeting, appoint any person (a "**proxy**") to act on his behalf in connection with that meeting. A proxy need not be a Noteholder.

15.2 A corporation which holds a Registered Note may by delivering to a Transfer Agent at least 24 hours before the time fixed for a meeting a certified copy of a resolution of its directors or other governing body (with, if it is not in English, a certified translation into English) authorise any person to act as its representative (a "**representative**") in connection with that meeting.

Chairman

16 The chairman of a meeting shall be such person as the Note Trustee may nominate in writing, but if no such nomination is made or if the person nominated is not present within 15 minutes after the time fixed for the meeting the Noteholders or agents present shall choose one of their number to be chairman, failing which the Issuer may appoint a chairman. The chairman need not be a Noteholder or agent. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.

Attendance

17 The following may attend and speak at a meeting:

17.1 Noteholders and agents

17.2 the chairman

17.3 the Issuer and the Note Trustee (through their respective representatives) and their respective financial and legal advisers

17.4 the Dealers and their advisers

17.5 any other person approved by the meeting or the Note Trustee and

17.6 in relation to Registered Notes, the Registrar, or in relation to Bearer Notes, the Issuing and Paying Agent.

No-one else may attend or speak.

Quorum and Adjournment

18 No business (except choosing a chairman) shall be transacted at a meeting unless a quorum is present at the commencement of business. If a quorum is not present within 15 minutes from the time initially fixed for the meeting, it shall, if convened on the requisition of Noteholders or if the Issuer and the Note Trustee agree, be dissolved. In any other case it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairman may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, the meeting shall be dissolved.

19 Two (or in the case of an adjourned meeting one) or more Noteholders or agents present in person shall be a quorum *provided, however, that,* so long as at least the required proportion of the aggregate principal amount of the outstanding Notes is represented by, in the case of Bearer Notes, the Global Notes or, in the case of Registered Notes, the Global Certificates or a single Certificate, in the context of Registered Notes, an agent appointed in relation thereto or a Noteholder of the Notes represented thereby shall be deemed to be two voters (or in the case of an adjourned meeting, one voter) for the purpose of forming a quorum.

19.1 in the cases marked "No minimum proportion" in the table below, whatever the proportion of the Notes which they represent

19.2 in any other case, only if they represent, in nominal amount of the affected Tranche or Tranches of Notes for the time being outstanding, the proportion of the Notes shown by the table below.

COLUMN 1	COLUMN 2	COLUMN 3
Purpose of meeting	Any meeting except one referred to in column 3	Meeting previously adjourned through want of a quorum
	Required proportion	Required proportion
To pass a special quorum resolution	Fifty per cent	Twenty-five per cent
To pass any other Extraordinary Resolution	One more than fifty per cent	No minimum proportion
Any other purpose	One more than fifty per cent	No minimum proportion

20 The chairman may with the consent of (and shall if directed by) a meeting adjourn the meeting from time to time and from place to place. Only business which could have been transacted at the original meeting may be transacted at a meeting adjourned in accordance with this paragraph or paragraph 18.

21 At least 10 days' notice of a meeting adjourned through want of a quorum shall be given in the same manner as for an original meeting and that notice shall state the quorum required at the adjourned meeting. No notice need, however, otherwise be given of an adjourned meeting.

Voting

22 Each question submitted to a meeting shall be decided by a show of hands unless a poll is (before, or on the declaration of the result of, the show of hands) demanded by the chairman, the issuer, the Note Trustee or one or more persons holding one or more Notes or voting certificates representing 2 per cent of the Notes.

23 Unless a poll is demanded a declaration by the chairman that a resolution has or has not been passed shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of or against it.

24 If a poll is demanded, it shall be taken in such manner and (subject as provided below) either at once or after such adjournment as the chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which it was demanded as at the date it was taken. A demand for a poll shall not prevent the meeting continuing for the transaction of business other than the question on which it has been demanded.

25 A poll demanded on the election of a chairman or on a question of adjournment shall be taken at once.

26 On a show of hands every person who is present in person and who produces a Bearer Note, a Certificate of which he is the registered holder or a voting certificate or is a proxy or representative has one vote. On a poll every such person has one vote in respect of each integral currency unit of the Specified Currency of such Series of Notes so produced or represented by the voting certificate so produced or for which he is a proxy or representative. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them all in the same way.

27 In case of equality of votes the chairman shall both on a show of hands and on a poll have a casting vote in addition to any other votes which he may have.

Effect and Publication of an Extraordinary Resolution

28 An Extraordinary Resolution shall be binding on all the Noteholders, whether or not present at the meeting, and on all the Receiptholders and the Couponholders and each of them shall be bound to give effect to it accordingly. The passing of such a resolution shall be conclusive evidence that the circumstances justify its being passed. The Issuer shall give notice of the passing of an Extraordinary Resolution to Noteholders and, in relation to Bearer Notes, to the Paying Agents, and in relation to Registered Notes, to the Registrar within 14 days but failure to do so shall not invalidate the resolution.

Minutes

29 Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

Written Resolutions

30 A written resolution signed by the holders of 75 per cen. in nominal amount of the Notes outstanding shall take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

Note Trustee's Power to Prescribe Regulations

31 Subject to all other provisions in this Trust Deed the Note Trustee may without the consent of the Noteholders prescribe such further regulations regarding the holding of meetings and attendance and voting at them as it in its sole discretion determines including (without limitation) such requirements as the Note Trustee thinks reasonable to satisfy itself that the

persons who purport to make any requisition in accordance with this Trust Deed are entitled to do so and as to the form of voting certificates or block voting instructions so as to satisfy itself that persons who purport to attend or vote at a meeting are entitled to do so.

32 The foregoing provisions of this Schedule shall have effect subject to the following provisions:

32.1 Meetings of Noteholders of separate Series will normally be held separately. However, the Note Trustee may from time to time determine that meetings of Noteholders of separate Series shall be held together

32.2 A resolution that in the opinion of the Note Trustee affects one Series alone shall be deemed to have been duly passed if passed at a separate meeting of the Noteholders of the Series concerned

32.3 A resolution that in the opinion of the Note Trustee affects the Noteholders of more than one Series but does not give rise to a conflict of interest between the Noteholders of the different Series concerned shall be deemed to have been duty passed if passed at a single meeting of the Noteholders of the relevant Series provided that for the purposes of determining the votes a Noteholder is entitled to cast pursuant to paragraph 26, each Noteholder shall have one vote in respect of each U.S.$1,000 nominal amount of Notes held, converted, if such Notes are not denominated in U.S. dollars, in accordance with sub-Clause 11.13 (*Currency Conversion*)

32.4 A resolution that in the opinion of the Note Trustee affects the Noteholders of more than one Series and gives or may give rise to a conflict of interest between the Noteholders of the different Series concerned shall be deemed to have been duly passed only if it shall be duly passed at separate meetings of the Noteholders of the relevant Series

32.5 To all such meetings as aforesaid all the preceding provisions of this Schedule shall *mutatis mutandis* apply as though references therein to Notes and to Noteholders were references to the Notes and Noteholders of the Series concerned.

This deed is delivered on the date stated at the beginning.

CENTRAL NETWORKS EAST PLC

By: /s/ John Crackett

Director:

Director:

CENTRAL NETWORKS WEST PLC

By: /s/ John Crackett

Director:

Director:

The Common Seal of
DEUTSCHE TRUSTEE COMPANY LIMITED
was affixed to this Deed
in the presence of:
Associate Director:
/s/ Mr. G M Thompson
Associate Director:
/s/ Mr. G M Thompson

Exhibit 10(c)-2
EXECUTION VERSION

FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT

THIS FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT, dated as of March 17, 2015 (this "Amendment"), to the Existing Credit Agreement (as defined below) is made by PPL CAPITAL FUNDING, INC., a Delaware corporation (the "Borrower"), PPL CORPORATION, a Pennsylvania corporation (the "Guarantor") and each Lender (such capitalized term and other capitalized terms used in this preamble and the recitals below to have the meanings set forth in, or are defined by reference in, Article I below).

W I T N E S S E T H:

WHEREAS, the Borrower, the Guarantor, the Lenders and The Bank of Nova Scotia, as the Administrative Agent, Sole Lead Arranger and Sole Bookrunner, are all parties to the Revolving Credit Agreement, dated as of March 26, 2014 (as amended or otherwise modified prior to the date hereof, the "Existing Credit Agreement", and as amended by this Amendment and as the same may be further amended, supplemented, amended and restated or otherwise modified from time to time, the "Credit Agreement"); and

WHEREAS, the Borrower has requested that the Lenders amend the Existing Credit Agreement in order to extend the maturity date therein and the Lenders are willing to modify the Existing Credit Agreement on the terms and subject to the conditions hereinafter set forth;

NOW, THEREFORE, the parties hereto hereby covenant and agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1. Certain Definitions. The following terms when used in this Amendment shall have the following meanings (such meanings to be equally applicable to the singular and plural forms thereof):

"Amendment" is defined in the preamble.

"Borrower" is defined in the preamble.

"Credit Agreement" is defined in the first recital.

"Existing Credit Agreement" is defined in the first recital.

"Guarantor" is defined in the preamble.

SECTION 1.2. Other Definitions. Terms for which meanings are provided in the Existing Revolving Credit Agreement are, unless otherwise defined herein or the context otherwise requires, used in this Amendment with such meanings.

ARTICLE II
AMENDMENTS TO THE EXISTING CREDIT AGREEMENT

Effective as of the date hereof, but subject to the satisfaction of the conditions in Article III,

(a) Section 1.1 of the Existing Credit Agreement is hereby amended by amending and restating the definition of "Termination Date" and by adding new definitions of "Asset Sale" and "Energy Supply Spinoff" in the appropriate alphabetical order as follows:

"Asset Sale" means any sale of any assets, including by way of the sale by the Guarantor or any of its Subsidiaries of equity interests in such Subsidiaries; it being understood that the Energy Supply Spinoff shall not be deemed to constitute an Asset Sale.

"Energy Supply Spinoff" means the proposed transfer, separation and spinoff of PPL Energy Supply, LLC and certain of its assets by the Guarantor as described in the Guarantor's Current Report on Form 8-K dated June 9, 2014 and filed with the SEC.

"Termination Date" means the earliest to occur of (i) March 17, 2016 and (ii) such earlier date upon which all Commitments shall have been terminated in their entirety in accordance with this Agreement.

(b) Sections 5.04(a), 5.04(c), 5.05 and 5.13 of the Existing Credit Agreement are hereby amended by replacing references to "December 31, 2013" with "December 31, 2014".

(c) Section 5.04(c) of the Existing Credit Agreement is hereby further amended by adding the following to the end of the first sentence, immediately before the period: "; it being understood that the Energy Supply Spinoff shall not be deemed, as of the time of the consummation thereof or at any time prior thereto or thereafter, to constitute such a change".

(d) For purposes of the Existing Credit Agreement, including Section 5.14 and Schedule 5.14 thereof, PPL Energy Supply, LLC shall not be deemed a Material Subsidiary upon and after the consummation of the Energy Supply Spinoff.

ARTICLE III
CONDITIONS TO EFFECTIVENESS

This Amendment and the amendments contained herein shall become effective as of the date hereof when each of the conditions set forth in this Article III shall have been fulfilled to the satisfaction of the Administrative Agent.

SECTION 3.1. Counterparts. The Administrative Agent shall have received counterparts hereof executed on behalf of the Borrower, the Guarantor and the each of the Lenders.

SECTION 3.2. Costs and Expenses, etc. The Administrative Agent shall have received for the account of each Lender, all fees, costs and expenses due and payable pursuant to Section 9.03 of the Credit Agreement, if then invoiced.

SECTION 3.3. Resolutions, etc. The Administrative Agent shall have received from the Borrower and the Guarantor (i) a copy of a good standing certificate for such Loan Party, dated a date reasonably close to the date hereof and (ii) a certificate, dated as of the date hereof, of a Secretary or an Assistant Secretary of each Loan Party certifying (A) that attached thereto is a true, correct and complete copy of (x) the articles or certificate of incorporation of such Loan Party certified by the Secretary of State (or equivalent body) of the jurisdiction of incorporation of such Loan Party and (y) the bylaws of such Loan Party, and (b) that attached thereto is a true, correct and complete copy of resolutions adopted by the board of directors of such Loan Party authorizing the execution, delivery and performance of this Amendment and each other document delivered in connection herewith and that such resolutions have not been amended and are in full force.

SECTION 3.4. Opinion of Counsel. The Administrative Agent shall have received an opinion, dated the date hereof and addressed to the Administrative Agent and all Lenders, from counsel to the Borrower, in form and substance satisfactory to the Administrative Agent.

SECTION 3.5. Satisfactory Legal Form. The Administrative Agent and its counsel shall have received all information, and such counterpart originals or such certified or other copies of such materials, as the Administrative Agent or its counsel may reasonably request, and all legal matters incident to the effectiveness of this Amendment shall be satisfactory to the Administrative Agent and its counsel. All documents executed or submitted pursuant hereto or in connection herewith shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel.

ARTICLE IV
MISCELLANEOUS

SECTION 4.1. Cross-References. References in this Amendment to any Article or Section are, unless otherwise specified, to such Article or Section of this Amendment.

SECTION 4.2. Loan Document Pursuant to Existing Credit Agreement. This Amendment is a Loan Document executed pursuant to the Existing Credit Agreement and shall (unless otherwise expressly indicated therein) be construed, administered and applied in accordance with all of the terms and provisions of the Existing Credit Agreement, as amended hereby, including Article IX thereof.

SECTION 4.3. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 4.4. Counterparts. This Amendment may be executed by the parties hereto in several counterparts, each of which when executed and delivered shall be an original and all of which shall constitute together but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by facsimile shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 4.5. Governing Law. THIS AMENDMENT WILL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING FOR SUCH PURPOSE SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK).

SECTION 4.6. Full Force and Effect; Limited Amendment. Except as expressly amended hereby, all of the representations, warranties, terms, covenants, conditions and other provisions of the Existing Credit Agreement and the Loan Documents shall remain unchanged and shall continue to be, and shall remain, in full force and effect in accordance with their respective terms. The amendments set forth herein shall be limited precisely as provided for herein to the provisions expressly amended herein and shall not be deemed to be an amendment to, waiver of, consent to or modification of any other term or provision of the Existing Credit Agreement or any other Loan Document or of any transaction or further or future action on the part of any Obligor which would require the consent of the Lenders under the Existing Credit Agreement or any of the Loan Documents.

SECTION 4.7. Representations and Warranties. In order to induce the Lenders to execute and deliver this Amendment, the Borrower and Guarantor each hereby represents and warrants to the Lenders, on the date this Amendment becomes effective pursuant to Article III, that both before and after giving effect to this Amendment, all representations and warranties set forth in Article V of the Credit Agreement are true and correct as of such date, except to the extent that any such statement expressly relates to an earlier date (in which case such statement was true and correct on and as of such earlier date).

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment as of the date first above written.

PPL CAPITAL FUNDING, INC., as the Borrower

By:_________________________
Name:
Title:

PPL CORPORATION, as the Guarantor

By:_________________________
Name:
Title:

THE BANK OF NOVA SCOTIA, as the Administrative Agent and as a Lender

By:_________________________
Name:
Title:

Exhibit 10(q)-7

AMENDMENT NO. 6

TO

PPL EXECUTIVE DEFERRED COMPENSATION PLAN

WHEREAS, PPL Services Corporation ("PPL") has adopted the PPL Officers Deferred Compensation Plan ("Plan") effective July 1, 2000; and

WHEREAS, the Plan was amended and restated effective November 1, 2003, and subsequently amended by Amendment No. 1, 2, 3, 4 and 5; and

WHEREAS, PPL desires to further amend the Plan;

NOW, THEREFORE, the Plan is hereby amended as follows:

I. Effective January 1, 2016, the following sections of Article IV is amended to read:

Article IV
<u>Deferred Cash Compensation and Deferred Cash Awards</u>

4.11 The Account of any Participant hired on or after January 1, 2012, with Deferred Cash Compensation and Deferred Cash Awards for the calendar year shall be increased by a Matching Contribution and a Fixed Contribution. The Matching Contribution shall be an amount equal to 75% of the aggregate Deferred Cash Compensation and Deferred Cash Awards that do not exceed 6% Cash Compensation, minus the maximum amount of Matching Contributions that could have been made to the Participant's Accounts in the PPL Retirement Savings Plan for that calendar year if the Participant made the maximum employee contributions permitted. The Fixed Contribution shall be an amount equal to 3% of Cash Compensation and Cash Award minus the amount of the Fixed Contribution made to the Participant's Accounts in the PPL Retirement Savings Plan for that calendar year.

II. Except as provided for in this Amendment No. 6, all other provisions of the Plan shall remain in full force and effect.
IN WITNESS WHEREOF, this Amendment No. 6 is executed this _____ day of _____________________, 2015.

PPL SERVICES CORPORATION

By: ____

Stephen R. Russo
Sr. Vice President – Human Resources &
Services and Chief HR Officer

Exhibit 12(a)

PPL CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	Year Ended Dec. 31, 2015 (a)	Year Ended Dec. 31, 2014 (a)	Year Ended Dec. 31, 2013 (a)	Year Ended Dec. 31, 2012 (a)	Year Ended Dec. 31, 2011 (a)
Earnings, as defined:					
Income from Continuing Operations Before Income Taxes	**$ 2,068**	$ 2,129	$ 1,728	$ 1,406	$ 922
Adjustment to reflect earnings from equity method investments on a cash basis (b)	**(1)**			34	
	2,067	2,129	1,728	1,440	922
Total fixed charges as below	**1,054**	1,095	1,096	1,065	1,022
Less:					
Capitalized interest	**11**	11	11	6	4
Preferred security distributions of subsidiaries on a pre-tax basis				5	23
Interest expense and fixed charges related to discontinued operations	**150**	186	235	235	231
Total fixed charges included in Income from Continuing Operations Before Income Taxes	**893**	898	850	819	764
Total earnings	**$ 2,960**	$ 3,027	$ 2,578	$ 2,259	$ 1,686
Fixed charges, as defined:					
Interest charges (c)	**$ 1,038**	$ 1,073	$ 1,058	$ 1,019	$ 955
Estimated interest component of operating rentals	**16**	22	38	41	44
Preferred securities distributions of subsidiaries on a pre-tax basis				5	23
Total fixed charges (d)	**$ 1,054**	$ 1,095	$ 1,096	$ 1,065	$ 1,022
Ratio of earnings to fixed charges	**2.8**	2.8	2.4	2.1	1.7
Ratio of earnings to combined fixed charges and preferred stock dividends (e)	**2.8**	2.8	2.4	2.1	1.7

(a) All periods reflect PPL's former Supply segment as Discontinued Operations. See Note 8 to the Financial Statements for additional information.
(b) Includes other-than-temporary impairment loss of $25 million in 2012.
(c) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.
(d) Interest on unrecognized tax benefits is not included in fixed charges.
(e) PPL, the parent holding company, does not have any preferred stock outstanding; therefore, the ratio of earnings to combined fixed charges and preferred stock dividends is the same as the ratio of earnings to fixed charges.

Exhibit 12(b)

PPL ELECTRIC UTILITIES CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014	Year Ended Dec. 31, 2013	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011
Earnings, as defined:					
Income Before Income Taxes	**$ 416**	$ 423	$ 317	$ 204	$ 257
Total fixed charges as below	**139**	131	117	107	105
Total earnings	**$ 555**	$ 554	$ 434	$ 311	$ 362
Fixed charges, as defined:					
Interest charges (a)	**$ 135**	$ 127	$ 113	$ 104	$ 102
Estimated interest component of operating rentals	**4**	4	4	3	3
Total fixed charges (b)	**$ 139**	$ 131	$ 117	$ 107	$ 105
Ratio of earnings to fixed charges	**4.0**	4.2	3.7	2.9	3.4
Preferred stock dividend requirements on a pre-tax basis				$ 6	$ 21
Fixed charges, as above	**$ 139**	$ 131	$ 117	107	105
Total fixed charges and preferred stock dividends	**$ 139**	$ 131	$ 117	$ 113	$ 126
Ratio of earnings to combined fixed charges and preferred stock dividends	**4.0**	4.2	3.7	2.8	2.9

(a) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.
(b) Interest on unrecognized tax benefits is not included in fixed charges.

Exhibit 12(c)

LG&E AND KU ENERGY LLC AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014	Year Ended Dec. 31, 2013	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011
Earnings, as defined:					
Income from Continuing Operations					
Before Income Taxes	**$ 603**	$ 553	$ 551	$ 331	$ 419
Adjustment to reflect earnings from equity method investments on a cash basis (a)	**(1)**	(1)	(1)	33	(1)
	602	552	550	364	418
Total fixed charges as below	**189**	173	151	157	153
Total earnings	**$ 791**	$ 725	$ 701	$ 521	$ 571
Fixed charges, as defined:					
Interest charges (b) (c)	**$ 181**	$ 167	$ 145	$ 151	$ 147
Estimated interest component of operating rentals	**8**	6	6	6	6
Total fixed charges	**$ 189**	$ 173	$ 151	$ 157	$ 153
Ratio of earnings to fixed charges	**4.2**	4.2	4.6	3.3	3.7

(a) Includes other-than-temporary impairment loss of $25 million in 2012.
(b) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.
(c) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(d)

LOUISVILLE GAS AND ELECTRIC COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014	Year Ended Dec. 31, 2013	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011
Earnings, as defined:					
Income Before Income Taxes	**$ 299**	$ 272	$ 257	$ 192	$ 195
Total fixed charges as below	**61**	51	36	44	46
Total earnings	**$ 360**	$ 323	$ 293	$ 236	$ 241
Fixed charges, as defined:					
Interest charges (a) (b)	**$ 57**	$ 49	$ 34	$ 42	$ 44
Estimated interest component of operating rentals	**4**	2	2	2	2
Total fixed charges	**$ 61**	$ 51	$ 36	$ 44	$ 46
Ratio of earnings to fixed charges	**5.9**	6.3	8.1	5.4	5.2

(a) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.
(b) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(e)

KENTUCKY UTILITIES COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014	Year Ended Dec. 31, 2013	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011
Earnings, as defined:					
Income Before Income Taxes	**$ 374**	$ 355	$ 360	$ 215	$ 282
Adjustment to reflect earnings from equity method investments on a cash basis (a)	**(1)**	(1)	(1)	33	(1)
	373	354	359	248	281
Total fixed charges as below	**86**	80	73	72	73
Total earnings	**$ 459**	$ 434	$ 432	$ 320	$ 354
Fixed charges, as defined:					
Interest charges (b)	**$ 82**	$ 77	$ 70	$ 69	$ 70
Estimated interest component of operating rentals	**4**	3	3	3	3
Total fixed charges	**$ 86**	$ 80	$ 73	$ 72	$ 73
Ratio of earnings to fixed charges	**5.3**	5.4	5.9	4.4	4.8

(a) Includes other-than-temporary impairment loss of $25 million in 2012.
(b) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.

PPL Corporation **Exhibit 21**
Subsidiaries of the Registrant
At December 31, 2015

Company Name Business Conducted under Same Name	State or Jurisdiction of Incorporation/Formation
CEP Reserves, Inc.	Delaware
LG&E and KU Energy LLC	Kentucky
Louisville Gas and Electric Company	Kentucky
Kentucky Utilities Company	Kentucky and Virginia
PPL Capital Funding, Inc.	Delaware
PPL Electric Utilities Corporation	Pennsylvania
PPL Energy Funding Corporation	Pennsylvania
PPL Global, LLC	Delaware
PMDC International Holdings, Inc.	Delaware
PPL UK Holdings, LLC	Delaware
PPL UK Resources Limited	United Kingdom
PPL UK Distribution Holdings Limited	United Kingdom
PPL WPD Limited	United Kingdom
WPD Distribution Network Holdings Limited	United Kingdom
Western Power Distribution (South West) plc	United Kingdom
Western Power Distribution (East Midlands) plc	United Kingdom
Western Power Distribution (West Midlands) plc	United Kingdom

Exhibit 23 (a)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in PPL Corporation’s Registration Statements on Form S-3 (Nos. 333-202290 and 333-202278) and the Registration Statements on Form S-8 (Nos. 333-02003, 333-112453, 333-110372, 333-144047, 333-175680, 333-181752, and 333-197629) of our reports dated February 19, 2016, with respect to the consolidated financial statements and schedule of PPL Corporation and the effectiveness of internal control over financial reporting of PPL Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2015.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 19, 2016

Exhibit 23 (b)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in PPL Electric Utilities Corporation's Registration Statement on Form S-3 (No. 333-202290-01) of our report dated February 19, 2016, with respect to the consolidated financial statements of PPL Electric Utilities Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2015.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 19, 2016

Exhibit 23 (c)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-202290-02) of LG&E and KU Energy LLC and in the related Prospectus of our report dated February 19, 2016, with respect to the consolidated financial statements and schedule of LG&E and KU Energy LLC included in this Annual Report (Form 10-K) for the year ended December 31, 2015.

/s/ Ernst & Young LLP

Louisville, Kentucky
February 19, 2016

Exhibit 23 (d)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-202290-03) of Louisville Gas and Electric Company and in the related Prospectus of our report dated February 19, 2016, with respect to the financial statements of Louisville Gas and Electric Company included in this Annual Report (Form 10-K) for the year ended December 31, 2015.

/s/ Ernst & Young LLP

Louisville, Kentucky
February 19, 2016

Exhibit 23 (e)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-202290-04) of Kentucky Utilities Company and in the related Prospectus of our report dated February 19, 2016, with respect to the financial statements of Kentucky Utilities Company included in this Annual Report (Form 10-K) for the year ended December 31, 2015.

/s/ Ernst & Young LLP

Louisville, Kentucky
February 19, 2016

Exhibit 24

PPL CORPORATION

2015 ANNUAL REPORT
TO THE SECURITIES AND EXCHANGE COMMISSION
ON FORM 10-K

POWER OF ATTORNEY

The undersigned directors of PPL Corporation, a Pennsylvania corporation, that is to file with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, its Annual Report on Form 10-K for the year ended December 31, 2015 ("Form 10-K Report"), do hereby appoint each of William H. Spence, Vincent Sorgi, Joanne H. Raphael, Michael A. McGrail and Frederick C. Paine, and each of them, their true and lawful attorney, with power to act without the other and with full power of substitution and resubstitution, to execute for them and in their names the Form 10-K Report and any and all amendments thereto, whether said amendments add to, delete from or otherwise alter the Form 10-K Report, or add or withdraw any exhibits or schedules to be filed therewith and any and all instruments in connection therewith. The undersigned hereby grant to each said attorney full power and authority to do and perform in the name of and on behalf of the undersigned, and in any and all capacities, any act and thing whatsoever required or necessary to be done in and about the premises, as fully and to all intents and purposes as the undersigned might do, hereby ratifying and approving the acts of each of the said attorneys.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands this 17th day of February, 2016.

/s/ Rodney C. Adkins Rodney C. Adkins	/s/ William H. Spence William H. Spence
/s/ John W. Conway John W. Conway	/s/ Natica von Althann Natica von Althann
/s/ Steven G. Elliott Steven G. Elliott	/s/ Keith H. Williamson Keith H. Williamson
/s/ Venkata Rajamannar Madabhushi Venkata Rajamannar Madabhushi	/s/ Armando Zagalo de Lima Armando Zagalo de Lima
/s/ Craig A. Rogerson Craig A. Rogerson	

Exhibit 31(a)

CERTIFICATION

I, WILLIAM H. SPENCE, certify that:

1. I have reviewed this annual report on Form 10-K of PPL Corporation (the "registrant") for the year ended December 31, 2015;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2016

/s/ William H. Spence
William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

CERTIFICATION

I, VINCENT SORGI, certify that:

1. I have reviewed this annual report on Form 10-K of PPL Corporation (the "registrant") for the year ended December 31, 2015;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2016

/s/ Vincent Sorgi
Vincent Sorgi
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

CERTIFICATION

I, GREGORY N. DUDKIN, certify that:

1. I have reviewed this annual report on Form 10-K of PPL Electric Utilities Corporation (the "registrant") for the year ended December 31, 2015;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2016

/s/ Gregory N. Dudkin
Gregory N. Dudkin
President
(Principal Executive Officer)
PPL Electric Utilities Corporation

CERTIFICATION

I, STEPHEN K. BREININGER, certify that:

1. I have reviewed this annual report on Form 10-K of PPL Electric Utilities Corporation (the "registrant") for the year ended December 31, 2015;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2016

/s/ Stephen K. Breininger
Stephen K. Breininger
Vice President and Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this annual report on Form 10-K of LG&E and KU Energy LLC (the "registrant") for the year ended December 31, 2015;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2016

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
LG&E and KU Energy LLC

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this annual report on Form 10-K of LG&E and KU Energy LLC (the "registrant") for the year ended December 31, 2015;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2016

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
LG&E and KU Energy LLC

Exhibit 31(g)

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this annual report on Form 10-K of Louisville Gas and Electric Company (the "registrant") for the year ended December 31, 2015;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2016

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Louisville Gas and Electric Company

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this annual report on Form 10-K of Louisville Gas and Electric Company (the "registrant") for the year ended December 31, 2015;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2016

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Louisville Gas and Electric Company

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this annual report on Form 10-K of Kentucky Utilities Company (the "registrant") for the year ended December 31, 2015;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2016

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Kentucky Utilities Company

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this annual report on Form 10-K of Kentucky Utilities Company (the "registrant") for the year ended December 31, 2015;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2016

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Kentucky Utilities Company

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2015

In connection with the annual report on Form 10-K of PPL Corporation (the "Company") for the year ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, William H. Spence, the Principal Executive Officer of the Company, and Vincent Sorgi, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 19, 2016

/s/ William H. Spence
William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

/s/ Vincent Sorgi
Vincent Sorgi
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ELECTRIC UTILITIES CORPORATION'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2015

In connection with the annual report on Form 10-K of PPL Electric Utilities Corporation (the "Company") for the year ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Gregory N. Dudkin, the Principal Executive Officer of the Company, and Stephen K. Breininger, the Principal Financial Officer and Principal Accounting Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 19, 2016

/s/ Gregory N. Dudkin
Gregory N. Dudkin
President
(Principal Executive Officer)
PPL Electric Utilities Corporation

/s/ Stephen K. Breininger
Stephen K. Breininger
Vice President and Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(c)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LG&E AND KU ENERGY LLC'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2015

In connection with the annual report on Form 10-K of LG&E and KU Energy LLC (the "Company") for the year ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 19, 2016

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
LG&E and KU Energy LLC

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
LG&E and KU Energy LLC

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(d)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LOUISVILLE GAS AND ELECTRIC COMPANY'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2015

In connection with the annual report on Form 10-K of Louisville Gas and Electric Company (the "Company") for the year ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 19, 2016

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Louisville Gas and Electric Company

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Louisville Gas and Electric Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(e)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR KENTUCKY UTILITIES COMPANY'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2015

In connection with the annual report on Form 10-K of Kentucky Utilities Company (the "Company") for the year ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 19, 2016

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Kentucky Utilities Company

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Kentucky Utilities Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

PPL CORPORATION AND SUBSIDIARIES
LONG-TERM DEBT SCHEDULE
(Unaudited)
(Millions of Dollars)

	Interest Rate	Maturity Date	December 31, 2015
PPL			
U.S.			
PPL Capital Funding			
Senior Unsecured Notes			
69352PAD5	4.200%	06/15/2022	$ 400
69352PAE3	3.500%	12/01/2022	400
69352PAG8	1.900%	06/01/2018	250
69352PAF0	3.400%	06/01/2023	600
69352PAH6	4.700%	06/01/2043	300
69352PAK9	3.950%	03/15/2024	350
69352PAJ2	5.000%	03/15/2044	400
Total Senior Unsecured Notes			2,700
Junior Subordinated Notes			
69352PAC7	6.700%	03/30/2067	480
69352P202	5.900%	04/30/2073	450
Total Junior Subordinated Notes			930
Total PPL Capital Funding Long-term Debt			3,630
PPL Electric			
Senior Secured Notes/First Mortgage Bonds			2,864
Total PPL Electric Long-term Debt			2,864
LKE			
Senior Unsecured Notes			725
First Mortgage Bonds			4,010
Total LKE Long-term Debt [1]			4,735
Total U.S. Long-term Debt			11,229

	Interest Rate	Maturity Date	December 31, 2015
U.K.			
Senior Unsecured Notes			
USG7208UAB73	3.900%	05/01/2016	460
USG7208UAA90	5.375%	05/01/2021	500
USG9796VAD58	7.250%	12/15/2017	100
USG9796VAE32	7.375%	12/15/2028	202
XS1315962602	3.625%	11/06/2023	753
XS0627333221	5.250%	01/17/2023	1,054
XS0568142482	6.250%	12/10/2040	376
XS0568142052	6.000%	05/09/2025	376
XS0627336323	5.750%	04/16/2032	1,204
XS0979476602	3.875%	10/17/2024	602
XS0061222484	9.250%	11/09/2020	226
XS0280014282	4.804%	12/21/2037	339
XS0496999219	5.750%	03/23/2040	301
XS0165510313	5.875%	03/25/2027	376
XS0496975110	5.750%	03/23/2040	301
Total Senior Unsecured Notes			7,170
Index-Linked Notes [2]			
XS0632038666	2.671%	06/01/2043	168
XS0974143439	1.676%	09/24/2052	164
XS0277685987	1.541%	12/01/2053	205
XS0279320708	1.541%	12/01/2056	235
Total Index-Linked Notes			772
Total U.K. Long-term Debt			7,942
Total Long-term Debt Before Adjustments			19,171
Fair market value adjustments			30
Unamortized premium and (discount), net			(28)
Unamortized debt issuance costs			(125)
Total Long-term Debt			19,048
Less current portion of Long-term Debt			485
Total Long-term Debt, noncurrent			$ 18,563

	Interest Rate	Maturity Date	December 31, 2015
PPL Electric			
Senior Secured Notes/First Mortgage Bonds			
524808BM3	4.750%	02/15/2027	$ 108
524808BL5	4.700%	09/01/2029	116
70869MAC8 [3]	4.000%	10/01/2023	90
69351UAG8	5.150%	12/15/2020	100
69351UAP8	3.000%	09/15/2021	400
69351UAQ6	2.500%	09/01/2022	250
69351UAH6	6.450%	08/15/2037	250
69351UAM5	6.250%	05/15/2039	300
69351UAN3	5.200%	07/15/2041	250
63951UAR4	4.750%	07/15/2043	350
69351UAS2	4.125%	06/15/2044	300
69351UAT0	4.150%	10/01/2045	350
Total Senior Secured Notes			2,864
Total Long-term Debt Before Adjustments			2,864
Unamortized discount			(13)
Unamortized debt issuance costs			(23)
Total Long-term Debt			2,828
Less current portion of Long-term Debt			
Total Long-term Debt, noncurrent			$ 2,828
LKE			
Senior Unsecured Notes			
50188FAD7	3.750%	11/15/2020	475
50188FAE5	4.375%	10/01/2021	250
Total Senior Unsecured Notes			725
LG&E			
First Mortgage Bonds			1,659
KU			
First Mortgage Bonds			2,351
Total Long-term Debt Before Adjustments			4,735
Fair market value adjustments			(1)
Unamortized discount			(16)
Unamortized debt issuance costs			(30)
Total Long-term Debt			4,688
Less current portion of Long-term Debt			25
Total Long-term Debt, noncurrent [1]			$ 4,663

	Interest Rate	Maturity Date	December 31, 2015
LG&E			
First Mortgage Bonds			
546676AU1	5.125%	11/15/2040	$ 285
546676AV9	4.650%	11/15/2043	250
546676AW7	3.300%	10/01/2025	300
546676AX5	4.375%	10/01/2045	250
896221AA6	4.600%	06/01/2033	60
473044BV6 [4,7]	0.250%	09/01/2026	23
896224AX0 [3]	1.050%	09/01/2026	27
N/A [4, 5]	0.839%	05/01/2027	25
47302PAA8 [4]	0.660%	09/01/2027	10
896224AW2 [3]	1.350%	11/01/2027	35
546749AL6 [3]	1.350%	11/01/2027	35
896224AS1 [4]	0.240%	08/01/2030	83
896224AV4 [4]	0.482%	10/01/2032	42
546751AE8 [3]	1.150%	06/01/2033	31
546751AG3 [3]	1.600%	06/01/2033	35
546749AJ1 [3]	1.650%	10/01/2033	128
546749AK8 [3]	2.200%	02/01/2035	40
Total Long-term Debt Before Adjustments			1,659
Fair market value adjustments			(1)
Unamortized discount			(4)
Unamortized debt issuance costs			(12)
Total Long-term Debt			1,642
Less current portion of Long-term Debt			25
Total Long-term Debt, noncurrent			$ 1,617

	Interest Rate	Maturity Date	December 31, 2015
KU			
First Mortgage Bonds			
491674BE6	3.250%	11/01/2020	$ 500
491674BG1/BF3	5.125%	11/01/2040	750
491674BJ5	4.650%	11/15/2043	250
491674BK2	3.300%	10/01/2025	250
491674BL0	4.375%	10/01/2045	250
14483RAH0	5.750%	02/01/2026	18
896221AC2	6.000%	03/01/2037	9
587829AC6 [6, 7]	0.010%	05/01/2023	13
14483RAN7 [6, 7]	0.010%	02/01/2032	78
144838AA7 [6, 7]	0.300%	02/01/2032	21
144838AB5 [6, 7]	0.300%	02/01/2032	2
587824AA1 [6, 7]	0.300%	02/01/2032	8
62479PAA4 [6, 7]	0.300%	02/01/2032	2
144838AC3 [6]	0.782%	10/01/2032	96
14483RAP2 [6, 7]	0.010%	10/01/2034	54
14483RAM9 [6, 7]	0.010%	10/01/2034	50
Total Long-term Debt Before Adjustments			2,351
Fair market value adjustments			
Unamortized discount			(10)
Unamortized debt issuance costs			(15)
Total Long-term Debt			2,326
Less current portion of Long-term Debt			
Total Long-term Debt, noncurrent			$ 2,326

(1) Excludes a $400 million 3.50% intercompany note between LKE and PPL Capital Funding due 2025.
(2) Principal amount of the notes are adjusted based on changes in a specified index, as detailed in the terms of the related indentures.
(3) Securities are currently in a term rate mode. Securities may be put back to the company on a date prior to the stated maturity date.
(4) Securities have a floating rate of interest that periodically resets. At December 31, 2015 the weighted average rate of the $183 million of notes at LG&E was 0.40%.
(5) No CUSIP - Bonds were remarketed and 100% of bonds are held by a third party. Securities may be put back to the company on a date prior to the stated maturity date.
(6) Securities have a floating rate of interest that periodically resets. At December 31, 2015 the weighted average rate of the $324 million of notes at KU was 0.27%.
(7) Securities may be put back to the company prior to the stated maturity date.

FORM 8-K

LOUISVILLE GAS & ELECTRIC CO /KY/ - N/A

Filed: January 12, 2016 (period: January 11, 2016)

Report of unscheduled material events or corporate changes.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 11, 2016

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
333-173665	**LG&E and KU Energy LLC** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-2893	**Louisville Gas and Electric Company** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150
1-3464	**Kentucky Utilities Company** (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 8 - Other Events

Item 8.01 Other Events

On January 11, 2016, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU" and, together with LG&E, the "Companies") issued press releases announcing that they plan to submit applications to the Kentucky Public Service Commission ("KPSC") for Certificates of Public Convenience and Necessity ("CPCN") and for Environmental Cost Recovery ("ECR") rate treatment regarding the Companies' upcoming environmental construction projects relating to the U.S. Environmental Protection Agency's regulations addressing the handling of coal combustion byproducts and the Mercury and Air Toxics Standards. The CPCN and ECR applications are anticipated to be filed on or about January 29, 2016.

The construction projects are expected to begin in 2016 and continue through 2023 and are estimated to cost approximately $316 million at LG&E and $678 million at KU. The planned applications request an authorized 10% return on equity with respect to the Companies' ECR tracker rate mechanism.

Section 9 - Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

99.1 - Press Release dated January 11, 2016 of Louisville Gas and Electric Company.

99.2 - Press Release dated January 11, 2016 of Kentucky Utilities Company.

Statements in this report and the accompanying press release, including statements with respect to future events and their timing, including the Companies' future rates, rate mechanisms or returns on equity ultimately authorized or achieved, as well as statements as to future costs or expenses, regulation, corporate strategy and performance, are "forward-looking statements" within the meaning of the federal securities laws. Although the Companies believe that the expectations and assumptions reflected in these forward-looking statements are reasonable, these expectations, assumptions and statements are subject to a number of risks and uncertainties, and actual results may differ materially from the results discussed in the statements. The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: subsequent phases of rate proceedings and regulatory cost recovery; market demand and prices for electricity; political, regulatory or economic conditions in states and regions where the Companies conduct business; and the progress of actual construction, purchase or installation of assets or operations subject to tracker mechanisms. Any such forward-looking statements should be considered in light of such important factors and in conjunction with PPL Corporation's, LG&E and KU Energy LLC's and the Companies' Form 10-K and other reports on file with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

PPL CORPORATION

By: /s/ Stephen K. Breininger
Stephen K. Breininger
Vice President and Controller

LG&E AND KU ENERGY LLC

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

LOUISVILLE GAS AND ELECTRIC COMPANY

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

KENTUCKY UTILITIES COMPANY

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

Dated: January 12, 2016

Exhibit 99.1

Contact:
Media Line
T 502-627-4999
F 502-627-3629

January 11, 2016

LG&E to invest more than $300 million in additional environmental improvements
Utility to close ash ponds at Mill Creek and Trimble County generating stations

(LOUISVILLE, Ky.) – Louisville Gas and Electric Company announced today that it plans to cap and close its remaining coal ash ponds located at Mill Creek and Trimble County Generating Stations.

The details will be laid out in the utility's environmental compliance plan, which will be submitted to the Kentucky Public Service Commission on Jan. 29. The $316 million plan is necessary to meet the environmental regulations required by the U.S. Environmental Protection Agency, including the Coal Combustion Residuals Rule (CCR) that became effective late last year.

The EPA's CCR Rule established new requirements for the disposal of the byproducts left over after coal is safely burned to make electricity.

In order to make these necessary operational changes, LG&E will seek Certificates of Public Convenience and Necessity from the KPSC to begin construction projects, and receive approval of the environmental compliance plan. Under the plan, LG&E will request approval for recovery of the costs to cap and close the ash ponds and build a process-water facility at the Mill Creek and Trimble County stations to meet the CCR Rule and additional mercury control systems to meet the Mercury and Air Toxics Standards (MATS). LG&E expects the projects to cost $311 million to meet the CCR Rule and $5 million for the MATS rule.

The EPA determined that coal combustion residuals are non-hazardous materials and can continue to be beneficially used to make certain authorized products and for specific uses. The CCR Rule additionally established new standards that are expected to require over the next three years commencing, or completing in some cases, the closure of ash ponds and some other on-site wet storage sites that contain coal byproducts.

"We have managed our coal combustion residuals in a safe and compliant manner for decades; however, as regulations change, so must our operations," said Paul W. Thompson, chief operating officer. "We extensively studied our compliance options under the new rule and determined the lowest reasonable cost option would mean capping and closing our existing ash ponds while continuing to beneficially use byproducts in a safe and practical manner that continues to meet the new requirements."

LG&E's Mill Creek Station is already operating a dry special waste landfill that meets the new requirements, providing for seamless onsite operations well into the future. The utility also is in the final permitting stages to construct a similar dry special waste landfill at the Trimble County Station.

For many years, both the Mill Creek and Trimble County stations have beneficially reused as much of their coal byproducts as economically reasonable given demand for such applications. For example, in the last year more than 25 percent of the byproducts produced at Mill Creek and Trimble County have been beneficially reutilized off site. Mill Creek reuses about 50 percent of the gypsum produced at the plant during the coal-burning process. An onsite facility recycles the gypsum into pelletized fertilizer sold to agricultural firms. Trimble County also sells its gypsum, fly ash and other byproducts for beneficial reuse.

The ash pond cap and closure projects will begin later this year. The ponds at Mill Creek are expected to be closed by 2020, and those at Trimble County are expected to be closed by 2023.

LG&E and sister utility, Kentucky Utilities Company, have been moving toward dry storage facilities for a number of years. In addition to Mill Creek, the Ghent Station also already uses dry storage facilities, and the utilities are well underway to capping and closing the former dry special waste landfill and ash pond located at the now-retired Cane Run coal-fired power plant. Dry storage facilities at Brown, expected to be in service in 2016, and Trimble County stations also have been approved by the KPSC.

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Louisville Gas and Electric Company and Kentucky Utilities Company, part of the PPL Corporation (NYSE: PPL) family of companies, are regulated utilities that serve a total of 1.2 million customers and have consistently ranked among the best companies for customer service in the United States. LG&E serves 321,000 natural gas and 400,000 electric customers in Louisville and 16 surrounding counties. Kentucky Utilities serves 543,000 customers in 77 Kentucky counties and five counties in Virginia. More information is available at www.lge-ku.com and www.pplweb.com.

Exhibit 99.2

Contact:
Media Line
T 502-627-4999
F 502-627-3629

January 11, 2016

KU to invest nearly $700 million to meet EPA's new Coal Combustion Residuals Rule

(LEXINGTON, Ky.) – Kentucky Utilities Company announced today that it plans to cap and close its remaining coal ash ponds at E.W. Brown and Ghent Generating Stations and at the now-retired Green River, Pineville and Tyrone coal-fired power plants.

The details of the plans will be laid out in the utility's environmental compliance plan, which will be submitted to the Kentucky Public Service Commission on Jan. 29. The $678 million plan is necessary to meet the environmental regulations required by the U.S. Environmental Protection Agency, including the Coal Combustion Residuals Rule (CCR) that became effective late last year.

The EPA's CCR Rule established new requirements for the disposal of the byproducts left over after coal is safely burned to make electricity.

In order to make these operational changes, KU will seek Certificates of Public Convenience and Necessity from the KPSC to begin construction projects, and receive approval of the environmental compliance plan. The projects, which ensure that KU meets the CCR and Mercury and Air Toxics Standards (MATS) rules, include additional mercury control systems, ash pond closures, construction of process-water facilities and the second phase of the Brown landfill.

The EPA determined that coal combustion residuals are non-hazardous materials and can continue to be beneficially used to make certain authorized products and for specific uses. The CCR Rule additionally established new standards that are expected to require over the next three years commencing, or completing in some cases, the closure of ash ponds and some other on-site wet storage sites that contain coal byproducts. KU expects to begin these latest investments in the environmental improvements in 2016 and continue through 2023.

"We have managed our coal combustion residuals in a safe and compliant manner for decades; however, as regulations change, so must our operations," said Paul W. Thompson, chief operating officer. "We extensively studied our compliance options under the new rule and determined the lowest reasonable cost option would mean capping and closing our existing ash ponds while continuing to beneficially use byproducts in a safe and practical manner that continues to meet the new requirements."

For many years, KU beneficially reused as much of the coal byproducts produced by the facilities as economically reasonable given the demand for such applications. For example, in the last year more than 25 percent of the byproducts produced at Ghent and Trimble stations were beneficially reused offsite to create products such as concrete, wallboard and fertilizers.

KU and sister utility, Louisville Gas and Electric Company, have been moving toward dry storage facilities for a number of years. Ghent and Mill Creek stations already use dry storage facilities, and the utilities are well underway to capping and closing the former dry special waste landfill and ash pond located at the now-retired Cane Run coal-fired power plant. Dry storage site facilities at Brown, expected to be in service in 2016, and Trimble County stations also have been approved by the KPSC.

###

Louisville Gas and Electric Company and Kentucky Utilities Company, part of the PPL Corporation (NYSE: PPL) family of companies, are regulated utilities that serve a total of 1.2 million customers and have consistently ranked among the best companies for customer service in the United States. LG&E serves 321,000 natural gas and 400,000 electric customers in Louisville and 16 surrounding counties. Kentucky Utilities serves 543,000 customers in 77 Kentucky counties and five counties in Virginia. More information is available at www.lge-ku.com and www.pplweb.com.

FORM 8-K

LOUISVILLE GAS & ELECTRIC CO /KY/ - N/A

Filed: February 03, 2016 (period: January 29, 2016)

Report of unscheduled material events or corporate changes.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 29, 2016

Commission File Number	Registrant; State of Incorporation; Address and Telephone Number	IRS Employer Identification No.
1-11459	**PPL Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-2758192
1-905	**PPL Electric Utilities Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-0959590
333-173665	**LG&E and KU Energy LLC** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-2893	**Louisville Gas and Electric Company** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150
1-3464	**Kentucky Utilities Company** (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 2 – Financial Information

Item 2.03 Creation of a Direct Financial Obligation under an Off-Balance Sheet Arrangement of a Registrant

and

Section 8 - Other Events

Item 8.01 Other Events

Certain of the Registrants maintain credit facilities to enhance liquidity, provide credit support and backstop commercial paper programs. On January 29, 2016, Registrants entered in the following amendments to certain of such credit facilities.

PPL Corporation

On January 29, 2016, PPL Capital Funding, Inc., as Borrower, and PPL Corporation, as Guarantor, amended their existing revolving credit facility with Wells Fargo, National Association, as Administrative Agent, Issuing Lender and Swingline Lender and the other Lenders party thereto, to extend the termination date of such revolving credit facility from July 28, 2019 to January 29, 2021 and to increase the borrowing capacity under such revolving credit facility from $300 million to $700 million, as set forth in the copy of the amendment to the revolving credit facility filed as Exhibit 10.1 to this Report.

PPL Electric Utilities Corporation

On January 29, 2016, PPL Electric Utilities Corporation amended its existing revolving credit facility with Wells Fargo, National Association, as Administrative Agent, Issuing Lender and Swingline Lender and the other Lenders party thereto, to extend the termination date of such revolving credit facility from July 28, 2019 to January 29, 2021 and to increase the borrowing capacity under such revolving credit facility from $300 million to $400 million, as set forth in the copy of the amendment to the revolving credit facility filed as Exhibit 10.2 to this Report.

Louisville Gas and Electric Company

On January 29, 2016, Louisville Gas and Electric Company, amended its existing $500 million revolving credit facility with Wells Fargo, National Association, as Administrative Agent, Issuing Lender and Swingline Lender and the other Lenders party thereto, to extend the termination date of such revolving credit facility from July 28, 2019 to December 31, 2020, as set forth in the copy of the amendment to the revolving credit facility filed as Exhibit 10.3 to this Report.

Kentucky Utilities Company

On January 29, 2016, Kentucky Utilities Company, amended its existing $400 million revolving credit facility with Wells Fargo, National Association, as Administrative Agent, Issuing Lender and Swingline Lender and the other Lenders party thereto, to extend the termination date of such revolving credit facility from July 28, 2019 to December 31, 2020, as set forth in the copy of the amendment to the revolving credit facility filed as Exhibit 10.4 to this Report.

Section 9 - Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

10.1 - Amendment No. 1 to Credit Agreement dated as of January 29, 2016 to Revolving Credit Agreement dated as of July 28, 2014 among PPL Capital Funding, Inc., as Borrower, PPL Corporation, as Guarantor, the Lenders party thereto and Wells Fargo, National Association, as Administrative Agent, Issuing Lender and Swingline Lender.

10.2 - Amendment No. 1 to Credit Agreement dated as of January 29, 2016 to Amended and Restated Revolving Credit Agreement dated as of July 28, 2014 among PPL Electric Utilities Corporation, as Borrower, the Lenders party thereto and Wells Fargo, National Association, as Administrative Agent, Issuing Lender and Swingline Lender.

10.3 - Amendment No. 1 to Credit Agreement dated as of January 29, 2016 to Amended and Restated Revolving Credit Agreement dated as of July 28, 2014 among Louisville Gas and Electric Company, as Borrower, the Lenders party thereto and Wells Fargo, National Association, as Administrative Agent, Issuing Lender and Swingline Lender.

10.4 - Amendment No. 1 to Credit Agreement dated as of January 29, 2016 to Amended and Restated Revolving Credit Agreement dated as of July 28, 2014 among Kentucky Utilities Company, as Borrower, the Lenders party thereto and Wells Fargo, National Association, as Administrative Agent, Issuing Lender and Swingline Lender.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

PPL CORPORATION

By: /s/Stephen K. Breininger
Stephen K. Breininger
Vice President and Controller

PPL ELECTRIC UTILITIES CORPORATION

By: /s/Stephen K. Breininger
Stephen K. Breininger
Vice President and Controller

LG&E AND KU ENERGY LLC

By: /s/Gerald A. Reynolds
Gerald A. Reynolds
General Counsel, Chief Compliance
Officer and Corporate Secretary

LOUISVILLE GAS AND ELECTRIC COMPANY

By: /s/Gerald A. Reynolds
Gerald A. Reynolds
General Counsel, Chief Compliance
Officer and Corporate Secretary

KENTUCKY UTILITIES COMPANY

By: /s/Gerald A. Reynolds
Gerald A. Reynolds
General Counsel, Chief Compliance
Officer and Corporate Secretary

Dated: February 3, 2016

Exhibit 10.1

EXECUTION VERSION

AMENDMENT NO. 1 TO CREDIT AGREEMENT

AMENDMENT dated as of January 29, 2016 (this "**Amendment**") to the Revolving Credit Agreement dated as of July 28, 2014 (as amended, amended and restated or otherwise modified prior to the date hereof, the "**Existing Credit Agreement**" and as amended hereby, the "**Amended Credit Agreement**") among PPL CAPITAL FUNDING, INC. (the "**Borrower**"), PPL CORPORATION (the "**Guarantor**"), the LENDERS party thereto (the "**Lenders**") and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, Issuing Lender and Swingline Lender (the "**Agent**").

W I T N E S S E T H :

WHEREAS, the parties hereto desire to amend the Existing Credit Agreement to (i) extend the scheduled Termination Date (ii) increase the Commitments and (iii) make certain other amendments, all as provided herein.

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. *Defined Terms; References.* Unless otherwise specifically defined herein, each term used herein that is defined in the Amended Credit Agreement has the meaning assigned to such term in the Amended Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Existing Credit Agreement shall, after this Amendment becomes effective, refer to the Amended Credit Agreement.

SECTION 2. *Credit Agreement Amendments*. With effect from and including the Amendment Effective Date, the Existing Credit Agreement is hereby amended as follows:

(a) *Defined Terms*.

(i) Section 1.01 of the Existing Credit Agreement is amended by amending the definitions of the terms listed below as follows:

(A) The definition of "Lender Default" is amended by adding the following new clause (v) after clause (iv) and immediately preceding the proviso thereto:

", or (v) the Lender becomes the subject of a Bail-in Action"

(B) The definition of "London Interbank Offered Rate" is amended by (x) deleting the proviso at the end of clause (i) thereof, (y) deleting the proviso at the end of clause (ii) thereof and (z) adding the following sentence at the end thereof:

"Notwithstanding the foregoing, if the London Interbank Offered Rate determined in accordance with the foregoing shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement."

(C) The definition of "Letter of Credit Liabilities" is amended by adding the following sentence at the end thereof:

"For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn."

(ii) Section 1.01 of the Existing Credit Agreement is amended by replacing the definitions of the terms listed below in their entirety with the following:

"Defaulting Lender" means at any time any Lender with respect to which a Lender Default is in effect at such time, including any Lender subject to a Bail-In Action. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more clauses of the definition of "Lender Default" shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to cure as expressly contemplated in the definition of "Lender Default") upon delivery of written notice of such determination to the Borrower, each Issuing Bank, each Swingline Lender and each Lender.

"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, 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 rate (rounded upward, if necessary, to the nearest 1/100th of 1%) charged by Wells Fargo Bank, National Association on such day on such transactions as determined by the Administrative Agent; provided, further, that if any such rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"JLA Issuing Bank" means Wells Fargo Bank, Bank of America, N.A., Citibank, N.A., JPMorgan Chase Bank, N.A., Mizuho Bank, Ltd. and Barclays Bank PLC (provided that Barclays Bank PLC shall issue only standby Letters of Credit).

"Joint Lead Arrangers" means Wells Fargo Securities, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mizuho Bank, Ltd., Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Barclays Bank PLC, each in their capacity as joint lead arranger and joint bookrunner in respect of this Agreement.

"LIBOR Market Index Rate" means, for any day, the rate for 1 month U.S. dollar deposits as reported on Reuters Screen LIBOR01 (or any applicable successor page) 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); provided, however, that if any such rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"Sanctioned Country" means a country, region or territory that is, or whose government is, the subject of comprehensive territorial Sanctions (currently, Crimea, Cuba, Iran, North Korea, Sudan, and Syria).

"Sanctions" means sanctions administered or enforced by OFAC, the U.S. State Department, the European Union, any European Union member state, Her Majesty's Treasury of the United Kingdom or any other applicable sanctions authority.

"Termination Date" means the earlier to occur of (i) January 29, 2021, as may be extended from time to time pursuant to Section 2.08(d), and (ii) the date upon which all Commitments shall have been terminated in their entirety in accordance with this Agreement.

(iii) Section 1.01 of the Existing Credit Agreement is amended by inserting the following definitions in their correct alphabetical order:

"Amendment No. 1 Closing Date" means January 29, 2016.

"Amendment No. 1 Fee Letter" means that certain fee letter dated as of December 28, 2015 among the Guarantor, Kentucky Utilities Company, Louisville Gas and Electric Company, PPL Electric Utilities Corporation, Wells Fargo Securities and Wells Fargo Bank.

"Bail-In Action" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"Connection Income Taxes" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise or branch profits or similar taxes, duties, levies, impost, deductions, charges, and withholdings and all liabilities with respect thereto.

"EEA Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"EU Bail-In Legislation Schedule" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

"ISP" has the meaning set forth in Section 3.13.

"Issuer Documents" means with respect to any Letter of Credit, the Letter of Credit Request, and any other document, agreement and instrument entered into by any Issuing Lender and the Borrower (or any Subsidiary) or in favor of such Issuing Lender and relating to such Letter of Credit.

"Other Connection Taxes" means, with respect to any Agent or Lender, taxes, duties, levies, impost, deductions, charges, and withholdings and all liabilities with respect thereto imposed as a result of a present or former connection between such Person and the jurisdiction imposing such tax (other than connections arising from such Person having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

(iv) The definition of "FATCA" in Section 1.01 of the Existing Credit Agreement is amended by replacing "Code" where it appears therein with "Internal Revenue Code".

(b) *Commitments to Lend.* Section 2.01 of the Existing Credit Agreement is amended and restated by inserting "in Dollars" immediately after "to make Revolving Loans" where it appears therein.

(c) *Swingline Loans.* Section 2.02(a) of the Existing Credit Agreement is amended by replacing the first sentence thereof with the following:

"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 in an aggregate principal amount at any time outstanding that will not result in (i) the sum of the total Swingline Exposures exceeding the Swingline Sublimit, (ii) the sum of the total Revolving Outstandings exceeding the total Commitments, (iii) any Lender's Revolving Outstandings exceeding such Lender's Commitment or (iv) in the case of the Swingline Lender (whether directly or through an Affiliate), the sum of such Lender's Revolving Outstandings plus (without duplication) the outstanding principal amount of Swingline Loans made by the Swingline Lender exceeding such Swingline Lender's Commitment; provided, that the Borrower shall not use the proceeds of any Swingline Loan to refinance any outstanding Swingline Loan."

(d) *Optional Extensions*. Section 2.08(d)(ii) of the Existing Credit Agreement is amended by replacing "anniversary of the date hereof" where it appears therein with "anniversary of the Amendment No. 1 Closing Date".

(e) *Increased Costs; Taxes.*

(i) Section 2.16(a)(ii) of the Existing Credit Agreement is amended and replaced in its entirety with the following:

"(ii) subject any Lender or the Issuing Lender to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any participation in a Letter of Credit or any Loan made by it, or change the basis of taxation of payments to such Lender or the Issuing Lender in respect thereof (other than (A) Taxes, (B) Other Taxes, (C) the imposition of, or any change in the rate of, any taxes described in clause (i)(a) and clauses (ii) through (iv) of the definition of Taxes in Section 2.17(a), (D) Connection Income Taxes, and (E) Taxes attributable to a Lender's or an Issuing Lender's failure to comply with Section 2.17(e)) or".

(ii) Section 2.17(a)(i) of the Existing Credit Agreement is amended by:

(A) inserting "(a)" after "Lender" where it first appears therein;

(B) replacing "principal executive office" where it appears therein with "principal office"; and

(C) inserting "or (b) that are Other Connection Taxes" at the end thereof.

(f) *Increases in Commitments.* Section 2.19(a) of the Existing Credit Agreement is amended and restated by replacing the reference to "$100,000,000" where it appears therein with "$250,000,000".

(g) *Letters of Credit.*

(i) Section 3.02 of the Existing Credit Agreement is amended by adding the following new clause (b) at the end thereof:

"(b) If the Borrower so requests in any applicable Letter of Credit Request, an Issuing Lender may, in its sole discretion, agree to issue a Letter of Credit that has automatic extension provisions (each, an "Auto-Extension Letter of Credit"); provided that any such Auto-Extension Letter of Credit must permit such Issuing Lender to prevent any such extension at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Non-Extension Notice Date") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the applicable Issuing Lender, the Borrower shall not be required to make a specific request to the applicable Issuing Lender for any such extension. Once an Auto-Extension Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the applicable Issuing Lender to permit the extension of such Letter of Credit at any time to an expiry date not later than five days prior to the Termination Date; provided, however, that no Issuing Lender shall permit any such extension if (A) such Issuing Lender has determined that it would not be permitted, or would have no obligation, at such time to issue such Letter of Credit in its revised form (as extended) under the terms hereof (by reason of the provisions of Section 3.04 or otherwise), or (B) it has received notice (which may be by telephone or in writing) on or before the day that is seven Business Days before the Non-Extension Notice Date (1) from the Administrative Agent that the Required Lenders have elected not to permit such extension or (2) from the Administrative Agent, any Lender or the Borrower that one or more of the applicable conditions specified in Section 4.02 is not then satisfied, and in each such case directing such Issuing Lender not to permit such extension."

(ii) Section 3.13 of the Existing Credit Agreement is amended by adding "(the "ISP")" immediately after the words "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".

(iii) Article III of the Existing Credit Agreement is amended by inserting the following sections at the end thereof:

(A) "Section 3.14 Amount of Letter of Credit. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the stated amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time , except that Letter of Credit fees payable as provided in Section 2.07(b) shall be calculated based on the actual amount available for drawing in effect at any time rather than such maximum stated amount."

(h) *Representations and Warranties.*

(i) Sections 5.04(a), 5.04(c), 5.05, 5.13(a) and 5.13(b) of the Existing Credit Agreement are amended and restated by replacing "December 31, 2013" where it appears therein with "December 31, 2014";

(ii) Section 5.04(b) is amended and replaced in its entirety with the following:

"The unaudited consolidated balance sheet of the Guarantor and its Consolidated Subsidiaries as of September 30, 2015 and the related unaudited consolidated statements of income and cash flows for the nine 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 Guarantor and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such nine-month period (subject to normal year-end audit adjustments)."; and

(iii) Section 5.08 of the Existing Credit Agreement is amended and restated by inserting "or the Amendment No. 1 Closing Date" after "Effective Date" where it appears therein.

(i) *Sanctions*. Section 6.06 of the Existing Credit Agreement is amended by adding the following sentence at the end thereof:

"The proceeds of any Loan will not be used, directly or indirectly, to fund any activities or business of or with any Sanctioned Person, or in any Sanctioned Country."

(j) *Submission to Jurisdiction.* Section 9.07 of the Existing Credit Agreement is amended and restated by inserting ", borough of Manhattan," immediately after "New York City" where it appears therein.

(k) *Acknowledgment and Consent to Bail-in of EEA Financial Institutions.* The Existing Credit Agreement is amended by (i) inserting the following new Section 9.15 immediately following Section 9.14 of the Existing Credit Agreement, (ii) renumbering Section 9.15 of the Existing Credit Agreement as Section 9.16:

"Section 9.15. Acknowledgment and Consent to Bail-in of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority."

(l) *Miscellaneous.* Article IX of the Existing Credit Agreement is amended by inserting the following sections at the end thereof:

(i) "Section 9.17. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Rate to the date of repayment, shall have been received by such Lender."

(ii) "Section 9.18. Severability. Any provision of any Loan Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction."

(iii) "Section 9.19. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement."

(m) *Administrative Agent's Fees.* Section 8.10 of the Existing Credit Agreement is amended by replacing "Fee Letter" where it appears therein with "Amendment No. 1 Fee Letter".

(n) *Appendices.*

(i) Appendix A to the Existing Credit Agreement (Commitments) is amended and replaced in its entirety with Appendix A annexed hereto.

(ii) Appendix B to the Existing Credit Agreement (JLA Fronting Sublimits) is amended and replaced in its entirety with Appendix B annexed hereto.

SECTION 3. *Changes in Commitments.* With effect from and including the Amendment Effective Date, (i) each Person listed on Appendix A hereto that is not a party to the Existing Credit Agreement (each, a "**New Lender**" and, together with each Person that is not an Exiting Lender, the "**Continuing Lenders**") shall become a Lender party to the Amended Credit Agreement, (ii) the Commitment of each Lender shall be the amount set forth opposite the name of such Lender on Appendix A hereto and (iii) each JLA Issuing Bank shall have the Fronting Sublimit set forth in Appendix B. On the Amendment Effective Date, any Lender whose name does not appear on Appendix A (each, an "**Exiting Lender**") shall cease to be a Lender party to the Credit Agreement, and all accrued fees and other amounts payable under the Credit Agreement for the account of each Exiting Lender shall be due and payable on such date; provided that the provisions of Sections 2.12, 2.16, 2.17 and 9.03 of the Credit Agreement shall continue to inure to the benefit of each Exiting Lender after the Amendment Effective Date. On the Amendment Effective Date, the Commitment Ratio of the Continuing Lenders shall be redetermined giving effect to the adjustments to the Commitments referred to in this Section 3, and the participations of the Continuing lenders in and the obligations of the Continuing Lenders in respect of any Letters of Credit outstanding on the Amendment Effective Date shall be reallocated to reflect such redetermined Commitment Ratio.

SECTION 4. *Full Force and Effect; Ratification.* Except as expressly modified herein, all of the terms and conditions of the Existing Credit Agreement are unchanged, and, as modified hereby, the Borrower and the Guarantor confirm and ratify all of the terms, covenants and conditions of the Existing Credit Agreement. This Amendment constitutes the entire and final agreement among the parties hereto with respect to the subject matter hereof and there are no other agreements, understandings, undertakings, representations or warranties among the parties hereto with respect to the subject matter hereof except as set forth herein.

SECTION 5. *Governing Law.* This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 6. *Counterparts*. This Amendment 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.

SECTION 7. *Effectiveness*. This Amendment shall become effective as of the first date when each of the following conditions are met (the "**Amendment Effective Date**"):

(a) the Agent shall have received from the Borrower, the Guarantor and each Continuing Lender and Lenders constituting Required Lenders a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to the Agent) that such party has signed a counterpart hereof;

(b) the Agent shall have received a duly executed revised Note for the account of each Lender requesting delivery of such Note pursuant to Section 2.05 of the Credit Agreement;

(c) the Agent shall have received satisfactory opinions of counsel for the Borrower, dated the Amendment Effective Date;

(d) the Agent shall have received a certificate dated the Amendment 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 Amendment Effective Date, before and after giving effect to this Amendment, no Default shall have occurred or be continuing and (B) the representations and warranties contained in the Amended Credit Agreement are true and correct on and as of the Amendment 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;

(e) the Agent shall have received (i) a certificate of the Secretary 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 Amendment Effective Date and certifying (A) that attached thereto is a true, correct and complete copies of (x) the Borrower's articles of incorporation certified by the Secretary of the State of Delaware 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 this Amendment and each other document delivered in connection herewith 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 this Amendment or any other document delivered in connection herewith;

(f) the Agent shall have received (i) a certificate of the Secretary of the Commonwealth of the Commonwealth of Pennsylvania, dated as of a recent date, as to the good standing of the Guarantor and (ii) a certificate of the Secretary or an Assistant Secretary of the Guarantor dated the Amendment Effective Date and certifying (A) that attached thereto is a true, correct and complete copies of (x) the Guarantor's articles of incorporation certified by the Secretary of the Commonwealth of the Commonwealth of Pennsylvania and (y) the bylaws of the Guarantor, (B) as to the absence of dissolution or liquidation proceedings by or against the Guarantor, (C) that attached thereto is a true, correct and complete copy of resolutions adopted by the board of directors of the Guarantor authorizing the execution, delivery and performance of this Amendment and each other document delivered in connection herewith and that such resolutions have not been amended and are in full force and effect on the date of such certificate and (D) as to the incumbency and specimen signatures of each officer of the Guarantor executing this Amendment or any other document delivered in connection herewith;

(g) all necessary governmental (domestic or foreign), regulatory and third party approvals, if any, in connection with the transactions contemplated by this Amendment 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 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 of the Credit Agreement need not be obtained or provided until the Borrower makes any such election;

(h) each New Lender shall have received all documentation and other information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the Patriot Act, as has been reasonably requested in writing;

(i) there shall be no outstanding Loans; and

(j) the Agent shall have received all costs, fees and expenses due to the Agent, the Joint Lead Arrangers (as such term is defined in the commitment letter dated December 28, 2015 to the Guarantor from Wells Fargo Securities, LLC, Wells Fargo Bank, National Association, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bank of America, N.A., Mizuho Bank, Ltd., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, JPMorgan Chase Bank, N.A. and Barclays Bank PLC) and the Lenders.

SECTION 8. *Notes.* Any Lender receiving a revised Note as contemplated by Section 7(b) above shall on or promptly after the Amendment Effective Date return any prior Note issued under the Existing Credit Agreement to the Borrower for cancellation.

SECTION 9. *Miscellaneous.* This Amendment shall constitute a Loan Document for all purposes of the Credit Agreement and the other Loan Documents. The provisions of this Amendment are deemed incorporated into the Credit Agreement as if fully set forth therein. The Borrower shall pay all reasonable out-of-pocket costs and expenses of the Agent incurred in connection with the negotiation, preparation and execution of this Amendment and the transactions contemplated hereby. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

PPL CAPITAL FUNDING, INC., as Borrower

By: /s/ Tadd J. Henninger
Name: Tadd J. Henninger
Title: Assistant Treasurer

PPL CORPORATION, as Guarantor

By: /s/ Tadd J. Henninger
Name: Tadd J. Henninger
Title: Assistant Treasurer

[Signature Pages to CF - Amendment]

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, Issuing Lender, Swingline Lender and a Lender

By: /s/ Frederick W. Price
Name: Frederick W. Price
Title: Managing Director

[Signature Pages to CF - Amendment]

Bank of America, N.A., as a Lender and Issuing Lender

By: /s/ William Merritt
Name: William Merritt
Title: Director

[Signature Pages to CF - Amendment]

JPMorgan Chase Bank, N.A., as a Lender and Issuing Lender

By: /s/ Juan J. Javellana
Name: Juan J. Javellana
Title: Executive Director

[Signature Pages to CF - Amendment]

BARCLAYS BANK PLC, as a Lender and Issuing Lender

By: /s/ Craig J. Malloy
Name: Craig J. Malloy
Title: Director

[Signature Pages to CF - Amendment]

CITIBANK, N.A., as a Lender and Issuing Lender

By: /s/ Lisa Huang
Name: Lisa Huang
Title: Vice President

[Signature Pages to CF - Amendment]

MIZUHO BANK, LTD., as a Lender and Issuing Lender

By: /s/ Leon Mo
Name: Leon Mo
Title: Authorized Signatory

[Signature Pages to CF - Amendment]

The Bank of Nova Scotia, as a Lender

By: /s/ David Dewar
Name: David Dewar
Title: Director

[Signature Pages to CF - Amendment]

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., as a Lender

By: /s/ Chi-Cheng Chen
Name: Chi-Cheng Chen
Title: Director

[Signature Pages to CF - Amendment]

BNP Paribas

By: /s/ Francis DeLaney
Name: Francis DeLaney
Title: Managing Director

BNP Paribas

By: /s/ Karima Omar
Name: Karima Omar
Title: Vice President

[Signature Pages to CF - Amendment]

CANADIAN IMPERIAL BANK OF COMMERCE, NEW YORK BRANCH, as a Lender

By: /s/ John M. Grause

Name: John M. Grause

Title: Authorized Signatory

By: /s/ Robert Casey

Name: Robert Casey

Title: Authorized Signatory

[Signature Pages to CF - Amendment]

Credit Suisse AG, Cayman Islands Branch, as a Lender

By: /s/ Mikhail Faybusovich
Name: Mikhail Faybusovich
Title: Authorized Signatory

By: /s/ Gregory Fantoni
Name: Gregory Fantoni
Title: Authorized Signatory

[Signature Pages to CF - Amendment]

GOLDMAN SACHS BANK USA, as a Lender

By: /s/ Rebecca Kratz
Name: Rebecca Kratz
Title: Authorized Signatory

[Signature Pages to CF - Amendment]

Morgan Stanley Bank, N.A., as a Lender

By: /s/ Michael King
Name: Michael King
Title: Authorized Signatory

[Signature Pages to CF - Amendment]

ROYAL BANK OF CANADA, as a Lender

By: /s/ Rahul D. Shah
Name: Rahul D. Shah
Title: Authorized Signatory

[Signature Pages to CF - Amendment]

SunTrust Bank, as a Lender

By: /s/ Shannon Juhan

Name: Shannon Juhan

Title: Director

[Signature Pages to CF - Amendment]

UBS AG, STAMFORD BRANCH, as a Lender

By:	/s/ Darlene Arias	
	Name:	Darlene Arias
	Title:	Director
By:	/s/ Craig Pearson	
	Name:	Craig Pearson
	Title:	Associate Director Banking Product Services, US

[Signature Pages to CF - Amendment]

U.S. Bank National Association, as a Lender

By: /s/ Paul Vastola
Name: Paul Vastola
Title: Senior Vice President

[Signature Pages to CF - Amendment]

THE BANK OF NEW YORK MELLON, as a Lender

By: /s/ Mark W. Rogers

Name: Mark W. Rogers

Title: Vice President

[Signature Pages to CF - Amendment]

PNC Bank, National Association, as a Lender

By: /s/ Thomas E. Redmond
Name: Thomas E. Redmond
Title: Senior Vice President

[Signature Pages to CF - Amendment]

Appendix A

COMMITMENTS

Lender	Commitment
Wells Fargo Bank, National Association	$45,500,000.00
Bank of America, N.A.	$45,500,000.00
JPMorgan Chase Bank, N.A.	$45,500,000.00
Barclays Bank PLC	$45,500,000.00
Citibank, N.A.	$45,500,000.00
Mizuho Bank, Ltd.	$45,500,000.00
The Bank of Nova Scotia	$35,000,000.00
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	$35,000,000.00
BNP Paribas	$35,000,000.00
Canadian Imperial Bank of Commerce	$35,000,000.00
Credit Suisse AG, Cayman Islands Branch	$35,000,000.00
Goldman Sachs Bank USA	$35,000,000.00
Morgan Stanley Bank, N.A.	$35,000,000.00
Royal Bank of Canada	$35,000,000.00
SunTrust Bank	$35,000,000.00
UBS AG, Stamford Branch	$35,000,000.00
U.S. Bank National Association	$35,000,000.00
The Bank of New York Mellon	$21,000,000.00
PNC Bank, National Association	$21,000,000.00
Total	**$700,000,000.00**

Appendix B

JLA FRONTING SUBLIMITS

JLA Issuing Banks	Sublimit
Wells Fargo Bank	$ 25,000,000
Bank of America, N.A.	$ 25,000,000
Citibank, N.A.	$ 25,000,000
JPMorgan Chase Bank, N.A	$ 25,000,000
Mizuho Bank, Ltd.	$ 25,000,000
Barclays Bank PLC	$ 25,000,000

Exhibit 10.2

EXECUTION VERSION

AMENDMENT NO. 1 TO CREDIT AGREEMENT

AMENDMENT dated as of January 29, 2016 (this "**Amendment**") to the Amended and Restated Revolving Credit Agreement dated as of July 28, 2014 (as amended, amended and restated or otherwise modified prior to the date hereof, the "**Existing Credit Agreement**" and as amended hereby, the "**Amended Credit Agreement**") among PPL ELECTRIC UTILITIES CORPORATION (the "**Borrower**"), the LENDERS party thereto (the "**Lenders**") and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, Issuing Lender and Swingline Lender (the "**Agent**").

W I T N E S S E T H :

WHEREAS, the parties hereto desire to amend the Existing Credit Agreement to (i) extend the scheduled Termination Date (ii) increase the Commitments and (iii) make certain other amendments, all as provided herein.

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. *Defined Terms; References.* Unless otherwise specifically defined herein, each term used herein that is defined in the Amended Credit Agreement has the meaning assigned to such term in the Amended Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Existing Credit Agreement shall, after this Amendment becomes effective, refer to the Amended Credit Agreement.

SECTION 2. *Credit Agreement Amendments*. With effect from and including the Amendment Effective Date, the Existing Credit Agreement is hereby amended as follows:

(a) *Defined Terms*.

(i) Section 1.01 of the Existing Credit Agreement is amended by amending the definitions of the terms listed below as follows:

(A) The definition of "Lender Default" is amended by adding the following new clause (v) after clause (iv) and immediately preceding the proviso thereto:

", or (v) the Lender becomes the subject of a Bail-in Action"

(B) The definition of "London Interbank Offered Rate" is amended by (x) deleting the proviso at the end of clause (i) thereof, (y) deleting the proviso at the end of clause (ii) thereof and (z) adding the following sentence at the end thereof:

"Notwithstanding the foregoing, if the London Interbank Offered Rate determined in accordance with the foregoing shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement."

(C) The definition of "Letter of Credit Liabilities" is amended by adding the following sentence at the end thereof:

"For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn."

(ii) Section 1.01 of the Existing Credit Agreement is amended by replacing the definitions of the terms listed below in their entirety with the following:

"Defaulting Lender" means at any time any Lender with respect to which a Lender Default is in effect at such time, including any Lender subject to a Bail-In Action. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more clauses of the definition of "Lender Default" shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to cure as expressly contemplated in the definition of "Lender Default") upon delivery of written notice of such determination to the Borrower, each Issuing Bank, each Swingline Lender and each Lender.

"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, 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 rate (rounded upward, if necessary, to the nearest 1/100th of 1%) charged by Wells Fargo Bank, National Association on such day on such transactions as determined by the Administrative Agent; provided, further, that if any such rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"JLA Issuing Bank" means Wells Fargo Bank, Bank of America, N.A., Citibank, N.A., JPMorgan Chase Bank, N.A., Mizuho Bank, Ltd. and Barclays Bank PLC (provided that Barclays Bank PLC shall issue only standby Letters of Credit).

"Joint Lead Arrangers" means Wells Fargo Securities, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mizuho Bank, Ltd., Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Barclays Bank PLC, each in their capacity as joint lead arranger and joint bookrunner in respect of this Agreement.

"LIBOR Market Index Rate" means, for any day, the rate for 1 month U.S. dollar deposits as reported on Reuters Screen LIBOR01 (or any applicable successor page) 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); provided, however, that if any such rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"Sanctioned Country" means a country, region or territory that is, or whose government is, the subject of comprehensive territorial Sanctions (currently, Crimea, Cuba, Iran, North Korea, Sudan, and Syria).

"Sanctions" means sanctions administered or enforced by OFAC, the U.S. State Department, the European Union, any European Union member state, Her Majesty's Treasury of the United Kingdom or any other applicable sanctions authority.

"Termination Date" means the earlier to occur of (i) January 29, 2021, as may be extended from time to time pursuant to Section 2.08(d), and (ii) the date upon which all Commitments shall have been terminated in their entirety in accordance with this Agreement.

(iii) Section 1.01 of the Existing Credit Agreement is amended by inserting the following definitions in their correct alphabetical order:

"Amendment No. 1 Closing Date" means January 29, 2016.

"Amendment No. 1 Fee Letter" means that certain fee letter dated as of December 28, 2015 among the Borrower, PPL Corporation, Kentucky Utilities Company, Louisville Gas and Electric Company, Wells Fargo Securities and Wells Fargo Bank.

"Bail-In Action" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"Connection Income Taxes" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise or branch profits or similar taxes, duties, levies, impost, deductions, charges, and withholdings and all liabilities with respect thereto.

"EEA Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"EU Bail-In Legislation Schedule" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

"ISP" has the meaning set forth in Section 3.13.

"Issuer Documents" means with respect to any Letter of Credit, the Letter of Credit Request, and any other document, agreement and instrument entered into by any Issuing Lender and the Borrower (or any Subsidiary) or in favor of such Issuing Lender and relating to such Letter of Credit.

"Other Connection Taxes" means, with respect to any Agent or Lender, taxes, duties, levies, impost, deductions, charges, and withholdings and all liabilities with respect thereto imposed as a result of a present or former connection between such Person and the jurisdiction imposing such tax (other than connections arising from such Person having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

(iv) Section 1.01 of the Existing Credit Agreement is amended by deleting the following defined terms in their entirety: "Automatic Extension" and "Initial Termination Date".

(v) The definition of "FATCA" in Section 1.01 of the Existing Credit Agreement is amended by replacing "Code" where it appears therein with "Internal Revenue Code".

(b) *Commitments to Lend.* Section 2.01 of the Existing Credit Agreement is amended and restated by inserting "in Dollars" immediately after "to make Revolving Loans" where it appears therein.

(c) *Swingline Loans.* Section 2.02(a) of the Existing Credit Agreement is amended by replacing the first sentence thereof with the following:

"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 in an aggregate principal amount at any time outstanding that will not result in (i) the sum of the total Swingline Exposures exceeding the Swingline Sublimit, (ii) the sum of the total Revolving Outstandings exceeding the total Commitments, (iii) any Lender's Revolving Outstandings exceeding such Lender's Commitment or (iv) in the case of the Swingline Lender (whether directly or through an Affiliate), the sum of such Lender's Revolving Outstandings plus (without duplication) the outstanding principal amount of Swingline Loans made by the Swingline Lender exceeding such Swingline Lender's Commitment; provided, that the Borrower shall not use the proceeds of any Swingline Loan to refinance any outstanding Swingline Loan."

(d) *Optional Extensions*. Section 2.08(d)(ii) of the Existing Credit Agreement is amended by replacing "anniversary of the date hereof" where it appears therein with "anniversary of the Amendment No. 1 Closing Date".

(e) *Increased Costs; Taxes.*

(i) Section 2.16(a)(ii) of the Existing Credit Agreement is amended and replaced in its entirety with the following:

"(ii) subject any Lender or the Issuing Lender to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any participation in a Letter of Credit or any Loan made by it, or change the basis of taxation of payments to such Lender or the Issuing Lender in respect thereof (other than (A) Taxes, (B) Other Taxes, (C) the imposition of, or any change in the rate of, any taxes described in clause (i)(a) and clauses (ii) through (iv) of the definition of Taxes in Section 2.17(a), (D) Connection Income Taxes, and (E) Taxes attributable to a Lender's or an Issuing Lender's failure to comply with Section 2.17(e)) or".

(ii) Section 2.17(a)(i) of the Existing Credit Agreement is amended by:

(A) inserting "(a)" after "Lender" where it first appears therein;

(B) replacing "principal executive office" where it appears therein with "principal office"; and

(C) inserting "or (b) that are Other Connection Taxes" at the end thereof.

(iii) Section 2.17(e)(ii)(C) of the Existing Credit Agreement is amended by replacing "Code" where it first appears therein with "Internal Revenue Code".

(iv) Section 2.17(e) of the Existing Credit Agreement is amended by inserting the following sentence immediately prior to the second to last sentence thereof:

"For purposes of determining withholding Taxes imposed under FATCA, the Borrower and the Administrative Agent shall treat (and the Lenders hereby authorize the Administrative Agent to treat) this Agreement and any Loan or Letter of Credit issued under or pursuant to this Agreement as not qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i) or Treasury Regulation Section 1.1471-2T(b)(2)(i)."

(f) *Increases in Commitments.* Section 2.19(a) of the Existing Credit Agreement is amended and restated by replacing the reference to "$100,000,000" where it appears therein with "$250,000,000".

(g) *Letters of Credit.*

(i) Section 3.02 of the Existing Credit Agreement is amended by adding the following new clause (c) at the end thereof:

"(c) If the Borrower so requests in any applicable Letter of Credit Request, an Issuing Lender may, in its sole discretion, agree to issue an Additional Letter of Credit that has automatic extension provisions (each, an "Auto-Extension Letter of Credit"); provided that any such Auto-Extension Letter of Credit must permit such Issuing Lender to prevent any such extension at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Non-Extension Notice Date") in each such twelve-month period to be agreed upon at the time such Additional Letter of Credit is issued. Unless otherwise directed by the applicable Issuing Lender, the Borrower shall not be required to make a specific request to the applicable Issuing Lender for any such extension. Once an Auto-Extension Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the applicable Issuing Lender to permit the extension of such Additional Letter of Credit at any time to an expiry date not later than five days prior to the Termination Date; provided, however, that no Issuing Lender shall permit any such extension if (A) such Issuing Lender has determined that it would not be permitted, or would have no obligation, at such time to issue such Additional Letter of Credit in its revised form (as extended) under the terms hereof (by reason of the provisions of Section 3.04 or otherwise), or (B) it has received notice (which may be by telephone or in writing) on or before the day that is seven Business Days before the Non-Extension Notice Date (1) from the Administrative Agent that the Required Lenders have elected not to permit such extension or (2) from the Administrative Agent, any Lender or the Borrower that one or more of the applicable conditions specified in Section 4.02 is not then satisfied, and in each such case directing such Issuing Lender not to permit such extension."

(ii) Section 3.13 of the Existing Credit Agreement is amended by adding "(the "ISP")" immediately after the words "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".

(iii) Article III of the Existing Credit Agreement is amended by inserting the following sections at the end thereof:

(A) "Section 3.14 Amount of Letter of Credit. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the stated amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time, except that Letter of Credit fees payable as provided in Section 2.07(b) shall be calculated based on the actual amount available for drawing in effect at any time rather than such maximum stated amount."

(h) *Consents*. Section 4.01(f) of the Existing Credit Agreement is amended by deleting the words "or Section 4.03" where they appear therein.

(i) *Automatic Extension*. Section 4.03 of the Existing Credit Agreement is amended and restated and replaced in its entirety with "Section 4.03 [Reserved]".

(j) *Representations and Warranties.*

(i) Section 5.02 of the Existing Credit Agreement is amended by deleting the words "or Section 4.03" where they appear therein.

(ii) Sections 5.04(a), 5.04(c), 5.05, 5.13(a) and 5.13(b) of the Existing Credit Agreement are amended and restated by replacing "December 31, 2013" where it appears therein with "December 31, 2014";

(iii) Section 5.04(b) is amended and replaced in its entirety with the following:

"The unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of September 30, 2015 and the related unaudited consolidated statements of income and cash flows for the nine 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 nine-month period (subject to normal year-end audit adjustments)."; and

(iv) Section 5.08 of the Existing Credit Agreement is amended and restated by:

(A) inserting "or the Amendment No. 1 Closing Date" after "Effective Date" where it appears therein, and

(B) by deleting the words "or Section 4.03" where they appear therein.

(k) *Sanctions*. Section 6.06 of the Existing Credit Agreement is amended by adding the following sentence at the end thereof:

"The proceeds of any Loan will not be used, directly or indirectly, to fund any activities or business of or with any Sanctioned Person, or in any Sanctioned Country."

(l) *Submission to Jurisdiction.* Section 9.07 of the Existing Credit Agreement is amended and restated by inserting ", borough of Manhattan," immediately after "New York City" where it appears therein.

(m) *Acknowledgment and Consent to Bail-in of EEA Financial Institutions.* The Existing Credit Agreement is amended by (i) inserting the following new Section 9.15 immediately following Section 9.14 of the Existing Credit Agreement, (ii) renumbering Sections 9.15 and 9.16 of the Existing Credit Agreement as Sections 9.16 and 9.17, respectively and (iii) replacing the reference to "Section 9.15" in the definition of "Consenting Lender" in Section 1.01 of the Existing Credit Agreement with a reference to "Section 9.17":

"Section 9.15. Acknowledgment and Consent to Bail-in of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority."

(n) *Miscellaneous.* Article IX of the Existing Credit Agreement is amended by inserting the following sections at the end thereof:

(i) "Section 9.18. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Rate to the date of repayment, shall have been received by such Lender."

(ii) "Section 9.19. Severability. Any provision of any Loan Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction."

(iii) "Section 9.20 Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement."

(o) *Administrative Agent's Fees.* Section 8.10 of the Existing Credit Agreement is amended by replacing "Fee Letter" where it appears therein with "Amendment No. 1 Fee Letter".

(p) *Appendices.*

(i) Appendix A to the Existing Credit Agreement (Commitments) is amended and replaced in its entirety with Appendix A annexed hereto.

(ii) Appendix B to the Existing Credit Agreement (JLA Fronting Sublimits) is amended and replaced in its entirety with Appendix B annexed hereto.

(q) *Schedules.*

(i) Schedule 1.01A to the Existing Credit Agreement (Existing Letters of Credit) is amended and replaced in its entirety with Schedule 1.01A annexed hereto.

SECTION 3. *Changes in Commitments.* With effect from and including the Amendment Effective Date, (i) each Person listed on Appendix A hereto that is not a party to the Existing Credit Agreement (each, a "**New Lender**" and, together with each Person that is not an Exiting Lender, the "**Continuing Lenders**") shall become a Lender party to the Amended Credit Agreement, (ii) the Commitment of each Lender shall be the amount set forth opposite the name of such Lender on Appendix A hereto and (iii) each JLA Issuing Bank shall have the Fronting Sublimit set forth in Appendix B. On the Amendment Effective Date, any Lender whose name does not appear on Appendix A (each, an "**Exiting Lender**") shall cease to be a Lender party to the Credit Agreement, and all accrued fees and other amounts payable under the Credit Agreement for the account of each Exiting Lender shall be due and payable on such date; provided that the provisions of Sections 2.12, 2.16, 2.17 and 9.03 of the Credit Agreement shall continue to inure to the benefit of each Exiting Lender after the Amendment Effective Date. On the Amendment Effective Date, the Commitment Ratio of the Continuing Lenders shall be redetermined giving effect to the adjustments to the Commitments referred to in this Section 3, and the participations of the Continuing lenders in and the obligations of the Continuing Lenders in respect of any Letters of Credit outstanding on the Amendment Effective Date shall be reallocated to reflect such redetermined Commitment Ratio.

SECTION 4. *Full Force and Effect; Ratification.* Except as expressly modified herein, all of the terms and conditions of the Existing Credit Agreement are unchanged, and, as modified hereby, the Borrower confirms and ratifies all of the terms, covenants and conditions of the Existing Credit Agreement. This Amendment constitutes the entire and final agreement among the parties hereto with respect to the subject matter hereof and there are no other agreements, understandings, undertakings, representations or warranties among the parties hereto with respect to the subject matter hereof except as set forth herein.

SECTION 5. *Governing Law.* This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 6. *Counterparts.* This Amendment 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.

SECTION 7. *Effectiveness.* This Amendment shall become effective as of the first date when each of the following conditions are met (the "**Amendment Effective Date**"):

(a) the Agent shall have received from the Borrower and each Continuing Lender and Lenders constituting Required Lenders a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to the Agent) that such party has signed a counterpart hereof;

(b) the Agent shall have received a duly executed revised Note for the account of each Lender requesting delivery of such Note pursuant to Section 2.05 of the Credit Agreement;

(c) the Agent shall have received satisfactory opinions of counsel for the Borrower, dated the Amendment Effective Date;

(d) the Agent shall have received a certificate dated the Amendment 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 Amendment Effective Date, before and after giving effect to this Amendment, no Default shall have occurred or be continuing and (B) the representations and warranties contained in the Amended Credit Agreement are true and correct on and as of the Amendment 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;

(e) the Agent shall have received (i) a certificate of the Secretary of the Commonwealth 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 Amendment Effective Date and certifying (A) that attached thereto is a true, correct and complete copies of (x) the Borrower's articles of incorporation certified by the Secretary of the Commonwealth 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 this Amendment and each other document delivered in connection herewith 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 this Amendment or any other document delivered in connection herewith;

(f) all necessary governmental (domestic or foreign), regulatory and third party approvals, including, without limitation, the order of the PUC and any required approvals of the Federal Energy Regulatory Commission, authorizing borrowings hereunder in connection with the transactions contemplated by this Amendment 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 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 of the Credit Agreement need not be obtained or provided until the Borrower makes any such election;

(g) each New Lender shall have received all documentation and other information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the Patriot Act, as has been reasonably requested in writing;

(h) there shall be no outstanding Loans; and

(i) the Agent shall have received all costs, fees and expenses due to the Agent, the Joint Lead Arrangers (as such term is defined in the commitment letter dated December 28, 2015 to the Borrower from Wells Fargo Securities, LLC, Wells Fargo Bank, National Association, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bank of America, N.A., Mizuho Bank, Ltd., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, JPMorgan Chase Bank, N.A. and Barclays Bank PLC) and the Lenders.

SECTION 8. *Notes.* Any Lender receiving a revised Note as contemplated by Section 7(b) above shall on or promptly after the Amendment Effective Date return any prior Note issued under the Existing Credit Agreement to the Borrower for cancellation.

SECTION 9. *Miscellaneous.* This Amendment shall constitute a Loan Document for all purposes of the Credit Agreement and the other Loan Documents. The provisions of this Amendment are deemed incorporated into the Credit Agreement as if fully set forth therein. The Borrower shall pay all reasonable out-of-pocket costs and expenses of the Agent incurred in connection with the negotiation, preparation and execution of this Amendment and the transactions contemplated hereby. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

PPL ELECTRIC UTILITIES CORPORATION, as Borrower

By: /s/ Tadd J. Henninger
Name: Tadd J. Henninger
Title: Assistant Treasurer

[Signature Page to Electric Utilities – Amendment]

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, Issuing Lender, Swingline Lender and a Lender

By: /s/ Frederick W. Price
Name: Frederick W. Price
Title: Managing Director

[Signature Page to Electric Utilities – Amendment]

Bank of America, N.A., as a Lender and Issuing Lender

By: /s/ William Merritt
Name: William Merritt
Title: Director

[Signature Page to Electric Utilities – Amendment]

JPMorgan Chase Bank, N.A., as a Lender and Issuing Lender

By: /s/ Juan J. Javellana
Name: Juan J. Javellana
Title: Executive Director

[Signature Page to Electric Utilities – Amendment]

BARCLAYS BANK PLC, as a Lender and Issuing Lender

By: /s/ Craig J. Malloy
Name: Craig J. Malloy
Title: Director

[Signature Page to Electric Utilities – Amendment]

CITIBANK, N.A., as a Lender and Issuing Lender

By: /s/ Lisa Huang
Name: Lisa Huang
Title: Vice President

[Signature Page to Electric Utilities – Amendment]

MIZUHO BANK, LTD., as a Lender and Issuing Lender

By: /s/ Leon Mo
Name: Leon Mo
Title: Authorized Signatory

[Signature Page to Electric Utilities – Amendment]

The Bank of Nova Scotia, as a Lender

By: /s/ David Dewar
Name: David Dewar
Title: Director

[Signature Page to Electric Utilities – Amendment]

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., as a Lender

By: /s/ Chi-Cheng Chen
Name: Chi-Cheng Chen
Title: Director

[Signature Page to Electric Utilities – Amendment]

BNP Paribas

By: /s/ Francis DeLaney
Name: Francis DeLaney
Title: Managing Director

BNP Paribas

By: /s/ Karima Omar
Name: Karima Omar
Title: Vice President

[Signature Page to Electric Utilities – Amendment]

CANADIAN IMPERIAL BANK OF COMMERCE,
NEW YORK BRANCH, as a Lender

By: /s/ John M. Grause
Name: John M. Grause
Title: Authorized Signatory

By: /s/ Robert Casey
Name: Robert Casey
Title: Authorized Signatory

[Signature Page to Electric Utilities – Amendment]

Credit Suisse AG, Cayman Islands Branch, as a Lender

By: /s/ Mikhail Faybusovich
Name: Mikhail Faybusovich
Title: Authorized Signatory

By: /s/ Gregory Fantoni
Name: Gregory Fantoni
Title: Authorized Signatory

[Signature Page to Electric Utilities – Amendment]

GOLDMAN SACHS BANK USA, as a Lender

By: /s/ Rebecca Kratz
Name: Rebecca Kratz
Title: Authorized Signatory

[Signature Page to Electric Utilities – Amendment]

Morgan Stanley Bank, N.A., as a Lender

By: /s/ Michael King
Name: Michael King
Title: Authorized Signatory

[Signature Page to Electric Utilities – Amendment]

ROYAL BANK OF CANADA, as a Lender

By: /s/ Rahul D. Shah
Name: Rahul D. Shah
Title: Authorized Signatory

[Signature Page to Electric Utilities – Amendment]

SunTrust Bank, as a Lender

By: /s/ Shannon Juhan
Name: Shannon Juhan
Title: Director

[Signature Page to Electric Utilities – Amendment]

UBS AG, STAMFORD BRANCH, as a Lender

By: /s/ Darlene Arias
Name: Darlene Arias
Title: Director

By: /s/ Craig Pearson
Name: Craig Pearson
Title: Associate Director
Banking Product Services, US

[Signature Page to Electric Utilities – Amendment]

U.S. Bank National Association, as a Lender

By: /s/ Paul Vastola
Name: Paul Vastola
Title: Senior Vice President

[Signature Page to Electric Utilities – Amendment]

THE BANK OF NEW YORK MELLON, as a Lender

By: /s/ Mark W. Rogers
Name: Mark W. Rogers
Title: Vice President

[Signature Page to Electric Utilities – Amendment]

PNC Bank, National Association, as a Lender

By: /s/ Thomas E. Redmond
Name: Thomas E. Redmond
Title: Senior Vice President

[Signature Page to CF – Amendment]

Appendix A

COMMITMENTS

Lender	Commitment
Wells Fargo Bank, National Association	$26,000,000.00
Bank of America, N.A.	$26,000,000.00
JPMorgan Chase Bank, N.A.	$26,000,000.00
Barclays Bank PLC	$26,000,000.00
Citibank, N.A.	$26,000,000.00
Mizuho Bank, Ltd.	$26,000,000.00
The Bank of Nova Scotia	$20,000,000.00
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	$20,000,000.00
BNP Paribas	$20,000,000.00
Canadian Imperial Bank of Commerce	$20,000,000.00
Credit Suisse AG, Cayman Islands Branch	$20,000,000.00
Goldman Sachs Bank USA	$20,000,000.00
Morgan Stanley Bank, N.A.	$20,000,000.00
Royal Bank of Canada	$20,000,000.00
SunTrust Bank	$20,000,000.00
UBS AG, Stamford Branch	$20,000,000.00
U.S. Bank National Association	$20,000,000.00
The Bank of New York Mellon	$12,000,000.00
PNC Bank, National Association	$12,000,000.00
Total	**$400,000,000.00**

Appendix B

JLA FRONTING SUBLIMITS

JLA Issuing Banks	Sublimit
Wells Fargo Bank	$ 25,000,000
Bank of America, N.A.	$ 25,000,000
Citibank, N.A.	$ 25,000,000
JPMorgan Chase Bank, N.A	$ 25,000,000
Mizuho Bank, Ltd.	$ 25,000,000
Barclays Bank PLC	$ 25,000,000

Schedule 1.01A

Existing Letters of Credit

LC Number	Beneficiary	LC Amount	Expiry Date
SM204073	Zurich American Insurance Company	$720,000.00	7/15/2016
SM234822	Commonwealth of Pennsylvania	$152,500.00	8/1/2016
SM235498	PJM Interconnection	$1.00	8/19/2016

AMENDMENT NO. 1 TO CREDIT AGREEMENT

AMENDMENT dated as of January 29, 2016 (this "**Amendment**") to the Amended and Restated Revolving Credit Agreement dated as of July 28, 2014 (as amended, amended and restated or otherwise modified prior to the date hereof, the "**Existing Credit Agreement**" and as amended hereby, the "**Amended Credit Agreement**") among LOUISVILLE GAS AND ELECTRIC COMPANY (the "**Borrower**"), the LENDERS party thereto (the "**Lenders**") and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, Issuing Lender and Swingline Lender (the "**Agent**").

W I T N E S S E T H :

WHEREAS, the parties hereto desire to amend the Existing Credit Agreement to (i) extend the scheduled Termination Date (ii) increase the Commitments and (iii) make certain other amendments, all as provided herein.

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. *Defined Terms; References.* Unless otherwise specifically defined herein, each term used herein that is defined in the Amended Credit Agreement has the meaning assigned to such term in the Amended Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Existing Credit Agreement shall, after this Amendment becomes effective, refer to the Amended Credit Agreement.

SECTION 2. *Credit Agreement Amendments*. With effect from and including the Amendment Effective Date, the Existing Credit Agreement is hereby amended as follows:

(a) *Defined Terms*.

(i) Section 1.01 of the Existing Credit Agreement is amended by amending the definitions of the terms listed below as follows:

(A) The definition of "Lender Default" is amended by adding the following new clause (v) after clause (iv) and immediately preceding the proviso thereto:

", or (v) the Lender becomes the subject of a Bail-in Action"

(B) The definition of "London Interbank Offered Rate" is amended by (x) deleting the proviso at the end of clause (i) thereof, (y) deleting the proviso at the end of clause (ii) thereof and (z) adding the following sentence at the end thereof:

"Notwithstanding the foregoing, if the London Interbank Offered Rate determined in accordance with the foregoing shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement."

(C) The definition of "Letter of Credit Liabilities" is amended by adding the following sentence at the end thereof:

"For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn."

(ii) Section 1.01 of the Existing Credit Agreement is amended by replacing the definitions of the terms listed below in their entirety with the following:

"Defaulting Lender" means at any time any Lender with respect to which a Lender Default is in effect at such time, including any Lender subject to a Bail-In Action. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more clauses of the definition of "Lender Default" shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to cure as expressly contemplated in the definition of "Lender Default") upon delivery of written notice of such determination to the Borrower, each Issuing Bank, each Swingline Lender and each Lender.

"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, 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 rate (rounded upward, if necessary, to the nearest 1/100th of 1%) charged by Wells Fargo Bank, National Association on such day on such transactions as determined by the Administrative Agent; provided, further, that if any such rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"JLA Issuing Bank" means Wells Fargo Bank, Bank of America, N.A., Citibank, N.A., JPMorgan Chase Bank, N.A., Mizuho Bank, Ltd. and Barclays Bank PLC (provided that Barclays Bank PLC shall issue only standby Letters of Credit).

"Joint Lead Arrangers" means Wells Fargo Securities, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mizuho Bank, Ltd., Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Barclays Bank PLC, each in their capacity as joint lead arranger and joint bookrunner in respect of this Agreement.

"LIBOR Market Index Rate" means, for any day, the rate for 1 month U.S. dollar deposits as reported on Reuters Screen LIBOR01 (or any applicable successor page) 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); provided, however, that if any such rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"Sanctioned Country" means a country, region or territory that is, or whose government is, the subject of comprehensive territorial Sanctions (currently, Crimea, Cuba, Iran, North Korea, Sudan, and Syria).

"Sanctions" means sanctions administered or enforced by OFAC, the U.S. State Department, the European Union, any European Union member state, Her Majesty's Treasury of the United Kingdom or any other applicable sanctions authority.

"Termination Date" means the earlier to occur of (i) December 31, 2020, as may be extended from time to time pursuant to Section 2.08(d), and (ii) the date upon which all Commitments shall have been terminated in their entirety in accordance with this Agreement.

(iii) Section 1.01 of the Existing Credit Agreement is amended by inserting the following definitions in their correct alphabetical order:

"Amendment No. 1 Closing Date" means January 29, 2016.

"Amendment No. 1 Fee Letter" means that certain fee letter dated as of December 28, 2015 among the Borrower, PPL Corporation, Kentucky Utilities Company, PPL Electric Utilities Corporation, Wells Fargo Securities and Wells Fargo Bank.

"Bail-In Action" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"Connection Income Taxes" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise or branch profits or similar taxes, duties, levies, impost, deductions, charges, and withholdings and all liabilities with respect thereto.

"EEA Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"EU Bail-In Legislation Schedule" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

"ISP" has the meaning set forth in Section 3.13.

"Issuer Documents" means with respect to any Letter of Credit, the Letter of Credit Request, and any other document, agreement and instrument entered into by any Issuing Lender and the Borrower (or any Subsidiary) or in favor of such Issuing Lender and relating to such Letter of Credit.

"Other Connection Taxes" means, with respect to any Agent or Lender, taxes, duties, levies, impost, deductions, charges, and withholdings and all liabilities with respect thereto imposed as a result of a present or former connection between such Person and the jurisdiction imposing such tax (other than connections arising from such Person having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

(iv) The definition of "FATCA" in Section 1.01 of the Existing Credit Agreement is amended by replacing "Code" where it appears therein with "Internal Revenue Code".

(b) *Commitments to Lend.* Section 2.01 of the Existing Credit Agreement is amended and restated by inserting "in Dollars" immediately after "to make Revolving Loans" where it appears therein.

(c) *Swingline Loans.* Section 2.02(a) of the Existing Credit Agreement is amended by replacing the first sentence thereof with the following:

"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 in an aggregate principal amount at any time outstanding that will not result in (i) the sum of the total Swingline Exposures exceeding the Swingline Sublimit, (ii) the sum of the total Revolving Outstandings exceeding the total Commitments, (iii) any Lender's Revolving Outstandings exceeding such Lender's Commitment or (iv) in the case of the Swingline Lender (whether directly or through an Affiliate), the sum of such Lender's Revolving Outstandings plus (without duplication) the outstanding principal amount of Swingline Loans made by the Swingline Lender exceeding such Swingline Lender's

Commitment; provided, that the Borrower shall not use the proceeds of any Swingline Loan to refinance any outstanding Swingline Loan."

(d) *Optional Extensions*. Section 2.08(d)(ii) of the Existing Credit Agreement is amended by replacing "anniversary of the date hereof" where it appears therein with "anniversary of the Amendment No. 1 Closing Date".

(e) *Increased Costs; Taxes.*

(i) Section 2.16(a)(ii) of the Existing Credit Agreement is amended and replaced in its entirety with the following:

"(ii) subject any Lender or the Issuing Lender to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any participation in a Letter of Credit or any Loan made by it, or change the basis of taxation of payments to such Lender or the Issuing Lender in respect thereof (other than (A) Taxes, (B) Other Taxes, (C) the imposition of, or any change in the rate of, any taxes described in clause (i)(a) and clauses (ii) through (iv) of the definition of Taxes in Section 2.17(a), (D) Connection Income Taxes, and (E) Taxes attributable to a Lender's or an Issuing Lender's failure to comply with Section 2.17(e)) or".

(ii) Section 2.17(a)(i) of the Existing Credit Agreement is amended by:

(A) inserting "(a)" after "Lender" where it first appears therein;

(B) replacing "principal executive office" where it appears therein with "principal office"; and

(C) inserting "or (b) that are Other Connection Taxes" at the end thereof.

(iii) Section 2.17(e)(ii)(C) of the Existing Credit Agreement is amended by replacing "Code" where it first appears therein with "Internal Revenue Code".

(iv) Section 2.17(e) of the Existing Credit Agreement is amended by inserting the following sentence immediately prior to the second to last sentence thereof:

"For purposes of determining withholding Taxes imposed under FATCA, the Borrower and the Administrative Agent shall treat (and the Lenders hereby authorize the Administrative Agent to treat) this Agreement and any Loan or Letter of Credit issued under or pursuant to this Agreement as not qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i) or Treasury Regulation Section 1.1471-2T(b)(2)(i)."

(f) *Letters of Credit.*

(i) Section 3.02 of the Existing Credit Agreement is amended by adding the following new clause (b) at the end thereof:

"(b) If the Borrower so requests in any applicable Letter of Credit Request, an Issuing Lender may, in its sole discretion, agree to issue a Letter of

Credit that has automatic extension provisions (each, an "Auto-Extension Letter of Credit"); provided that any such Auto-Extension Letter of Credit must permit such Issuing Lender to prevent any such extension at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Non-Extension Notice Date") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the applicable Issuing Lender, the Borrower shall not be required to make a specific request to the applicable Issuing Lender for any such extension. Once an Auto-Extension Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the applicable Issuing Lender to permit the extension of such Letter of Credit at any time to an expiry date not later than five days prior to the Termination Date; provided, however, that no Issuing Lender shall permit any such extension if (A) such Issuing Lender has determined that it would not be permitted, or would have no obligation, at such time to issue such Letter of Credit in its revised form (as extended) under the terms hereof (by reason of the provisions of Section 3.04 or otherwise), or (B) it has received notice (which may be by telephone or in writing) on or before the day that is seven Business Days before the Non-Extension Notice Date (1) from the Administrative Agent that the Required Lenders have elected not to permit such extension or (2) from the Administrative Agent, any Lender or the Borrower that one or more of the applicable conditions specified in Section 4.02 is not then satisfied, and in each such case directing such Issuing Lender not to permit such extension."

(ii) Section 3.13 of the Existing Credit Agreement is amended by adding "(the "ISP")" immediately after the words "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".

(iii) Article III of the Existing Credit Agreement is amended by inserting the following sections at the end thereof:

(A) "Section 3.14 Amount of Letter of Credit. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the stated amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time, except that Letter of Credit fees payable as provided in Section 2.07(b) shall be calculated based on the actual amount available for drawing in effect at any time rather than such maximum stated amount."

(g) *Representations and Warranties.*

(i) Sections 5.04(a), 5.04(c), 5.05, 5.13(a) and 5.13(b) of the Existing Credit Agreement are amended and restated by replacing "December 31, 2013" where it appears therein with "December 31, 2014";

(ii) Section 5.04(b) is amended and replaced in its entirety with the following:

"The unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of September 30, 2015 and the related unaudited consolidated statements of income and cash flows for the nine 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 nine-month period (subject to normal year-end audit adjustments)."; and

(iii) Section 5.08 of the Existing Credit Agreement is amended and restated by inserting "or the Amendment No. 1 Closing Date" after "Effective Date" where it appears therein.

(h) *Sanctions*. Section 6.06 of the Existing Credit Agreement is amended by adding the following sentence at the end thereof:

"The proceeds of any Loan will not be used, directly or indirectly, to fund any activities or business of or with any Sanctioned Person, or in any Sanctioned Country."

(i) *Submission to Jurisdiction.* Section 9.07 of the Existing Credit Agreement is amended and restated by inserting ", borough of Manhattan," immediately after "New York City" where it appears therein.

(j) *Acknowledgment and Consent to Bail-in of EEA Financial Institutions.* The Existing Credit Agreement is amended by (i) inserting the following new Section 9.15 immediately following Section 9.14 of the Existing Credit Agreement, (ii) renumbering Sections 9.15 and 9.16 of the Existing Credit Agreement as Sections 9.16 and 9.17, respectively and (iii) replacing the reference to "Section 9.15" in the definition of "Consenting Lender" in Section 1.01 of the Existing Credit Agreement with a reference to "Section 9.17":

"Section 9.15. Acknowledgment and Consent to Bail-in of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority."

(k) *Miscellaneous.* Article IX of the Existing Credit Agreement is amended by inserting the following sections at the end thereof:

(i) "Section 9.18. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Rate to the date of repayment, shall have been received by such Lender."

(ii) "Section 9.19. Severability. Any provision of any Loan Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction."

(iii) "Section 9.20. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement."

(l) *Administrative Agent's Fees.* Section 8.10 of the Existing Credit Agreement is amended by replacing "Fee Letter" where it appears therein with "Amendment No. 1 Fee Letter".

(m) *Appendices.*

(i) Appendix A to the Existing Credit Agreement (Commitments) is amended and replaced in its entirety with Appendix A annexed hereto.

(ii) Appendix B to the Existing Credit Agreement (JLA Fronting Sublimits) is amended and replaced in its entirety with Appendix B annexed hereto.

SECTION 3. *Changes in Commitments.* With effect from and including the Amendment Effective Date, (i) each Person listed on Appendix A hereto that is not a party to the Existing Credit Agreement (each, a "**New Lender**" and, together with each Person that is not an Exiting Lender, the "**Continuing Lenders**") shall become a Lender party to the Amended Credit Agreement, (ii) the Commitment of each Lender shall be the amount set forth opposite the name of such Lender on Appendix A hereto and (iii) each JLA Issuing Bank shall have the Fronting Sublimit set forth in Appendix B. On the Amendment Effective Date, any Lender whose name does not appear on Appendix A (each, an "**Exiting Lender**") shall cease to be a Lender party to the Credit Agreement, and all accrued fees and other amounts payable under the Credit Agreement for the account of each Exiting Lender shall be due and payable on such date; provided that the provisions of Sections 2.12, 2.16, 2.17 and 9.03 of the Credit Agreement shall continue to inure to the benefit of each Exiting Lender after the Amendment Effective Date. On the Amendment Effective Date, the Commitment Ratio of the Continuing Lenders shall be redetermined giving effect to the adjustments to the Commitments referred to in this Section 3, and the participations of the Continuing lenders in and the obligations of the Continuing Lenders in respect of any Letters of Credit outstanding on the Amendment Effective Date shall be reallocated to reflect such redetermined Commitment Ratio.

SECTION 4. *Full Force and Effect; Ratification.* Except as expressly modified herein, all of the terms and conditions of the Existing Credit Agreement are unchanged, and, as modified hereby, the Borrower confirms and ratifies all of the terms, covenants and conditions of the Existing Credit Agreement. This Amendment constitutes the entire and final agreement among the parties hereto with respect to the subject matter hereof and there are no other agreements, understandings, undertakings, representations or warranties among the parties hereto with respect to the subject matter hereof except as set forth herein.

SECTION 5. *Governing Law.* This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 6. *Counterparts.* This Amendment 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.

SECTION 7. *Effectiveness.* This Amendment shall become effective as of the first date when each of the following conditions are met (the "**Amendment Effective Date**"):

(a) the Agent shall have received from the Borrower and each Continuing Lender and Lenders constituting Required Lenders a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to the Agent) that such party has signed a counterpart hereof;

(b) the Agent shall have received a duly executed revised Note for the account of each Lender requesting delivery of such Note pursuant to Section 2.05 of the Credit Agreement;

(c) the Agent shall have received satisfactory opinions of counsel for the Borrower, dated the Amendment Effective Date;

(d) the Agent shall have received a certificate dated the Amendment 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 Amendment Effective Date, before and after giving effect to this Amendment, no Default shall have occurred or be continuing and (B) the representations and warranties contained in the Amended Credit Agreement are true and correct on and as of the Amendment 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;

(e) the 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 Amendment Effective Date and certifying (A) that attached thereto is a 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 (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 this Amendment and each other document delivered in connection herewith 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 this Amendment or any other document delivered in connection herewith;

(f) all necessary governmental (domestic or foreign), regulatory and third party approvals, including, without limitation, the order of the KPSC and any required approvals of the Federal Energy Regulatory Commission, authorizing borrowings hereunder in connection with the transactions contemplated by this Amendment 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 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 of the Credit Agreement need not be obtained or provided until the Borrower makes any such election;

(g) each New Lender shall have received all documentation and other information required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including, without limitation, the Patriot Act, as has been reasonably requested in writing;

(h) there shall be no outstanding Loans; and

(i) the Agent shall have received all costs, fees and expenses due to the Agent, the Joint Lead Arrangers (as such term is defined in the commitment letter dated December 28, 2015 to the Borrower from Wells Fargo Securities, LLC, Wells Fargo Bank, National Association, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bank of America, N.A., Mizuho Bank, Ltd., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, JPMorgan Chase Bank, N.A. and Barclays Bank PLC) and the Lenders.

SECTION 8. *Notes.* Any Lender receiving a revised Note as contemplated by Section 7(b) above shall on or promptly after the Amendment Effective Date return any prior Note issued under the Existing Credit Agreement to the Borrower for cancellation.

SECTION 9. *Miscellaneous*. This Amendment shall constitute a Loan Document for all purposes of the Credit Agreement and the other Loan Documents. The provisions of this Amendment are deemed incorporated into the Credit Agreement as if fully set forth therein. The Borrower shall pay all reasonable out-of-pocket costs and expenses of the Agent incurred in connection with the negotiation, preparation and execution of this Amendment and the transactions contemplated hereby. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

LOUISVILLE GAS AND ELECTRIC COMPANY, as Borrower

By: /s/ Daniel K. Arbough
Name: Daniel K. Arbough
Title: Treasurer

[Signature Page to LGE – Amendment]

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, Issuing Lender, Swingline Lender and a Lender

By: /s/ Frederick W. Price
Name: Frederick W. Price
Title: Managing Director

[Signature Page to LGE – Amendment]

Bank of America, N.A., as a Lender and Issuing Lender

By: /s/ William Merritt
Name: William Merritt
Title: Director

[Signature Page to LGE – Amendment]

JPMorgan Chase Bank, N.A., as a Lender and Issuing Lender

By: /s/ Juan J. Javellana
Name: Juan J. Javellana
Title: Executive Director

BARCLAYS BANK PLC, as a Lender and Issuing Lender

By: /s/ Craig J. Malloy
Name: Craig J. Malloy
Title: Director

[Signature Page to LGE – Amendment]

CITIBANK, N.A., as a Lender and Issuing Lender

By: /s/ Lisa Huang
Name: Lisa Huang
Title: Vice President

[Signature Page to LGE – Amendment]

MIZUHO BANK, LTD., as a Lender and Issuing Lender

By: /s/ Leon Mo
Name: Leon Mo
Title: Authorized Signatory

[Signature Page to LGE – Amendment]

The Bank of Nova Scotia, as a Lender

By: /s/ David Dewar
Name: David Dewar
Title: Director

[Signature Page to LGE – Amendment]

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., as a Lender

By: /s/ Chi-Cheng Chen
Name: Chi-Cheng Chen
Title: Director

[Signature Page to LGE – Amendment]

BNP Paribas

By: /s/ Francis DeLaney
Name: Francis DeLaney
Title: Managing Director

BNP Paribas

By: /s/ Karima Omar
Name: Karima Omar
Title: Vice President

[Signature Page to LGE – Amendment]

CANADIAN IMPERIAL BANK OF COMMERCE, NEW YORK BRANCH, as a Lender

By: /s/ John M. Grause
Name: John M. Grause
Title: Authorized Signatory

By: /s/ Robert Casey
Name: Robert Casey
Title: Authorized Signatory

[Signature Page to LGE – Amendment]

Credit Suisse AG, Cayman Islands Branch, as a Lender

By: /s/ Mikhail Faybusovich
Name: Mikhail Faybusovich
Title: Authorized Signatory

By: /s/ Gregory Fantoni
Name: Gregory Fantoni
Title: Authorized Signatory

[Signature Page to LGE – Amendment]

GOLDMAN SACHS BANK USA, as a Lender

By: /s/ Rebecca Kratz
Name: Rebecca Kratz
Title: Authorized Signatory

[Signature Page to LGE – Amendment]

Morgan Stanley Bank, N.A., as a Lender

By: /s/ Michael King
Name: Michael King
Title: Authorized Signatory

[Signature Page to LGE – Amendment]

ROYAL BANK OF CANADA, as a Lender

By: /s/ Rahul D. Shah
Name: Rahul D. Shah
Title: Authorized Signatory

[Signature Page to LGE – Amendment]

SunTrust Bank, as a Lender

By: /s/ Shannon Juhan

Name: Shannon Juhan

Title: Director

[Signature Page to LGE – Amendment]

UBS AG, STAMFORD BRANCH, as a Lender

By: /s/ Darlene Arias
Name: Darlene Arias
Title: Director

By: /s/ Craig Pearson
Name: Craig Pearson
Title: Associate Director
Banking Product Services, US

[Signature Page to LGE – Amendment]

U.S. Bank National Association, as a Lender

By: /s/ Paul Vastola
Name: Paul Vastola
Title: Senior Vice President

[Signature Page to LGE – Amendment]

THE BANK OF NEW YORK MELLON, as a Lender

By: /s/ Mark W. Rogers
Name: Mark W. Rogers
Title: Vice President

[Signature Page to LGE – Amendment]

PNC Bank, National Association, as a Lender

By: /s/ Thomas E. Redmond

Name: Thomas E. Redmond

Title: Senior Vice President

[Signature Page to LGE – Amendment]

Appendix A

COMMITMENTS

Lender	Commitment
Wells Fargo Bank, National Association	$32,500,000.00
Bank of America, N.A.	$32,500,000.00
JPMorgan Chase Bank, N.A.	$32,500,000.00
Barclays Bank PLC	$32,500,000.00
Citibank, N.A.	$32,500,000.00
Mizuho Bank, Ltd.	$32,500,000.00
The Bank of Nova Scotia	$25,000,000.00
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	$25,000,000.00
BNP Paribas	$25,000,000.00
Canadian Imperial Bank of Commerce	$25,000,000.00
Credit Suisse AG, Cayman Islands Branch	$25,000,000.00
Goldman Sachs Bank USA	$25,000,000.00
Morgan Stanley Bank, N.A.	$25,000,000.00
Royal Bank of Canada	$25,000,000.00
SunTrust Bank	$25,000,000.00
UBS AG, Stamford Branch	$25,000,000.00
U.S. Bank National Association	$25,000,000.00
The Bank of New York Mellon	$15,000,000.00
PNC Bank, National Association	$15,000,000.00
Total	**$500,000,000.00**

Appendix B

JLA FRONTING SUBLIMITS

JLA Issuing Banks	Sublimit
Wells Fargo Bank	$ 41,700,000
Bank of America, N.A.	$ 41,700,000
Citibank, N.A.	$ 41,700,000
JPMorgan Chase Bank, N.A	$ 41,700,000
Mizuho Bank, Ltd.	$ 41,700,000
Barclays Bank PLC	$ 41,700,000

EXECUTION VERSION

AMENDMENT NO. 1 TO CREDIT AGREEMENT

AMENDMENT dated as of January 29, 2016 (this "**Amendment**") to the Amended and Restated Revolving Credit Agreement dated as of July 28, 2014 (as amended, amended and restated or otherwise modified prior to the date hereof, the "**Existing Credit Agreement**" and as amended hereby, the "**Amended Credit Agreement**") among KENTUCKY UTILITIES COMPANY (the "**Borrower**"), the LENDERS party thereto (the "**Lenders**") and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, Issuing Lender and Swingline Lender (the "**Agent**").

W I T N E S S E T H :

WHEREAS, the parties hereto desire to amend the Existing Credit Agreement to (i) extend the scheduled Termination Date (ii) increase the Commitments and (iii) make certain other amendments, all as provided herein.

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. *Defined Terms; References.* Unless otherwise specifically defined herein, each term used herein that is defined in the Amended Credit Agreement has the meaning assigned to such term in the Amended Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Existing Credit Agreement shall, after this Amendment becomes effective, refer to the Amended Credit Agreement.

SECTION 2. *Credit Agreement Amendments*. With effect from and including the Amendment Effective Date, the Existing Credit Agreement is hereby amended as follows:

(a) *Defined Terms*.

(i) Section 1.01 of the Existing Credit Agreement is amended by amending the definitions of the terms listed below as follows:

(A) The definition of "Lender Default" is amended by adding the following new clause (v) after clause (iv) and immediately preceding the proviso thereto:

", or (v) the Lender becomes the subject of a Bail-in Action"

(B) The definition of "London Interbank Offered Rate" is amended by (x) deleting the proviso at the end of clause (i) thereof, (y) deleting the proviso at the end of clause (ii) thereof and (z) adding the following sentence at the end thereof:

"Notwithstanding the foregoing, if the London Interbank Offered Rate determined in accordance with the foregoing shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement."

(C) The definition of "Letter of Credit Liabilities" is amended by adding the following sentence at the end thereof:

"For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn."

(ii) Section 1.01 of the Existing Credit Agreement is amended by replacing the definitions of the terms listed below in their entirety with the following:

"Defaulting Lender" means at any time any Lender with respect to which a Lender Default is in effect at such time, including any Lender subject to a Bail-In Action. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more clauses of the definition of "Lender Default" shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to cure as expressly contemplated in the definition of "Lender Default") upon delivery of written notice of such determination to the Borrower, each Issuing Bank, each Swingline Lender and each Lender.

"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, 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 rate (rounded upward, if necessary, to the nearest 1/100th of 1%) charged by Wells Fargo Bank, National Association on such day on such transactions as determined by the Administrative Agent; provided, further, that if any such rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"JLA Issuing Bank" means Wells Fargo Bank, Bank of America, N.A., Citibank, N.A., JPMorgan Chase Bank, N.A., Mizuho Bank, Ltd. and Barclays Bank PLC (provided that Barclays Bank PLC shall issue only standby Letters of Credit).

"Joint Lead Arrangers" means Wells Fargo Securities, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mizuho Bank, Ltd., Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Barclays Bank PLC, each in their capacity as joint lead arranger and joint bookrunner in respect of this Agreement.

"LIBOR Market Index Rate" means, for any day, the rate for 1 month U.S. dollar deposits as reported on Reuters Screen LIBOR01 (or any applicable successor page) 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); provided, however, that if any such rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"Sanctioned Country" means a country, region or territory that is, or whose government is, the subject of comprehensive territorial Sanctions (currently, Crimea, Cuba, Iran, North Korea, Sudan, and Syria).

"Sanctions" means sanctions administered or enforced by OFAC, the U.S. State Department, the European Union, any European Union member state, Her Majesty's Treasury of the United Kingdom or any other applicable sanctions authority.

"Termination Date" means the earlier to occur of (i) December 31, 2020, as may be extended from time to time pursuant to Section 2.08(d), and (ii) the date upon which all Commitments shall have been terminated in their entirety in accordance with this Agreement.

(iii) Section 1.01 of the Existing Credit Agreement is amended by inserting the following definitions in their correct alphabetical order:

"Amendment No. 1 Closing Date" means January 29, 2016.

"Amendment No. 1 Fee Letter" means that certain fee letter dated as of December 28, 2015 among the Borrower, PPL Corporation, PPL Electric Utilities Corporation, Louisville Gas and Electric Company, Wells Fargo Securities and Wells Fargo Bank.

"Bail-In Action" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"Connection Income Taxes" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise or branch profits or similar taxes, duties, levies, impost, deductions, charges, and withholdings and all liabilities with respect thereto.

"EEA Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"EU Bail-In Legislation Schedule" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

"ISP" has the meaning set forth in Section 3.13.

"Issuer Documents" means with respect to any Letter of Credit, the Letter of Credit Request, and any other document, agreement and instrument entered into by any Issuing Lender and the Borrower (or any Subsidiary) or in favor of such Issuing Lender and relating to such Letter of Credit.

"Other Connection Taxes" means, with respect to any Agent or Lender, taxes, duties, levies, impost, deductions, charges, and withholdings and all liabilities with respect thereto imposed as a result of a present or former connection between such Person and the jurisdiction imposing such tax (other than connections arising from such Person having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

(iv) The definition of "FATCA" in Section 1.01 of the Existing Credit Agreement is amended by replacing "Code" where it appears therein with "Internal Revenue Code".

(b) *Commitments to Lend.* Section 2.01 of the Existing Credit Agreement is amended and restated by inserting "in Dollars" immediately after "to make Revolving Loans" where it appears therein.

(c) *Swingline Loans.* Section 2.02(a) of the Existing Credit Agreement is amended by replacing the first sentence thereof with the following:

"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 in an aggregate principal amount at any time outstanding that will not result in (i) the sum of the total Swingline Exposures exceeding the Swingline Sublimit, (ii) the sum of the total Revolving Outstandings exceeding the total Commitments, (iii) any Lender's Revolving Outstandings exceeding such Lender's Commitment or (iv) in the case of the Swingline Lender (whether directly or through an Affiliate), the sum of such Lender's Revolving Outstandings plus (without duplication) the outstanding principal amount of Swingline Loans made by the Swingline Lender exceeding such Swingline Lender's

Commitment; provided, that the Borrower shall not use the proceeds of any Swingline Loan to refinance any outstanding Swingline Loan."

(d) *Optional Extensions*. Section 2.08(d)(ii) of the Existing Credit Agreement is amended by replacing "anniversary of the date hereof" where it appears therein with "anniversary of the Amendment No. 1 Closing Date".

(e) *Increased Costs; Taxes.*

(i) Section 2.16(a)(ii) of the Existing Credit Agreement is amended and replaced in its entirety with the following:

"(ii) subject any Lender or the Issuing Lender to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any participation in a Letter of Credit or any Loan made by it, or change the basis of taxation of payments to such Lender or the Issuing Lender in respect thereof (other than (A) Taxes, (B) Other Taxes, (C) the imposition of, or any change in the rate of, any taxes described in clause (i)(a) and clauses (ii) through (iv) of the definition of Taxes in Section 2.17(a), (D) Connection Income Taxes, and (E) Taxes attributable to a Lender's or an Issuing Lender's failure to comply with Section 2.17(e)) or".

(ii) Section 2.17(a)(i) of the Existing Credit Agreement is amended by:

(A) inserting "(a)" after "Lender" where it first appears therein;

(B) replacing "principal executive office" where it appears therein with "principal office"; and

(C) inserting "or (b) that are Other Connection Taxes" at the end thereof.

(iii) Section 2.17(e)(ii)(C) of the Existing Credit Agreement is amended by replacing "Code" where it first appears therein with "Internal Revenue Code".

(iv) Section 2.17(e) of the Existing Credit Agreement is amended by inserting the following sentence immediately prior to the second to last sentence thereof:

"For purposes of determining withholding Taxes imposed under FATCA, the Borrower and the Administrative Agent shall treat (and the Lenders hereby authorize the Administrative Agent to treat) this Agreement and any Loan or Letter of Credit issued under or pursuant to this Agreement as not qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i) or Treasury Regulation Section 1.1471-2T(b)(2)(i)."

(f) *Letters of Credit.*

(i) Section 3.02 of the Existing Credit Agreement is amended by adding the following new clause (b) at the end thereof:

"(b) If the Borrower so requests in any applicable Letter of Credit Request, an Issuing Lender may, in its sole discretion, agree to issue a Letter of

Credit that has automatic extension provisions (each, an "Auto-Extension Letter of Credit"); provided that any such Auto-Extension Letter of Credit must permit such Issuing Lender to prevent any such extension at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Non-Extension Notice Date") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the applicable Issuing Lender, the Borrower shall not be required to make a specific request to the applicable Issuing Lender for any such extension. Once an Auto-Extension Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the applicable Issuing Lender to permit the extension of such Letter of Credit at any time to an expiry date not later than five days prior to the Termination Date; provided, however, that no Issuing Lender shall permit any such extension if (A) such Issuing Lender has determined that it would not be permitted, or would have no obligation, at such time to issue such Letter of Credit in its revised form (as extended) under the terms hereof (by reason of the provisions of Section 3.04 or otherwise), or (B) it has received notice (which may be by telephone or in writing) on or before the day that is seven Business Days before the Non-Extension Notice Date (1) from the Administrative Agent that the Required Lenders have elected not to permit such extension or (2) from the Administrative Agent, any Lender or the Borrower that one or more of the applicable conditions specified in Section 4.02 is not then satisfied, and in each such case directing such Issuing Lender not to permit such extension."

(ii) Section 3.13 of the Existing Credit Agreement is amended by adding "(the "ISP")" immediately after the words "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".

(iii) Article III of the Existing Credit Agreement is amended by inserting the following sections at the end thereof:

(A) "Section 3.14 Amount of Letter of Credit. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the stated amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time, except that Letter of Credit fees payable as provided in Section 2.07(b) shall be calculated based on the actual amount available for drawing in effect at any time rather than such maximum stated amount."

(g) *Representations and Warranties.*

(i) Sections 5.04(a) and 5.04(c) of the Existing Credit Agreement are amended and restated by replacing "December 31, 2013" where it appears therein with "December 31, 2014";

(ii) Section 5.04(b) is amended and replaced in its entirety with the following:

"The unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of September 30, 2015 and the related unaudited consolidated statements of income and cash flows for the nine 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 nine-month period (subject to normal year-end audit adjustments)."; and

(iii) Section 5.08 of the Existing Credit Agreement is amended and restated by inserting "or the Amendment No. 1 Closing Date" after "Effective Date" where it appears therein.

(h) *Sanctions.* Section 6.06 of the Existing Credit Agreement is amended by adding the following sentence at the end thereof:

"The proceeds of any Loan will not be used, directly or indirectly, to fund any activities or business of or with any Sanctioned Person, or in any Sanctioned Country."

(i) *Submission to Jurisdiction.* Section 9.07 of the Existing Credit Agreement is amended and restated by inserting ", borough of Manhattan," immediately after "New York City" where it appears therein.

(j) *Acknowledgment and Consent to Bail-in of EEA Financial Institutions.* The Existing Credit Agreement is amended by (i) inserting the following new Section 9.15 immediately following Section 9.14 of the Existing Credit Agreement, (ii) renumbering Sections 9.15 and 9.16 of the Existing Credit Agreement as Sections 9.16 and 9.17, respectively and (iii) replacing the reference to "Section 9.15" in the definition of "Consenting Lender" in Section 1.01 of the Existing Credit Agreement with a reference to "Section 9.17":

"Section 9.15. Acknowledgment and Consent to Bail-in of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority."

(k) *Miscellaneous.* Article IX of the Existing Credit Agreement is amended by inserting the following sections at the end thereof:

(i) "Section 9.18. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Rate to the date of repayment, shall have been received by such Lender."

(ii) "Section 9.19. Severability. Any provision of any Loan Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction."

(iii) "Section 9.20. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement."

(l) *Administrative Agent's Fees.* Section 8.10 of the Existing Credit Agreement is amended by replacing "Fee Letter" where it appears therein with "Amendment No. 1 Fee Letter".

(m) *Appendices.*

(i) Appendix A to the Existing Credit Agreement (Commitments) is amended and replaced in its entirety with Appendix A annexed hereto.

(ii) Appendix B to the Existing Credit Agreement (JLA Fronting Sublimits) is amended and replaced in its entirety with Appendix B annexed hereto.

SECTION 3. *Changes in Commitments.* With effect from and including the Amendment Effective Date, (i) each Person listed on Appendix A hereto that is not a party to the Existing Credit Agreement (each, a "**New Lender**" and, together with each Person that is not an Exiting Lender, the "**Continuing Lenders**") shall become a Lender party to the Amended Credit Agreement, (ii) the Commitment of each Lender shall be the amount set forth opposite the name of such Lender on Appendix A hereto and (iii) each JLA Issuing Bank shall have the Fronting Sublimit set forth in Appendix B. On the Amendment Effective Date, any Lender whose name does not appear on Appendix A (each, an "**Exiting Lender**") shall cease to be a Lender party to the Credit Agreement, and all accrued fees and other amounts payable under the Credit Agreement for the account of each Exiting Lender shall be due and payable on such date; provided that the provisions of Sections 2.12, 2.16, 2.17 and 9.03 of the Credit Agreement shall continue to inure to the benefit of each Exiting Lender after the Amendment Effective Date. On the Amendment Effective Date, the Commitment Ratio of the Continuing Lenders shall be redetermined giving effect to the adjustments to the Commitments referred to in this Section 3, and the participations of the Continuing lenders in and the obligations of the Continuing Lenders in respect of any Letters of Credit outstanding on the Amendment Effective Date shall be reallocated to reflect such redetermined Commitment Ratio.

SECTION 4. *Full Force and Effect; Ratification.* Except as expressly modified herein, all of the terms and conditions of the Existing Credit Agreement are unchanged, and, as modified hereby, the Borrower confirms and ratifies all of the terms, covenants and conditions of the Existing Credit Agreement. This Amendment constitutes the entire and final agreement among the parties hereto with respect to the subject matter hereof and there are no other agreements, understandings, undertakings, representations or warranties among the parties hereto with respect to the subject matter hereof except as set forth herein.

SECTION 5. *Governing Law.* This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 6. *Counterparts.* This Amendment 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.

SECTION 7. *Effectiveness.* This Amendment shall become effective as of the first date when each of the following conditions are met (the "**Amendment Effective Date**"):

(a) the Agent shall have received from the Borrower and each Continuing Lender and Lenders constituting Required Lenders a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to the Agent) that such party has signed a counterpart hereof;

(b) the Agent shall have received a duly executed revised Note for the account of each Lender requesting delivery of such Note pursuant to Section 2.05 of the Credit Agreement;

(c) the Agent shall have received satisfactory opinions of counsel for the Borrower, dated the Amendment Effective Date;

(d) the Agent shall have received a certificate dated the Amendment 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 Amendment Effective Date, before and after giving effect to this Amendment, no Default shall have occurred or be continuing and (B) the representations and warranties contained in the Amended Credit Agreement are true and correct on and as of the Amendment 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;

(e) the Agent shall have received (i) a certificate of the Secretary of State of the Commonwealth of Kentucky and a certificate of the Secretary of the Commonwealth of the Commonwealth of Virginia, each 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 Amendment Effective Date and certifying (A) that attached thereto is a 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 the Commonwealth 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 this Amendment and each other document delivered in connection herewith 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 this Amendment or any other document delivered in connection herewith;

(f) all necessary governmental (domestic or foreign), regulatory and third party approvals, including, without limitation, the orders of the KPSC, TRA, VSCC and any required approvals of the Federal Energy Regulatory Commission, authorizing borrowings hereunder in connection with the transactions contemplated by this Amendment 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 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 of the Credit Agreement need not be obtained or provided until the Borrower makes any such election;

(g) each New Lender shall have received all documentation and other information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the Patriot Act, as has been reasonably requested in writing;

(h) there shall be no outstanding Loans; and

(i) the Agent shall have received all costs, fees and expenses due to the Agent, the Joint Lead Arrangers (as such term is defined in the commitment letter dated December 28, 2015 to the Borrower from Wells Fargo Securities, LLC, Wells Fargo Bank, National Association, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bank of America, N.A., Mizuho Bank, Ltd., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, JPMorgan Chase Bank, N.A. and Barclays Bank PLC) and the Lenders.

SECTION 8. *Notes.* Any Lender receiving a revised Note as contemplated by Section 7(b) above shall on or promptly after the Amendment Effective Date return any prior Note issued under the Existing Credit Agreement to the Borrower for cancellation.

SECTION 9. *Miscellaneous*. This Amendment shall constitute a Loan Document for all purposes of the Credit Agreement and the other Loan Documents. The provisions of this Amendment are deemed incorporated into the Credit Agreement as if fully set forth therein. The Borrower shall pay all reasonable out-of-pocket costs and expenses of the Agent incurred in connection with the negotiation, preparation and execution of this Amendment and the transactions contemplated hereby. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

KENTUCKY UTILITIES COMPANY, as Borrower

By: /s/ Daniel K. Arbough
Name: Daniel K. Arbough
Title: Treasurer

[Signature Page to KU – Amendment]

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, Issuing Lender, Swingline Lender and a Lender

By: /s/ Frederick W. Price

Name: Frederick W. Price

Title: Managing Director

[Signature Page to KU – Amendment]

Bank of America, N.A., as a Lender and Issuing Lender

By: /s/ William Merritt
Name: William Merritt
Title: Director

[Signature Page to KU – Amendment]

JPMorgan Chase Bank, N.A., as a Lender and Issuing Lender

By: /s/ Juan J. Javellana
Name: Juan J. Javellana
Title: Executive Director

[Signature Page to KU – Amendment]

BARCLAYS BANK PLC, as a Lender and Issuing Lender

By: /s/ Craig J. Malloy
Name: Craig J. Malloy
Title: Director

[Signature Page to KU – Amendment]

CITIBANK, N.A., as a Lender and Issuing Lender

By: /s/ Lisa Huang
Name: Lisa Huang
Title: Vice President

[Signature Page to KU – Amendment]

MIZUHO BANK, LTD., as a Lender and Issuing Lender

By: /s/ Leon Mo
Name: Leon Mo
Title: Authorized Signatory

[Signature Page to KU – Amendment]

The Bank of Nova Scotia, as a Lender

By: /s/ David Dewar

Name: David Dewar

Title: Director

[Signature Page to KU – Amendment]

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., as a Lender

By: /s/ Chi-Cheng Chen
Name: Chi-Cheng Chen
Title: Director

[Signature Page to KU – Amendment]

BNP Paribas

By: /s/ Francis DeLaney
Name: Francis DeLaney
Title: Managing Director

BNP Paribas

By: /s/ Karima Omar
Name: Karima Omar
Title: Vice President

[Signature Page to KU – Amendment]

CANADIAN IMPERIAL BANK OF COMMERCE, NEW YORK BRANCH, as a Lender

By: /s/ John M. Grause
Name: John M. Grause
Title: Authorized Signatory

By: /s/ Robert Casey
Name: Robert Casey
Title: Authorized Signatory

[Signature Page to KU – Amendment]

Credit Suisse AG, Cayman Islands Branch, as a Lender

By: /s/ Mikhail Faybusovich
Name: Mikhail Faybusovich
Title: Authorized Signatory

By: /s/ Gregory Fantoni
Name: Gregory Fantoni
Title: Authorized Signatory

[Signature Page to KU – Amendment]

GOLDMAN SACHS BANK USA, as a Lender

By: /s/ Rebecca Kratz
Name: Rebecca Kratz
Title: Authorized Signatory

[Signature Page to KU – Amendment]

Morgan Stanley Bank, N.A., as a Lender

By: /s/ Michael King

Name: Michael King

Title: Authorized Signatory

[Signature Page to KU – Amendment]

ROYAL BANK OF CANADA, as a Lender

By: /s/ Rahul D. Shah
Name: Rahul D. Shah
Title: Authorized Signatory

[Signature Page to KU – Amendment]

SunTrust Bank, as a Lender

By: /s/ Shannon Juhan
Name: Shannon Juhan
Title: Director

[Signature Page to KU – Amendment]

UBS AG, STAMFORD BRANCH, as a Lender

By: /s/ Darlene Arias
Name: Darlene Arias
Title: Director

By: /s/ Craig Pearson
Name: Craig Pearson
Title: Associate Director
Banking Product Services, US

[Signature Page to KU – Amendment]

U.S. Bank National Association, as a Lender

By: /s/ Paul Vastola
Name: Paul Vastola
Title: Senior Vice President

[Signature Page to KU – Amendment]

THE BANK OF NEW YORK MELLON, as a Lender

By: /s/ Mark W. Rogers
Name: Mark W. Rogers
Title: Vice President

[Signature Page to KU – Amendment]

PNC Bank, National Association, as a Lender

By: /s/ Thomas E. Redmond
Name: Thomas E. Redmond
Title: Senior Vice President

[Signature Page to KU – Amendment]

Appendix A

COMMITMENTS

Lender	Commitment
Wells Fargo Bank, National Association	$26,000,000.00
Bank of America, N.A.	$26,000,000.00
JPMorgan Chase Bank, N.A.	$26,000,000.00
Barclays Bank PLC	$26,000,000.00
Citibank, N.A.	$26,000,000.00
Mizuho Bank, Ltd.	$26,000,000.00
The Bank of Nova Scotia	$20,000,000.00
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	$20,000,000.00
BNP Paribas	$20,000,000.00
Canadian Imperial Bank of Commerce	$20,000,000.00
Credit Suisse AG, Cayman Islands Branch	$20,000,000.00
Goldman Sachs Bank USA	$20,000,000.00
Morgan Stanley Bank, N.A.	$20,000,000.00
Royal Bank of Canada	$20,000,000.00
SunTrust Bank	$20,000,000.00
UBS AG, Stamford Branch	$20,000,000.00
U.S. Bank National Association	$20,000,000.00
The Bank of New York Mellon	$12,000,000.00
PNC Bank, National Association	$12,000,000.00
Total	**$400,000,000.00**

Appendix B

JLA FRONTING SUBLIMITS

JLA Issuing Banks	Sublimit
Wells Fargo Bank	$ 33,300,000
Bank of America, N.A.	$ 33,300,000
Citibank, N.A.	$ 33,300,000
JPMorgan Chase Bank, N.A	$ 33,300,000
Mizuho Bank, Ltd.	$ 33,300,000
Barclays Bank PLC	$ 33,300,000

FORM 10-Q

PPL CORP - PPL

Filed: April 29, 2016 (period: March 31, 2016)

Quarterly report with a continuing view of a company's financial position

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended March 31, 2016

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _________ to ___________

Commission File Number	Registrant; State of Incorporation; Address and Telephone Number	IRS Employer Identification No.
1-11459	**PPL Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-2758192
1-905	**PPL Electric Utilities Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-0959590
333-173665	**LG&E and KU Energy LLC** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-2893	**Louisville Gas and Electric Company** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150
1-3464	**Kentucky Utilities Company** (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

PPL Corporation	Yes X	No ___
PPL Electric Utilities Corporation	Yes X	No ___
LG&E and KU Energy LLC	Yes X	No ___
Louisville Gas and Electric Company	Yes X	No ___
Kentucky Utilities Company	Yes X	No ___

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files).

PPL Corporation	Yes X	No ___
PPL Electric Utilities Corporation	Yes X	No ___
LG&E and KU Energy LLC	Yes X	No ___
Louisville Gas and Electric Company	Yes X	No ___
Kentucky Utilities Company	Yes X	No ___

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
PPL Corporation	[X]	[ ]	[ ]	[ ]
PPL Electric Utilities Corporation	[ ]	[ ]	[X]	[ ]
LG&E and KU Energy LLC	[ ]	[ ]	[X]	[ ]
Louisville Gas and Electric Company	[ ]	[ ]	[X]	[ ]
Kentucky Utilities Company	[ ]	[ ]	[X]	[ ]

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

PPL Corporation	Yes ___	No X
PPL Electric Utilities Corporation	Yes ___	No X
LG&E and KU Energy LLC	Yes ___	No X
Louisville Gas and Electric Company	Yes ___	No X
Kentucky Utilities Company	Yes ___	No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

PPL Corporation	Common stock, $0.01 par value, 676,945,176 shares outstanding at April 22, 2016.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at April 22, 2016.
LG&E and KU Energy LLC	PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC.
Louisville Gas and Electric Company	Common stock, no par value, 21,294,223 shares outstanding and all held by LG&E and KU Energy LLC at April 22, 2016.
Kentucky Utilities Company	Common stock, no par value, 37,817,878 shares outstanding and all held by LG&E and KU Energy LLC at April 22, 2016.

This document is available free of charge at the Investors section of PPL Corporation's website at www.pplweb.com. However, information on this website does not constitute a part of this Form 10-Q.

PPL CORPORATION
PPL ELECTRIC UTILITIES CORPORATION
LG&E AND KU ENERGY LLC
LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

FORM 10-Q
FOR THE QUARTER ENDED March 31, 2016

Table of Contents

This combined Form 10-Q is separately filed by the following Registrants in their individual capacity: PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant, except that information under "Forward-Looking Information" relating to subsidiaries of PPL Corporation is also attributed to PPL Corporation and information relating to the subsidiaries of LG&E and KU Energy LLC is also attributed to LG&E and KU Energy LLC.

Unless otherwise specified, references in this Report, individually, to PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company are references to such entities directly or to one or more of their subsidiaries, as the case may be, the financial results of which subsidiaries are consolidated into such Registrants in accordance with GAAP. This presentation has been applied where identification of particular subsidiaries is not material to the matter being disclosed, and to conform narrative disclosures to the presentation of financial information on a consolidated basis.

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GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its subsidiaries

KU - Kentucky Utilities Company, a public utility subsidiary of LKE engaged in the regulated generation, transmission, distribution and sale of electricity, primarily in Kentucky.

LG&E - Louisville Gas and Electric Company, a public utility subsidiary of LKE engaged in the regulated generation, transmission, distribution and sale of electricity and the distribution and sale of natural gas in Kentucky.

LKE - LG&E and KU Energy LLC, a subsidiary of PPL and the parent of LG&E, KU and other subsidiaries.

LKS - LG&E and KU Services Company, a subsidiary of LKE that provides services to LKE and its subsidiaries.

PPL - PPL Corporation, the parent holding company of PPL Electric, PPL Energy Funding, PPL Capital Funding, LKE and other subsidiaries.

PPL Capital Funding - PPL Capital Funding, Inc., a financing subsidiary of PPL that provides financing for the operations of PPL and certain subsidiaries. Debt issued by PPL Capital Funding is guaranteed as to payment by PPL.

PPL Electric - PPL Electric Utilities Corporation, a public utility subsidiary of PPL engaged in the regulated transmission and distribution of electricity in its Pennsylvania service area and that provides electricity supply to its retail customers in this area as a PLR.

PPL Energy Funding - PPL Energy Funding Corporation, a subsidiary of PPL and the parent holding company of PPL Global and other subsidiaries.

PPL EU Services - PPL EU Services Corporation, a subsidiary of PPL that, beginning in 2015, provides support services and corporate functions such as financial, supply chain, human resources and facilities management services primarily to PPL Electric and its affiliates.

PPL Global - PPL Global, LLC, a subsidiary of PPL Energy Funding that, primarily through its subsidiaries, owns and operates WPD, PPL's regulated electricity distribution businesses in the U.K.

PPL Services - PPL Services Corporation, a subsidiary of PPL that provides administrative, management and support services to PPL and its subsidiaries.

PPL WPD Limited - an indirect U.K. subsidiary of PPL Global and parent to WPD plc.

WPD - refers to PPL WPD Limited and its subsidiaries.

WPD (East Midlands) - Western Power Distribution (East Midlands) plc, a British regional electricity distribution utility company.

WPD plc - Western Power Distribution plc, a direct U.K. subsidiary of PPL WPD Limited. Its principal indirectly owned subsidiaries are WPD (East Midlands), WPD (South Wales), WPD (South West) and WPD (West Midlands).

WPD Midlands - refers to WPD (East Midlands) and WPD (West Midlands), collectively.

WPD (South Wales) - Western Power Distribution (South Wales) plc, a British regional electricity distribution utility company.

WPD (South West) - Western Power Distribution (South West) plc, a British regional electricity distribution utility company.

WPD (West Midlands) - Western Power Distribution (West Midlands) plc, a British regional electricity distribution utility company.

WKE - Western Kentucky Energy Corp., a subsidiary of LKE that leased certain non-utility generating plants in western Kentucky until July 2009.

Other terms and abbreviations

£ - British pound sterling.

2015 Form 10-K - Annual Report to the SEC on Form 10-K for the year ended December 31, 2015.

2001 Mortgage Indenture - PPL Electric's Indenture, dated as of August 1, 2001, to the Bank of New York Mellon (as successor to JPMorgan Chase Bank), as trustee, as supplemented.

Act 11 - Act 11 of 2012 that became effective on April 16, 2012. The Pennsylvania legislation authorizes the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, a DSIC.

Act 129 - Act 129 of 2008 that became effective in October 2008. The law amends the Pennsylvania Public Utility Code and creates an energy efficiency and conservation program and smart metering technology requirements, adopts new PLR electricity supply procurement rules, provides remedies for market misconduct and changes to the Alternative Energy Portfolio Standard (AEPS).

AOCI - accumulated other comprehensive income or loss.

ARO - asset retirement obligation.

ATM Program - At-the-Market stock offering program.

BSER - Best System of Emission Reduction. The degree of emission reduction that EPA determines has been adequately demonstrated when taking into account the cost of achieving such reduction and any non-air quality health and environmental impact and energy requirements.

CCR(s) - Coal Combustion Residual(s). CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes.

Clean Air Act - federal legislation enacted to address certain environmental issues related to air emissions, including acid rain, ozone and toxic air emissions.

Clean Water Act - federal legislation enacted to address certain environmental issues relating to water quality including effluent discharges, cooling water intake, and dredge and fill activities.

CPCN - Certificate of Public Convenience and Necessity. Authority granted by the KPSC pursuant to Kentucky Revised Statute 278.020 to provide utility service to or for the public or the construction of certain plant, equipment, property or facility for furnishing of utility service to the public.

Customer Choice Act - the Pennsylvania Electricity Generation Customer Choice and Competition Act, legislation enacted to restructure the state's electric utility industry to create retail access to a competitive market for generation of electricity.

DNO - Distribution Network Operator in the U.K.

DPCR4 - Distribution Price Control Review 4, the U.K. five-year rate review period applicable to WPD that commenced April 1, 2005.

DPCR5 - Distribution Price Control Review 5, the U.K. five-year rate review period applicable to WPD that commenced April 1, 2010.

DRIP - PPL Amended and Restated Dividend Reinvestment and Direct Stock Purchase Plan.

DSIC - the Distribution System Improvement Charge authorized under Act 11, which is an alternative ratemaking mechanism providing more-timely cost recovery of qualifying distribution system capital expenditures.

DSM - Demand Side Management. Pursuant to Kentucky Revised Statute 278.285, the KPSC may determine the reasonableness of DSM plans proposed by any utility under its jurisdiction. Proposed DSM mechanisms may seek full recovery of costs and revenues lost by implementing DSM programs and/or incentives designed to provide financial rewards to the utility for implementing cost-effective DSM programs. The cost of such programs shall be assigned only to the class or classes of customers which benefit from the programs.

Earnings from Ongoing Operations - A non-GAAP financial measure of earnings adjusted for the impact of special items and used in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A). See "Non-GAAP Financial Measures" within the MD&A for additional details.

ECR - Environmental Cost Recovery. Pursuant to Kentucky Revised Statute 278.183, Kentucky electric utilities are entitled to the current recovery of costs of complying with the Clean Air Act, as amended, and those federal, state or local environmental requirements that apply to coal combustion wastes and by-products from the production of energy from coal.

ELG(s) - Effluent Limitation Guidelines, regulations promulgated by the EPA.

EPA - Environmental Protection Agency, a U.S. government agency.

FERC - Federal Energy Regulatory Commission, the U.S. federal agency that regulates, among other things, interstate transmission and wholesale sales of electricity, hydroelectric power projects and related matters.

GAAP - Generally Accepted Accounting Principles in the U.S.

GBP - British pound sterling.

GLT - Gas Line Tracker. The KPSC approved mechanism for LG&E's recovery of costs associated with gas service lines, gas risers, leak mitigation, and gas main replacements. Rate recovery became effective on January 1, 2013.

Gross Margins - A non-GAAP financial measure of performance used in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A). See "Non-GAAP Financial Measures" within the MD&A for additional details.

KPSC - Kentucky Public Service Commission, the state agency that has jurisdiction over the regulation of rates and service of utilities in Kentucky.

LCIDA - Lehigh County Industrial Development Authority.

LIBOR - London Interbank Offered Rate.

MATS - Mercury and Air Toxics Standards, regulations promulgated by the EPA.

Moody's - Moody's Investors Service, Inc., a credit rating agency.

MW - megawatt, one thousand kilowatts.

NAAQS - National Ambient Air Quality Standards periodically adopted pursuant to the Clean Air Act.

NERC - North American Electric Reliability Corporation.

NGCC - Natural gas-fired combined-cycle generating plant.

NPNS - the normal purchases and normal sales exception as permitted by derivative accounting rules. Derivatives that qualify for this exception may receive accrual accounting treatment.

NSR - The new source review provisions of the Clean Air Act that impose stringent emission control requirements on new and modified sources of air emissions that result in emission increases beyond thresholds allowed by the Clean Air Act.

OCI - other comprehensive income or loss.

Ofgem - Office of Gas and Electricity Markets, the British agency that regulates transmission, distribution and wholesale sales of electricity and related matters.

OVEC - Ohio Valley Electric Corporation, located in Piketon, Ohio, an entity in which LKE indirectly owns an 8.13% interest (consists of LG&E's 5.63% and KU's 2.50% interests), which is accounted for as a cost-method investment. OVEC owns and operates two coal-fired power plants, the Kyger Creek plant in Ohio and the Clifty Creek plant in Indiana, with combined summer rating capacities of 2,120 MW.

PLR - Provider of Last Resort, the role of PPL Electric in providing default electricity supply within its delivery area to retail customers who have not chosen to select an alternative electricity supplier under the Customer Choice Act.

PP&E - property, plant and equipment.

PPL EnergyPlus - prior to the June 1, 2015 spinoff of PPL Energy Supply, PPL EnergyPlus, LLC, a subsidiary of PPL Energy Supply that marketed and traded wholesale and retail electricity and gas, and supplied energy and energy services in competitive markets.

PPL Energy Supply - prior to the June 1, 2015 spinoff, PPL Energy Supply, LLC, a subsidiary of PPL Energy Funding and the parent company of PPL EnergyPlus and other subsidiaries.

PUC - Pennsylvania Public Utility Commission, the state agency that regulates certain ratemaking, services, accounting and operations of Pennsylvania utilities.

RAV - regulatory asset value. This term, used within the U.K. regulatory environment, is also commonly known as RAB or regulatory asset base. RAV is based on historical investment costs at time of privatization, plus subsequent allowed additions less annual regulatory depreciation, and represents the value on which DNOs earn a return in accordance with the regulatory cost of capital. RAV is indexed to Retail Price Index (RPI) in order to allow for the effects of inflation. Since the beginning of DPCR5 in April 2010, RAV additions have been based on a percentage of annual total expenditures, which have continued from April 2015 under RIIO-ED1. RAV is intended to represent expenditures that have a long-term benefit to WPD (similar to capital projects for the U.S. regulated businesses that are generally included in rate base).

RCRA - Resource Conservation and Recovery Act of 1976.

Registrant(s) - refers to the Registrants named on the cover of this Report (each a "Registrant" and collectively, the "Registrants").

Regulation S-X - SEC regulation governing the form and content of and requirements for financial statements required to be filed pursuant to the federal securities laws.

RFC - 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.

RIIO-ED1 - RIIO represents "Revenues = Incentive + Innovation + Outputs." RIIO-ED1 refers to the initial eight-year rate review period applicable to WPD which commenced April 1, 2015.

Riverstone - Riverstone Holdings LLC, a Delaware limited liability company and ultimate parent company of the entities that own the competitive power generation business contributed to Talen Energy other than the competitive power generation business contributed by virtue of the spinoff of a newly formed parent of PPL Energy Supply.

RPI - Retail Price Index, is a measure of inflation in the United Kingdom published monthly by the Office for National Statistics.

SCRs - selective catalytic reduction, a pollution control process for the removal of nitrogen oxide from exhaust gas.

S&P - Standard & Poor's Ratings Services, a credit rating agency.

Sarbanes-Oxley - Sarbanes-Oxley Act of 2002, which sets requirements for management's assessment of internal controls for financial reporting. It also requires an independent auditor to make its own assessment.

Scrubber - an air pollution control device that can remove particulates and/or gases (primarily sulfur dioxide) from exhaust gases.

SEC - the U.S. Securities and Exchange Commission, a U.S. government agency primarily responsible to protect investors and maintain the integrity of the securities markets.

SERC - SERC Reliability Corporation, one of eight regional entities with delegated authority from NERC that work to safeguard the reliability of the bulk power systems throughout North America.

Smart meter - an electric meter that utilizes smart metering technology.

Smart metering technology - technology that can measure, among other things, time of electricity consumption to permit offering rate incentives for usage during lower cost or demand intervals. The use of this technology also has the potential to strengthen network reliability.

Subsidiary Registrant(s) - PPL Electric, LKE, LG&E and KU.

Superfund - federal environmental statute that addresses remediation of contaminated sites; states also have similar statutes.

Talen Energy - Talen Energy Corporation, the Delaware corporation formed to be the publicly traded company and owner of the competitive generation assets of PPL Energy Supply and certain affiliates of Riverstone.

Talen Energy Marketing - Talen Energy Marketing, LLC, PPL EnergyPlus' new name subsequent to the spinoff of PPL Energy Supply.

Treasury Stock Method - A method applied to calculate diluted EPS that assumes any proceeds that could be obtained upon exercise of options and warrants (and their equivalents) would be used to purchase common stock at the average market price during the relevant period.

VSCC - Virginia State Corporation Commission, the state agency that has jurisdiction over the regulation of Virginia corporations, including utilities.

FORWARD-LOOKING INFORMATION

Statements contained in this Form 10-Q concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in each Registrant's 2015 Form 10-K and in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements.

- challenges by intervenors to the return on equity granted in existing rate structures;
- fuel supply and cost;
- continuing ability to recover fuel costs and environmental expenditures in a timely manner at LG&E and KU, and natural gas supply costs at LG&E;
- weather conditions affecting transmission and distribution operations, and customer energy use;
- availability and operating costs of existing generation facilities;
- the duration of and cost associated with outages at our generating facilities;
- generation, transmission and distribution system conditions, and operating costs;
- expansion of alternative and distributed sources of electricity generation and storage;
- collective labor bargaining negotiations;
- laws or regulations to reduce emissions of "greenhouse" gases or physical effects of climate change;
- the outcome of litigation against the Registrants and their subsidiaries;
- potential effects of threatened or actual terrorism, war or other hostilities, cyber-based intrusions or natural disasters;
- the commitments and liabilities of the Registrants and their subsidiaries;
- the effectiveness of our risk management programs, including foreign currency and interest rate hedging;
- our ability to attract and retain qualified employees;
- volatility in demand for electricity;
- market prices of commodity inputs for ongoing capital expenditures or key operational needs;
- capital market conditions, including the availability of capital or credit, changes in interest rates and certain economic indices, and decisions regarding capital structure;
- stock price performance of PPL;
- defaults by counterparties or suppliers for energy, capacity, coal, natural gas or key commodities, goods or services;
- volatility in the fair value of debt and equity securities and its impact on the value of assets in defined benefit plans, and the potential cash funding requirements if fair value declines;
- interest rates and their effect on pension and retiree medical liabilities and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial markets and economic conditions;
- new accounting requirements or new interpretations or applications of existing requirements;
- changes in securities and credit ratings;
- changes in foreign currency exchange rates for British pound sterling;
- the effect of changes in RPI on WPD's revenues and index linked debt;
- current and future environmental conditions, regulations and other requirements and the related costs of compliance, including environmental capital expenditures, emission allowance costs and other expenses;
- changes in political, regulatory or economic conditions in states, regions or countries where the Registrants or their subsidiaries conduct business;
- the effect of the outcome of the June 2016 referendum in the U.K. relating to its membership in the European Union;
- receipt of necessary governmental permits, approvals and rate relief;
- new state, federal or foreign legislation or regulatory developments;
- the outcome of any rate cases or other cost recovery or revenue filings by PPL Electric, LG&E, KU or WPD;
- the achievement of performance targets set by Ofgem;
- the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures; and

- business dispositions or acquisitions and our ability to realize expected benefits from such business transactions.

Any such forward-looking statements should be considered in light of such important factors and in conjunction with other documents of the Registrants on file with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for the Registrants to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and the Registrants undertake no obligation to update the information contained in such statement to reflect subsequent developments or information.

PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars, except share data)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Operating Revenues	**$ 2,011**	$ 2,230
Operating Expenses		
Operation		
Fuel	**197**	253
Energy purchases	**233**	329
Other operation and maintenance	**450**	456
Depreciation	**229**	216
Taxes, other than income	**79**	86
Total Operating Expenses	**1,188**	1,340
Operating Income	**823**	890
Other Income (Expense) - net	**61**	88
Interest Expense	**224**	209
Income from Continuing Operations Before Income Taxes	**660**	769
Income Taxes	**179**	217
Income from Continuing Operations After Income Taxes	**481**	552
Income (Loss) from Discontinued Operations (net of income taxes)		95
Net Income	**$ 481**	$ 647
Earnings Per Share of Common Stock:		
Income from Continuing Operations After Income Taxes:		
Basic	**$ 0.71**	$ 0.83
Diluted	**$ 0.71**	$ 0.82
Net Income:		
Basic	**$ 0.71**	$ 0.97
Diluted	**$ 0.71**	$ 0.96
Dividends Declared Per Share of Common Stock	**$ 0.38**	$ 0.3725
Weighted-Average Shares of Common Stock Outstanding (in thousands)		
Basic	**675,441**	666,974
Diluted	**678,817**	668,732

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Net income	**$ 481**	$ 647
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), ($5)	**(464)**	(66)
Available-for-sale securities, net of tax of $0, ($6)		5
Qualifying derivatives, net of tax of ($15), $4	**80**	6
Defined benefit plans:		
Net actuarial gain (loss), net of tax of $0, $0		(1)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):		
Available-for-sale securities, net of tax of $0, $1		(1)
Qualifying derivatives, net of tax of $19, $4	**(78)**	(17)
Equity investees' other comprehensive (income) loss, net of tax of $0, $1		(1)
Defined benefit plans:		
Net actuarial loss, net of tax of ($9), ($13)	**31**	38
Total other comprehensive income (loss)	**(431)**	(37)
Comprehensive income (loss)	**$ 50**	$ 610

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31,	
	2016	**2015**
Cash Flows from Operating Activities		
Net income	**$ 481**	$ 647
(Income) loss from discontinued operations (net of income taxes)		(95)
Income from continuing operations (net of income taxes)	**481**	552
Adjustments to reconcile Income from continuing operations (net of taxes) to net cash provided by operating activities - continuing operations		
Depreciation	**229**	216
Amortization	**18**	11
Defined benefit plans - expense (income)	**(13)**	16
Deferred income taxes and investment tax credits	**162**	111
Unrealized (gains) losses on derivatives, and other hedging activities	**(34)**	(52)
Stock-based compensation expense	**13**	14
Other	**(5)**	(3)
Change in current assets and current liabilities		
Accounts receivable	**(62)**	(128)
Accounts payable	**(43)**	(49)
Unbilled revenues	**18**	34
Fuel, materials and supplies	**25**	76
Prepayments	**(86)**	(115)
Taxes payable	**15**	14
Other current liabilities	**(66)**	(124)
Other	**18**	33
Other operating activities		
Defined benefit plans - funding	**(123)**	(197)
Other assets	**(5)**	(6)
Other liabilities	**15**	49
Net cash provided by operating activities - continuing operations	**557**	452
Net cash provided by operating activities - discontinued operations		221
Net cash provided by operating activities	**557**	673
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(656)**	(833)
Expenditures for intangible assets	**(6)**	(10)
Purchase of other investments		(15)
Other investing activities	**1**	(2)
Net cash provided by (used in) investing activities - continuing operations	**(661)**	(860)
Net cash provided by (used in) investing activities - discontinued operations		(130)
Net cash provided by (used in) investing activities	**(661)**	(990)
Cash Flows from Financing Activities		
Issuance of long-term debt	**224**	
Retirement of long-term debt	**(224)**	
Issuance of common stock	**42**	35
Payment of common stock dividends	**(255)**	(250)
Net increase (decrease) in short-term debt	**351**	163
Other financing activities	**(23)**	(14)
Net cash provided by (used in) financing activities - continuing operations	**115**	(66)
Net cash provided by (used in) financing activities - discontinued operations		(222)
Net cash distributions to parent from discontinued operations		191
Net cash provided by (used in) financing activities	**115**	(97)
Effect of Exchange Rates on Cash and Cash Equivalents	**(33)**	(2)
Net (Increase) Decrease in Cash and Cash Equivalents included in Discontinued Operations		131
Net Increase (Decrease) in Cash and Cash Equivalents	**(22)**	(285)
Cash and Cash Equivalents at Beginning of Period	**836**	1,399
Cash and Cash Equivalents at End of Period	**$ 814**	$ 1,114

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, shares in thousands)

	March 31, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 814**	$ 836
Accounts receivable (less reserve: 2016, $48; 2015, $41)		
Customer	**727**	673
Other	**50**	59
Unbilled revenues	**419**	453
Fuel, materials and supplies	**332**	357
Prepayments	**150**	66
Price risk management assets	**183**	139
Other current assets	**38**	63
Total Current Assets	**2,713**	2,646
Property, Plant and Equipment		
Regulated utility plant	**33,849**	34,399
Less: accumulated depreciation - regulated utility plant	**5,731**	5,683
Regulated utility plant, net	**28,118**	28,716
Non-regulated property, plant and equipment	**476**	516
Less: accumulated depreciation - non-regulated property, plant and equipment	**144**	165
Non-regulated property, plant and equipment, net	**332**	351
Construction work in progress	**1,382**	1,315
Property, Plant and Equipment, net	**29,832**	30,382
Other Noncurrent Assets		
Regulatory assets	**1,747**	1,733
Goodwill	**3,336**	3,550
Other intangibles	**667**	679
Price risk management assets	**254**	156
Other noncurrent assets	**160**	155
Total Other Noncurrent Assets	**6,164**	6,273
Total Assets	**$ 38,709**	$ 39,301

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

	March 31, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 1,265**	$ 916
Long-term debt due within one year	**485**	485
Accounts payable	**707**	812
Taxes	**96**	85
Interest	**315**	303
Dividends	**257**	255
Customer deposits	**306**	326
Regulatory liabilities	**119**	145
Other current liabilities	**516**	549
Total Current Liabilities	**4,066**	3,876
Long-term Debt	**18,074**	18,563
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**3,560**	3,440
Investment tax credits	**127**	128
Accrued pension obligations	**1,183**	1,405
Asset retirement obligations	**517**	536
Regulatory liabilities	**942**	945
Other deferred credits and noncurrent liabilities	**478**	489
Total Deferred Credits and Other Noncurrent Liabilities	**6,807**	6,943
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
Common stock - $0.01 par value (a)	**7**	7
Additional paid-in capital	**9,729**	9,687
Earnings reinvested	**3,185**	2,953
Accumulated other comprehensive loss	**(3,159)**	(2,728)
Total Equity	**9,762**	9,919
Total Liabilities and Equity	**$ 38,709**	$ 39,301

(a) 780,000 shares authorized; 676,384 and 673,857 shares issued and outstanding at March 31, 2016 and December 31, 2015.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Total
December 31, 2015	673,857	$ 7	$ 9,687	$ 2,953	$ (2,728)	$ 9,919
Common stock issued	2,527		70			70
Stock-based compensation			(28)			(28)
Net income				481		481
Dividends and dividend equivalents				(256)		(256)
Other comprehensive income (loss)					(431)	(431)
Adoption of stock-based compensation guidance cumulative effect adjustment (Note 2)				7		7
March 31, 2016	676,384	$ 7	$ 9,729	$ 3,185	$ (3,159)	$ 9,762
December 31, 2014	665,849	$ 7	$ 9,433	$ 6,462	$ (2,274)	$ 13,628
Common stock issued	1,864		54			54
Stock-based compensation			(7)			(7)
Net income				647		647
Dividends and dividend equivalents				(249)		(249)
Other comprehensive income (loss)					(37)	(37)
March 31, 2015	667,713	$ 7	$ 9,480	$ 6,860	$ (2,311)	$ 14,036

(a) Shares in thousands. Each share entitles the holder to one vote on any question presented at any shareowners' meeting.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31,	
	2016	**2015**
Operating Revenues	**$ 585**	$ 630
Operating Expenses		
Operation		
Energy purchases	**167**	227
Energy purchases from affiliate		9
Other operation and maintenance	**150**	133
Depreciation	**59**	51
Taxes, other than income	**29**	35
Total Operating Expenses	**405**	455
Operating Income	**180**	175
Other Income (Expense) - net	**3**	2
Interest Expense	**33**	31
Income Before Income Taxes	**150**	146
Income Taxes	**56**	59
Net Income (a)	**$ 94**	$ 87

(a) Net income equals comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2016	2015
Cash Flows from Operating Activities		
Net income	**$ 94**	$ 87
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**59**	51
Amortization	**7**	6
Deferred income taxes and investment tax credits	**65**	5
Other	**(3)**	1
Change in current assets and current liabilities		
Accounts receivable	**(43)**	(73)
Accounts payable	**(2)**	(39)
Prepayments	**(21)**	(60)
Regulatory assets and liabilities	**(21)**	18
Taxes payable	**(8)**	5
Other	**(7)**	(29)
Other operating activities		
Defined benefit plans - funding		(33)
Other assets	**3**	(1)
Other liabilities	**1**	17
Net cash provided by (used in) operating activities	**124**	(45)
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(214)**	(224)
Other investing activities	**(1)**	(1)
Net cash provided by (used in) investing activities	**(215)**	(225)
Cash Flows from Financing Activities		
Issuance of long-term debt	**224**	
Retirement of long-term debt	**(224)**	
Contributions from parent		50
Payment of common stock dividends to parent	**(45)**	(44)
Net increase (decrease) in short-term debt	**125**	85
Other financing activities	**(2)**	
Net cash provided by (used in) financing activities	**78**	91
Net Increase (Decrease) in Cash and Cash Equivalents	**(13)**	(179)
Cash and Cash Equivalents at Beginning of Period	**47**	214
Cash and Cash Equivalents at End of Period	**$ 34**	$ 35

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

	March 31, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 34**	$ 47
Accounts receivable (less reserve: 2016, $21; 2015, $16)		
Customer	**318**	286
Other	**14**	10
Accounts receivable from affiliates	**7**	
Unbilled revenues	**86**	91
Materials and supplies	**31**	34
Prepayments	**87**	66
Other current assets	**13**	21
Total Current Assets	**590**	555
Property, Plant and Equipment		
Regulated utility plant	**8,889**	8,734
Less: accumulated depreciation - regulated utility plant	**2,616**	2,573
Regulated utility plant, net	**6,273**	6,161
Construction work in progress	**591**	530
Property, Plant and Equipment, net	**6,864**	6,691
Other Noncurrent Assets		
Regulatory assets	**1,003**	1,006
Intangibles	**245**	244
Other noncurrent assets	**18**	15
Total Other Noncurrent Assets	**1,266**	1,265
Total Assets	**$ 8,720**	$ 8,511

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, shares in thousands)

	March 31, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 125**	
Accounts payable	**300**	$ 288
Accounts payable to affiliates	**38**	35
Taxes	**16**	24
Interest	**31**	37
Regulatory liabilities	**89**	113
Customer deposits	**22**	31
Other current liabilities	**73**	77
Total Current Liabilities	**694**	605
Long-term Debt	**2,829**	2,828
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,731**	1,663
Accrued pension obligations	**184**	183
Regulatory liabilities	**25**	22
Other deferred credits and noncurrent liabilities	**89**	91
Total Deferred Credits and Other Noncurrent Liabilities	**2,029**	1,959
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
Common stock - no par value (a)	**364**	364
Additional paid-in capital	**1,934**	1,934
Earnings reinvested	**870**	821
Total Equity	**3,168**	3,119
Total Liabilities and Equity	**$ 8,720**	$ 8,511

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at March 31, 2016 and December 31, 2015.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2015	66,368	$ 364	$ 1,934	$ 821	$ 3,119
Net income				94	94
Dividends declared on common stock				(45)	(45)
March 31, 2016	66,368	$ 364	$ 1,934	$ 870	$ 3,168
December 31, 2014	66,368	$ 364	$ 1,603	$ 750	$ 2,717
Net income				87	87
Capital contributions from PPL			50		50
Dividends declared on common stock				(44)	(44)
March 31, 2015	66,368	$ 364	$ 1,653	$ 793	$ 2,810

(a) Shares in thousands. All common shares of PPL Electric stock are owned by PPL.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31,	
	2016	**2015**
Operating Revenues	**$ 826**	$ 899
Operating Expenses		
Operation		
Fuel	**198**	253
Energy purchases	**66**	92
Other operation and maintenance	**202**	209
Depreciation	**99**	95
Taxes, other than income	**15**	14
Total Operating Expenses	**580**	663
Operating Income	**246**	236
Other Income (Expense) - net	**(1)**	(1)
Interest Expense	**49**	42
Interest Expense with Affiliate	**4**	
Income Before Income Taxes	**192**	193
Income Taxes	**72**	76
Net Income (a)	**$ 120**	$ 117

(a) Net income approximates comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
LG&E and KU Energy LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Cash Flows from Operating Activities		
Net income	**$ 120**	$ 117
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**99**	95
Amortization	**7**	6
Defined benefit plans - expense	**7**	11
Deferred income taxes and investment tax credits	**68**	75
Other		17
Change in current assets and current liabilities		
Accounts receivable	**(15)**	(39)
Accounts payable	**25**	(18)
Accounts payable to affiliates	**5**	1
Unbilled revenues	**8**	32
Fuel, materials and supplies	**21**	71
Income tax receivable		134
Taxes payable	**(25)**	(11)
Accrued interest	**42**	37
Other	**(24)**	(22)
Other operating activities		
Defined benefit plans - funding	**(33)**	(53)
Other assets		(6)
Other liabilities	**(2)**	4
Net cash provided by operating activities	**303**	451
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(219)**	(321)
Other investing activities		4
Net cash provided by (used in) investing activities	**(219)**	(317)
Cash Flows from Financing Activities		
Net increase (decrease) in notes payable with affiliate	**93**	(1)
Net increase (decrease) in short-term debt	**(149)**	(91)
Debt issuance and credit facility costs	**(1)**	
Distributions to member	**(29)**	(23)
Net cash provided by (used in) financing activities	**(86)**	(115)
Net Increase (Decrease) in Cash and Cash Equivalents	**(2)**	19
Cash and Cash Equivalents at Beginning of Period	**30**	21
Cash and Cash Equivalents at End of Period	**$ 28**	$ 40

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
LG&E and KU Energy LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	March 31, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 28**	$ 30
Accounts receivable (less reserve: 2016, $24; 2015, $23)		
Customer	**225**	209
Other	**10**	16
Unbilled revenues	**139**	147
Fuel, materials and supplies	**277**	298
Prepayments	**26**	23
Regulatory assets	**17**	35
Other current assets	**5**	7
Total Current Assets	**727**	765
Property, Plant and Equipment		
Regulated utility plant	**12,040**	11,906
Less: accumulated depreciation - regulated utility plant	**1,260**	1,163
Regulated utility plant, net	**10,780**	10,743
Construction work in progress	**669**	660
Property, Plant and Equipment, net	**11,449**	11,403
Other Noncurrent Assets		
Regulatory assets	**744**	727
Goodwill	**996**	996
Other intangibles	**117**	123
Other noncurrent assets	**78**	76
Total Other Noncurrent Assets	**1,935**	1,922
Total Assets	**$ 14,111**	$ 14,090

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	March 31, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 116**	$ 265
Long-term debt due within one year	**25**	25
Notes payable with affiliate	**147**	54
Accounts payable	**232**	266
Accounts payable to affiliates	**10**	5
Customer deposits	**53**	52
Taxes	**21**	46
Price risk management liabilities	**6**	5
Regulatory liabilities	**30**	32
Interest	**74**	32
Asset retirement obligations	**70**	50
Other current liabilities	**90**	135
Total Current Liabilities	**874**	967
Long-term Debt		
Long-term debt	**4,663**	4,663
Long-term debt to affiliate	**400**	400
Total Long-term Debt	**5,063**	5,063
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,532**	1,463
Investment tax credits	**127**	128
Accrued pension obligations	**267**	296
Asset retirement obligations	**470**	485
Regulatory liabilities	**917**	923
Price risk management liabilities	**47**	42
Other deferred credits and noncurrent liabilities	**205**	206
Total Deferred Credits and Other Noncurrent Liabilities	**3,565**	3,543
Commitments and Contingent Liabilities (Notes 6 and 10)		
Member's equity	**4,609**	4,517
Total Liabilities and Equity	**$ 14,111**	$ 14,090

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Member's Equity
December 31, 2015	$ 4,517
Net income	120
Distributions to member	(29)
Other comprehensive income (loss)	1
March 31, 2016	$ 4,609
December 31, 2014	$ 4,248
Net income	117
Distributions to member	(23)
March 31, 2015	$ 4,342

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED STATEMENTS OF INCOME
Louisville Gas and Electric Company

(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Operating Revenues		
Retail and wholesale	**$ 375**	$ 417
Electric revenue from affiliate	**11**	22
Total Operating Revenues	**386**	439
Operating Expenses		
Operation		
Fuel	**78**	103
Energy purchases	**62**	88
Energy purchases from affiliate	**2**	3
Other operation and maintenance	**87**	96
Depreciation	**41**	42
Taxes, other than income	**8**	7
Total Operating Expenses	**278**	339
Operating Income	**108**	100
Other Income (Expense) - net		(1)
Interest Expense	**17**	13
Income Before Income Taxes	**91**	86
Income Taxes	**35**	33
Net Income (a)	**$ 56**	$ 53

(a) Net income equals comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF CASH FLOWS
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2016	2015
Cash Flows from Operating Activities		
Net income	**$ 56**	$ 53
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**41**	42
Amortization	**3**	3
Defined benefit plans - expense	**3**	4
Deferred income taxes and investment tax credits	**37**	31
Other		14
Change in current assets and current liabilities		
Accounts receivable	**(6)**	(16)
Accounts receivable from affiliates	**(4)**	11
Accounts payable	**5**	(15)
Unbilled revenues	**7**	18
Fuel, materials and supplies	**31**	56
Income tax receivable	**1**	74
Taxes payable	**(9)**	(7)
Accrued interest	**13**	9
Other	**(9)**	(3)
Other operating activities		
Defined benefit plans - funding	**(13)**	(22)
Other assets		(1)
Other liabilities	**1**	
Net cash provided by operating activities	**157**	251
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(109)**	(173)
Net cash provided by (used in) investing activities	**(109)**	(173)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term debt	**(60)**	(48)
Debt issuance and credit facility costs	**(1)**	
Payment of common stock dividends to parent	**(25)**	(23)
Contributions from parent	**30**	
Net cash provided by (used in) financing activities	**(56)**	(71)
Net Increase (Decrease) in Cash and Cash Equivalents	**(8)**	7
Cash and Cash Equivalents at Beginning of Period	**19**	10
Cash and Cash Equivalents at End of Period	**$ 11**	$ 17

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars, shares in thousands)

	March 31, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 11**	$ 19
Accounts receivable (less reserve: 2016, $1; 2015, $1)		
Customer	**97**	92
Other	**6**	7
Accounts receivable from affiliates	**16**	12
Unbilled revenues	**60**	67
Fuel, materials and supplies	**120**	151
Prepayments	**8**	5
Income taxes receivable	**3**	4
Regulatory assets	**7**	16
Other current assets	**2**	2
Total Current Assets	**330**	375
Property, Plant and Equipment		
Regulated utility plant	**4,889**	4,804
Less: accumulated depreciation - regulated utility plant	**441**	404
Regulated utility plant, net	**4,448**	4,400
Construction work in progress	**379**	390
Property, Plant and Equipment, net	**4,827**	4,790
Other Noncurrent Assets		
Regulatory assets	**430**	424
Goodwill	**389**	389
Other intangibles	**70**	73
Other noncurrent assets	**18**	17
Total Other Noncurrent Assets	**907**	903
Total Assets	**$ 6,064**	$ 6,068

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	March 31, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 82**	$ 142
Long-term debt due within one year	**25**	25
Accounts payable	**137**	157
Accounts payable to affiliates	**25**	25
Customer deposits	**26**	26
Taxes	**11**	20
Price risk management liabilities	**6**	5
Regulatory liabilities	**8**	13
Interest	**24**	11
Asset retirement obligations	**40**	25
Other current liabilities	**27**	39
Total Current Liabilities	**411**	488
Long-term Debt	**1,617**	1,617
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**867**	829
Investment tax credits	**34**	35
Accrued pension obligations	**43**	56
Asset retirement obligations	**136**	149
Regulatory liabilities	**428**	431
Price risk management liabilities	**47**	42
Other deferred credits and noncurrent liabilities	**90**	91
Total Deferred Credits and Other Noncurrent Liabilities	**1,645**	1,633
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	**424**	424
Additional paid-in capital	**1,641**	1,611
Earnings reinvested	**326**	295
Total Equity	**2,391**	2,330
Total Liabilities and Equity	**$ 6,064**	$ 6,068

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at March 31, 2016 and December 31, 2015.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF EQUITY
Louisville Gas and Electric Company

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2015	21,294	$ 424	$ 1,611	$ 295	$ 2,330
Net income				56	56
Capital contributions from LKE			30		30
Cash dividends declared on common stock				(25)	(25)
March 31, 2016	21,294	$ 424	$ 1,641	$ 326	$ 2,391
December 31, 2014	21,294	$ 424	$ 1,521	$ 229	$ 2,174
Net income				53	53
Cash dividends declared on common stock				(23)	(23)
March 31, 2015	21,294	$ 424	$ 1,521	$ 259	$ 2,204

(a) Shares in thousands. All common shares of LG&E stock are owned by LKE.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED STATEMENTS OF INCOME
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2016	2015
Operating Revenues		
Retail and wholesale	**$ 451**	$ 482
Electric revenue from affiliate	**2**	3
Total Operating Revenues	**453**	485
Operating Expenses		
Operation		
Fuel	**120**	150
Energy purchases	**4**	4
Energy purchases from affiliate	**11**	22
Other operation and maintenance	**106**	104
Depreciation	**58**	53
Taxes, other than income	**7**	7
Total Operating Expenses	**306**	340
Operating Income	**147**	145
Other Income (Expense) - net	**(2)**	(1)
Interest Expense	**24**	19
Income Before Income Taxes	**121**	125
Income Taxes	**46**	47
Net Income (a)	**$ 75**	$ 78

(a) Net income approximates comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF CASH FLOWS
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31,	
	2016	**2015**
Cash Flows from Operating Activities		
Net income	**$ 75**	$ 78
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**58**	53
Amortization	**4**	3
Defined benefit plans - expense	**2**	3
Deferred income taxes and investment tax credits	**44**	43
Other		2
Change in current assets and current liabilities		
Accounts receivable	**(8)**	(25)
Accounts payable	**23**	1
Accounts payable to affiliates	**2**	(14)
Unbilled revenues	**1**	14
Fuel, materials and supplies	**(10)**	15
Income tax receivable		60
Taxes payable	**(8)**	(1)
Accrued interest	**22**	19
Other	**1**	(5)
Other operating activities		
Defined benefit plans - funding	**(10)**	(15)
Other assets		(3)
Other liabilities	**(1)**	1
Net cash provided by operating activities	**195**	229
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(110)**	(148)
Other investing activities		4
Net cash provided by (used in) investing activities	**(110)**	(144)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term debt	**(14)**	(43)
Debt issuance and credit facility costs	**(1)**	
Payment of common stock dividends to parent	**(64)**	(30)
Net cash provided by (used in) financing activities	**(79)**	(73)
Net Increase (Decrease) in Cash and Cash Equivalents	**6**	12
Cash and Cash Equivalents at Beginning of Period	**11**	11
Cash and Cash Equivalents at End of Period	**$ 17**	$ 23

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Kentucky Utilities Company

(Unaudited)
(Millions of Dollars, shares in thousands)

	March 31, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 17**	$ 11
Accounts receivable (less reserve: 2016, $2; 2015, $2)		
Customer	**128**	117
Other	**3**	8
Accounts receivable from affiliates		1
Unbilled revenues	**79**	80
Fuel, materials and supplies	**157**	147
Prepayments	**8**	8
Regulatory assets	**10**	19
Other current assets	**3**	5
Total Current Assets	**405**	396
Property, Plant and Equipment		
Regulated utility plant	**7,148**	7,099
Less: accumulated depreciation - regulated utility plant	**819**	759
Regulated utility plant, net	**6,329**	6,340
Construction work in progress	**286**	267
Property, Plant and Equipment, net	**6,615**	6,607
Other Noncurrent Assets		
Regulatory assets	**314**	303
Goodwill	**607**	607
Other intangibles	**47**	50
Other noncurrent assets	**50**	48
Total Other Noncurrent Assets	**1,018**	1,008
Total Assets	**$ 8,038**	$ 8,011

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars, shares in thousands)

	March 31, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 34**	$ 48
Accounts payable	**77**	88
Accounts payable to affiliates	**42**	39
Customer deposits	**27**	26
Taxes	**12**	20
Regulatory liabilities	**22**	19
Interest	**38**	16
Asset retirement obligations	**30**	25
Other current liabilities	**28**	44
Total Current Liabilities	**310**	325
Long-term Debt	**2,326**	2,326
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,091**	1,046
Investment tax credits	**93**	93
Accrued pension obligations	**37**	46
Asset retirement obligations	**334**	336
Regulatory liabilities	**489**	492
Other deferred credits and noncurrent liabilities	**60**	60
Total Deferred Credits and Other Noncurrent Liabilities	**2,104**	2,073
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	**308**	308
Additional paid-in capital	**2,596**	2,596
Earnings reinvested	**394**	383
Total Equity	**3,298**	3,287
Total Liabilities and Equity	**$ 8,038**	$ 8,011

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at March 31, 2016 and December 31, 2015.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF EQUITY
Kentucky Utilities Company

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive income (loss)	Total
December 31, 2015	37,818	$ 308	$ 2,596	$ 383		$ 3,287
Net income				75		75
Cash dividends declared on common stock				(64)		(64)
March 31, 2016	37,818	$ 308	$ 2,596	$ 394		$ 3,298
December 31, 2014	37,818	$ 308	$ 2,596	$ 302		$ 3,206
Net income				78		78
Cash dividends declared on common stock				(30)		(30)
Other comprehensive income (loss)					$ (1)	(1)
March 31, 2015	37,818	$ 308	$ 2,596	$ 350	$ (1)	$ 3,253

(a) Shares in thousands. All common shares of KU stock are owned by LKE.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

Combined Notes to Condensed Financial Statements (Unaudited)

1. Interim Financial Statements

(All Registrants)

Capitalized terms and abbreviations appearing in the unaudited combined notes to condensed financial statements are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure. Within combined disclosures, amounts are disclosed for any Registrant when significant.

The accompanying unaudited condensed financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnote disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation in accordance with GAAP are reflected in the condensed financial statements. All adjustments are of a normal recurring nature, except as otherwise disclosed. Each Registrant's Balance Sheet at December 31, 2015 is derived from that Registrant's 2015 audited Balance Sheet. The financial statements and notes thereto should be read in conjunction with the financial statements and notes contained in each Registrant's 2015 Form 10-K. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of the results to be expected for the full year ending December 31, 2016 or other future periods, because results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

The classification of certain prior period amounts has been changed to conform to the presentation in the March 31, 2016 financial statements.

(PPL)

"Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income includes the activities of PPL Energy Supply, substantially representing PPL's former Supply segment, which was spun off and distributed to PPL shareowners on June 1, 2015. In addition, the Statement of Cash Flows for the three months ended March 31, 2015 separately reports the cash flows of the discontinued operations. See Note 8 for additional information.

2. Summary of Significant Accounting Policies

(All Registrants)

The following accounting policy disclosures represent updates to Note 1 to each indicated Registrant's 2015 Form 10-K and should be read in conjunction with those disclosures.

Accounts Receivable *(PPL and PPL Electric)*

In accordance with a PUC-approved purchase of accounts receivable program, PPL Electric purchases certain accounts receivable from alternative electricity suppliers at a discount, which reflects a provision for uncollectible accounts. The alternative electricity suppliers have no continuing involvement or interest in the purchased accounts receivable. The purchased accounts receivable are initially recorded at fair value using a market approach based on the purchase price paid and are classified as Level 2 in the fair value hierarchy. During the three months ended March 31, 2016, PPL Electric purchased $382 million of accounts receivable from unaffiliated third parties. During the three months ended March 31, 2015, PPL Electric purchased $331 million of accounts receivable from unaffiliated third parties and $93 million from PPL EnergyPlus. As a result of the June 1, 2015 spinoff of PPL Energy Supply and creation of Talen Energy, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are included as purchases from an unaffiliated third party.

Discount Rate Change for U.K. Pension Plans *(PPL)*

In selecting the discount rate for its U.K. pension plans, WPD historically used a single weighted-average discount rate in the calculation of net periodic defined benefit cost. Effective January 1, 2016, WPD began using individual spot rates to measure service cost and interest cost to calculate net periodic defined benefit cost. For the three months ended March 31, 2016, this change in discount rate resulted in lower net periodic defined benefit costs recognized on the Statement of Income of $11 million ($9 million after-tax or $0.01 per share).

New Accounting Guidance Adopted *(All Registrants)*

Accounting for Stock-Based Compensation

Effective January 1, 2016, the Registrants adopted accounting guidance to simplify the accounting for share-based payment transactions. The guidance requires excess tax benefits and tax deficiencies to be recorded as income tax benefit or expense on the statement of income, eliminates the requirement that excess tax benefits be realized before companies can recognize them and changes the threshold for statutory income tax withholding requirements to qualify for equity classification to the maximum statutory tax rates in the applicable jurisdictions. This guidance also changes the classification of excess tax benefits to an operating activity and employee taxes paid when shares are withheld to satisfy the employer's statutory income tax withholding obligation to a financing activity on the statement of cash flows and allows entities to make a policy election to either estimate forfeitures or recognize them when they occur. The adoption of this guidance had the following impacts:

- Using the required prospective method of transition, PPL recorded a tax benefit of $8 million ($0.01 per share) and PPL Electric recorded a tax benefit of $5 million related to excess tax benefits for awards that were exercised and vested for the period ending March 31, 2016. These amounts were recorded to Income taxes on the Statements of Income and Deferred income taxes on the Balance Sheets. The impact on LKE was not significant.

- PPL elected to use the prospective method of transition for classifying excess tax benefits as an Operating activity on the Statement of Cash Flows. The amounts classified as Financing activities in the prior periods were not significant.

- Using the required modified retrospective method of transition, PPL recorded a cumulative effect adjustment of $7 million to increase Earnings reinvested and decrease Deferred income taxes on the Balance Sheet related to prior period unrecognized excess tax benefits.

- PPL has historically presented employee taxes paid for net settled awards as a Financing activity on the Statement of Cash Flows. Therefore, there is no transition impact for this requirement.

- PPL has elected to recognize forfeitures when they occur. Due to past experience of insignificant forfeitures there is no transition impact of this policy election.

3. Segment and Related Information

(PPL)

See Note 2 in PPL's 2015 Form 10-K for a discussion of reportable segments and related information.

Financial data for the segments and reconciliation to PPL's consolidated results for the periods ended March 31 are:

	Three Months 2016	Three Months 2015
Income Statement Data		
Revenues from external customers		
U.K. Regulated	$ 595	$ 697
Kentucky Regulated	826	899
Pennsylvania Regulated	585	630
Corporate and Other	5	4
Total	$ 2,011	$ 2,230
Net Income		
U.K. Regulated (a)	$ 289	$ 375
Kentucky Regulated	112	109
Pennsylvania Regulated	94	87
Corporate and Other	(14)	(19)
Discontinued Operations (b)		95
Total	$ 481	$ 647

	March 31, 2016	December 31, 2015
Balance Sheet Data		
Assets		
U.K. Regulated (c)	$ 15,802	$ 16,669
Kentucky Regulated	13,777	13,756
Pennsylvania Regulated	8,720	8,511
Corporate and Other (d)	410	365
Total assets	$ 38,709	$ 39,301

(a) Includes unrealized gains and losses from hedging foreign-currency related economic activity. See Note 14 for additional information.
(b) See Note 8 for additional information.
(c) Includes $11.4 billion and $12.2 billion of net PP&E as of March 31, 2016 and December 31, 2015. WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP.
(d) Primarily consists of unallocated items, including cash, PP&E and the elimination of inter-segment transactions.

4. Earnings Per Share

(PPL)

Basic EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding during the applicable period. Diluted EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding, increased by incremental shares that would be outstanding if potentially dilutive non-participating securities were converted to common shares as calculated using the Treasury Stock Method. Incremental non-participating securities that have a dilutive impact are detailed in the table below.

Reconciliations of the amounts of income and shares of PPL common stock (in thousands) for the periods ended March 31 used in the EPS calculation are:

	Three Months 2016	Three Months 2015
Income (Numerator)		
Income from continuing operations after income taxes	$ 481	$ 552
Less amounts allocated to participating securities	2	3
Income from continuing operations after income taxes available to PPL common shareowners - Basic and Diluted	$ 479	$ 549
Income (loss) from discontinued operations (net of income taxes) available to PPL common shareowners - Basic and Diluted		$ 95
Net income	$ 481	$ 647
Less amounts allocated to participating securities	2	3
Net income available to PPL common shareowners - Basic and Diluted	$ 479	$ 644

	Three Months	
	2016	2015
Shares of Common Stock (Denominator)		
Weighted-average shares - Basic EPS	675,441	666,974
Add incremental non-participating securities:		
Share-based payment awards	3,376	1,758
Weighted-average shares - Diluted EPS	678,817	668,732
Basic EPS		
Available to PPL common shareowners:		
Income from continuing operations after income taxes	$ 0.71	$ 0.83
Income (loss) from discontinued operations (net of income taxes)		0.14
Net Income	$ 0.71	$ 0.97
Diluted EPS		
Available to PPL common shareowners:		
Income from continuing operations after income taxes	$ 0.71	$ 0.82
Income (loss) from discontinued operations (net of income taxes)		0.14
Net Income	$ 0.71	$ 0.96

For the periods ended March 31, PPL issued common stock related to stock-based compensation plans and the DRIP as follows (in thousands):

	Three Months	
	2016	2015
Stock-based compensation plans (a)	2,125	1,445
DRIP	402	419

(a) Includes stock options exercised, vesting of performance units, vesting of restricted stock and restricted stock units and conversion of stock units granted to directors.

For the periods ended March 31, the following shares (in thousands) were excluded from the computations of diluted EPS because the effect would have been antidilutive.

	Three Months	
	2016	2015
Stock options	696	1,473
Performance units		146

5. Income Taxes

Reconciliations of income taxes for the periods ended March 31 are as follows.

(PPL)

	Three Months	
	2016	2015
Federal income tax on Income from Continuing Operations Before		
Income Taxes at statutory tax rate - 35%	$ 231	$ 269
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	13	14
Valuation allowance adjustments	6	9
Impact of lower U.K. income tax rates	(54)	(62)
Interest benefit on U.K. financing entities	(5)	(7)
Stock-based compensation (a)	(8)	
Other	(4)	(6)
Total increase (decrease)	(52)	(52)
Total income taxes	$ 179	$ 217

(a) During the three months ended March 31, 2016, PPL recorded an $8 million tax benefit related to the application of new stock-based compensation accounting guidance. See Note 2 for additional information.

(PPL Electric)

	Three Months	
	2016	2015
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 53	$ 51
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	9	10
Stock-based compensation (a)	(5)	
Other	(1)	(2)
Total increase (decrease)	3	8
Total income taxes	$ 56	$ 59

(a) During the three months ended March 31, 2016, PPL Electric recorded a $5 million tax benefit related to the application of new stock-based compensation accounting guidance. See Note 2 for additional information.

(LKE)

	Three Months	
	2016	2015
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 67	$ 68
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	7	7
Valuation allowance adjustments		3
Stock-based compensation	(1)	
Other	(1)	(2)
Total increase (decrease)	5	8
Total income taxes	$ 72	$ 76

(LG&E)

	Three Months	
	2016	2015
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 32	$ 30
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	3	3
Total increase (decrease)	3	3
Total income taxes	$ 35	$ 33

(KU)

	Three Months	
	2016	2015
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 42	$ 44
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	4	4
Other		(1)
Total increase (decrease)	4	3
Total income taxes	$ 46	$ 47

6. Utility Rate Regulation

(All Registrants)

The following table provides information about the regulatory assets and liabilities of cost-based rate-regulated utility operations.

	PPL		PPL Electric	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Current Regulatory Assets:				
Environmental cost recovery	$ 6	$ 24		
Transmission service charge	7	10	$ 7	$ 10
Other	13	14	2	3
Total current regulatory assets (a)	$ 26	$ 48	$ 9	$ 13
Noncurrent Regulatory Assets:				
Defined benefit plans	$ 801	$ 809	$ 465	$ 469
Taxes recoverable through future rates	328	326	328	326
Storm costs	84	93	26	30
Unamortized loss on debt	68	68	43	42
Interest rate swaps	145	141		
Accumulated cost of removal of utility plant	139	137	139	137
AROs	165	143		
Other	17	16	2	2
Total noncurrent regulatory assets	$ 1,747	$ 1,733	$ 1,003	$ 1,006
Current Regulatory Liabilities:				
Generation supply charge	$ 30	$ 41	$ 30	$ 41
Demand side management	11	8		
Gas supply clause		6		
Universal service rider	6	5	6	5
Transmission formula rate	37	48	37	48
Fuel adjustment clause	16	14		
Storm damage expense	15	16	15	16
Other	4	7	1	3
Total current regulatory liabilities	$ 119	$ 145	$ 89	$ 113
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 693	$ 691		
Coal contracts (b)	14	17		
Power purchase agreement - OVEC (b)	82	83		
Net deferred tax assets	22	23		
Act 129 compliance rider	25	22	$ 25	$ 22
Defined benefit plans	24	24		
Interest rate swaps	79	82		
Other	3	3		
Total noncurrent regulatory liabilities	$ 942	$ 945	$ 25	$ 22

	LKE		LG&E		KU	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Current Regulatory Assets:						
Environmental cost recovery	$ 6	$ 24	$ 6	$ 13		$ 11
Gas supply clause		1		1		
Gas line tracker	1	1	1	1		
Other	10	9		1	$ 10	8
Total current regulatory assets	$ 17	$ 35	$ 7	$ 16	$ 10	$ 19
Noncurrent Regulatory Assets:						
Defined benefit plans	$ 336	$ 340	$ 211	$ 215	$ 125	$ 125
Storm costs	58	63	32	35	26	28
Unamortized loss on debt	25	26	16	17	9	9
Interest rate swaps	145	141	103	98	42	43
AROs	165	143	64	57	101	86
Plant retirement costs	6	6			6	6
Other	9	8	4	2	5	6
Total noncurrent regulatory assets	$ 744	$ 727	$ 430	$ 424	$ 314	$ 303

	LKE		LG&E		KU	
	March 31 2016	December 31, 2015	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Current Regulatory Liabilities:						
Demand side management	$ 11	$ 8	$ 5	$ 4	$ 6	$ 4
Gas supply clause		6		6		
Fuel adjustment clause	16	14	3	2	13	12
Other	3	4		1	3	3
Total current regulatory liabilities	$ 30	$ 32	$ 8	$ 13	$ 22	$ 19
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal						
of utility plant	$ 693	$ 691	$ 303	$ 301	$ 390	$ 390
Coal contracts (b)	14	17	6	7	8	10
Power purchase agreement - OVEC (b)	82	83	57	57	25	26
Net deferred tax assets	22	23	22	23		
Defined benefit plans	24	24			24	24
Interest rate swaps	79	82	39	41	40	41
Other	3	3	1	2	2	1
Total noncurrent regulatory liabilities	$ 917	$ 923	$ 428	$ 431	$ 489	$ 492

(a) These amounts are included in "Other current assets" on the Balance Sheets.
(b) These liabilities were recorded as offsets to certain intangible assets that were recorded at fair value upon the acquisition of LKE by PPL.

Regulatory Matters

U.K. Activities *(PPL)*

Ofgem Review of Line Loss Calculation

In 2014, Ofgem issued its final decision on the DPCR4 line loss incentives and penalties mechanism. WPD began refunding its liability for over-recovery of line losses to customers on April 1, 2015 and will continue through March 31, 2019. The liability at March 31, 2016 was $45 million.

Kentucky Activities

CPCN and ECR Filings (PPL, LKE, LG&E and KU)

On January 29, 2016, LG&E and KU submitted applications to the KPSC for CPCNs and for ECR rate treatment regarding upcoming environmental construction projects relating to the EPA's regulations addressing the handling of coal combustion byproducts and MATS. The construction projects are expected to begin in 2016 and continue through 2023 and are estimated to cost approximately $316 million at LG&E and $678 million at KU. The applications request an authorized 10% return on equity with respect to LG&E's and KU's ECR mechanisms consistent with the 2014 Kentucky rate case approved in June 2015. Two parties have been granted intervenor status in the proceedings.

Gas Franchise (LKE and LG&E)

LG&E's existing gas franchise agreement for the Louisville/Jefferson County service area expired on March 31, 2016. Pursuant to Kentucky law, upon expiration of a franchise, LG&E retains a revocable license to own and operate its facilities and to provide service. LG&E and city representatives are negotiating regarding a new franchise agreement and, in the interim, LG&E continues to provide gas service to customers in this service area at existing rates, but without collecting the prior franchise fee. LG&E cannot predict the outcome of this matter but does not anticipate that it will have a material effect on its financial condition or results of operation.

Pennsylvania Activities *(PPL and PPL Electric)*

Act 129

Act 129 requires Pennsylvania Electric Distribution Companies (EDCs) to meet specified goals for reduction in customer electricity usage and peak demand by specified dates. EDCs not meeting the requirements of Act 129 are subject to significant penalties. In November 2015, PPL Electric filed with the PUC its Act 129 Phase III Energy Efficiency and Conservation Plan for the period June 1, 2016 through May 31, 2021. In January 2016, PPL Electric and the other parties reached a settlement of all major issues in the case and filed that settlement with the Administrative Law Judge. In March 2016, the PUC issued an Order approving PPL Electric's Phase III Plan as modified by the settlement, allowing PPL Electric to recover a maximum $313 million in program cost over the five-year period June 1, 2016 through May 31, 2021 through the Act 129 compliance rider.

Act 129 also requires Default Service Providers (DSP) to provide electricity generation supply service to customers pursuant to a PUC-approved default service procurement plan through auctions, requests for proposal and bilateral contracts at the sole discretion of the DSP. Act 129 requires a mix of spot market purchases, short-term contracts and long-term contracts (4 to 20 years), with long-term contracts limited to 25% of load unless otherwise approved by the PUC. A DSP is able to recover the costs associated with its default service procurement plan.

PPL Electric has received PUC approval of biannual DSP procurement plans for all periods required under Act 129. In January 2016, PPL Electric filed a Petition for Approval of a new DSP procurement plan with the PUC for the period June 1, 2017 through May 31, 2021. Hearings are scheduled for June 2016. This proceeding remains pending before the PUC. PPL Electric cannot predict the outcome of this proceeding.

7. Financing Activities

Credit Arrangements and Short-term Debt

(All Registrants)

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. For reporting purposes, on a consolidated basis, the credit facilities and commercial paper programs of PPL Electric, LKE, LG&E and KU also apply to PPL and the credit facilities and commercial paper programs of LG&E and KU also apply to LKE. The amounts borrowed below are recorded as "Short-term debt" on the Balance Sheets. The following credit facilities were in place at:

	March 31, 2016					December 31, 2015	
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued
PPL							
U.K.							
WPD plc							
Syndicated Credit Facility	Jan. 2021	£ 210	£ 144		£ 72	£ 133	
WPD (South West)							
Syndicated Credit Facility	July 2020	245			245		
WPD (East Midlands)							
Syndicated Credit Facility	July 2020	300	37		263		
WPD (West Midlands)							
Syndicated Credit Facility	July 2020	300			300		
Uncommitted Credit Facilities		40		£ 4	36		£ 4
Total U.K. Credit Facilities (a)		£ 1,095	£ 181	£ 4	£ 916	£ 133	£ 4
U.S.							
PPL Capital Funding							
Syndicated Credit Facility	Jan. 2021	$ 700		$ 700			$ 151
Syndicated Credit Facility	Nov. 2018	300		73	$ 227		300
Bilateral Credit Facility	Mar. 2017	150		17	133		20
Total PPL Capital Funding Credit Facilities		$ 1,150		$ 790	$ 360		$ 471
PPL Electric							
Syndicated Credit Facility	Jan. 2021	$ 400		$ 126	$ 274		$ 1
LKE							
Syndicated Credit Facility (b)	Oct. 2018	$ 75			$ 75	$ 75	

		March 31, 2016				December 31, 2015	
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued
LG&E							
Syndicated Credit Facility	Dec. 2020	$ 500		$ 82	$ 418		$ 142
KU							
Syndicated Credit Facility	Dec. 2020	$ 400		$ 34	$ 366		$ 48
Letter of Credit Facility	Oct. 2017	198		198			198
Total KU Credit Facilities		$ 598		$ 232	$ 366		$ 246

(a) WPD plc's amounts borrowed at March 31, 2016 and December 31, 2015 were USD-denominated borrowings of $200 million for both periods, which bore interest at 1.26% and 1.83%. The unused capacity reflects the amount borrowed in GBP of £138 million as of the date borrowed. WPD (East Midlands) amount borrowed at March 31, 2016 was a GBP-denominated borrowing which equated to $51 million and bore interest at 0.91%. At March 31, 2016, the unused capacity under the U.K. credit facilities was approximately $1.3 billion.
(b) LKE's interest rate on outstanding borrowings at December 31, 2015 was 1.68%.

PPL, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's Syndicated Credit Facility. The following commercial paper programs were in place at:

	March 31, 2016				December 31, 2015	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Capital Funding	0.85%	$ 1,000	$ 773	$ 227	0.78%	$ 451
PPL Electric	0.72%	400	125	275		
LG&E	0.79%	350	82	268	0.71%	142
KU	0.64%	350	34	316	0.72%	48
Total		$ 2,100	$ 1,014	$ 1,086		$ 641

(LKE)

See Note 11 for discussion of intercompany borrowings.

Long-term Debt

(PPL and PPL Electric)

In March 2016, the LCIDA issued $116 million of Pollution Control Revenue Refunding Bonds, Series 2016A due 2029 and $108 million of Pollution Control Revenue Refunding Bonds, Series 2016B due 2027 on behalf of PPL Electric. The bonds were issued bearing interest at an initial term rate of 0.90% through their mandatory purchase dates of September 1, 2017 and August 15, 2017. The proceeds of the bonds were used to redeem $116 million of 4.70% Pollution Control Revenue Refunding Bonds, 2005 Series A due 2029 and $108 million of 4.75% Pollution Control Revenue Refunding Bonds, 2005 Series B due 2027 previously issued by the LCIDA on behalf of PPL Electric.

In connection with the issuance of each of these new series of LCIDA bonds, PPL Electric entered into a loan agreement with the LCIDA pursuant to which the LCIDA has loaned to PPL Electric the proceeds of the LCIDA bonds on payment terms that correspond to the LCIDA bonds. In order to secure its obligations under the loan agreement, PPL Electric issued $224 million of First Mortgage Bonds under its 2001 Mortgage Indenture, which also have payment terms that correspond to the LCIDA bonds.

(PPL)

ATM Program

In February 2015, PPL filed a registration statement with the SEC and entered into two separate equity distribution agreements, pursuant to which PPL may sell, from time to time, up to an aggregate of $500 million of its common stock. For the periods ended March 31, 2016 and 2015, PPL did not issue any shares under the agreements.

Distributions

In February 2016, PPL declared a quarterly common stock dividend, payable April 1, 2016, of 38 cents per share (equivalent to $1.52 per annum). Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors.

8. Acquisitions, Development and Divestitures

(All Registrants)

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with, modify or terminate the projects. Any resulting transactions may impact future financial results. See Note 8 in the Registrants' 2015 Form 10-K for additional information.

(PPL)

Discontinued Operations

Spinoff of PPL Energy Supply

In June 2015, PPL and PPL Energy Supply completed the spinoff of PPL Energy Supply which combined its competitive power generation businesses with those of Riverstone to form a new, stand-alone, publicly traded company named Talen Energy.

Following completion of the spinoff, PPL shareowners owned 65% of Talen Energy and affiliates of Riverstone owned 35%. The spinoff had no effect on the number of PPL common shares owned by PPL shareowners or the number of shares of PPL common stock outstanding. The transaction is intended to be tax-free to PPL and its shareowners for U.S. federal income tax purposes.

PPL has no continuing ownership interest in or control of Talen Energy and Talen Energy Supply (formerly PPL Energy Supply). See Note 8 in PPL's 2015 Form 10-K for additional information.

Continuing Involvement (PPL and PPL Electric)

As a result of the spinoff, PPL and PPL Energy Supply entered into a Transition Services Agreement (TSA) that terminates no later than two years after the spinoff. Pursuant to the TSA, PPL is providing Talen Energy certain information technology, financial and accounting, human resource and other specified services. For the three months ended March 31, 2016, the amounts PPL billed Talen Energy for these services were $10 million. In general, the fees for the transition services allow the provider to recover its cost of the services, including overheads, but without margin or profit.

Additionally, prior to the spinoff, through the annual competitive solicitation process, PPL EnergyPlus was awarded supply contracts for a portion of the PLR generation supply for PPL Electric, which were retained by Talen Energy Marketing as part of the spinoff. PPL Electric's supply contracts with Talen Energy Marketing extend through November 2016. Energy purchases from PPL EnergyPlus were previously included in PPL Electric's Statements of Income as "Energy purchases from affiliate" but were eliminated in PPL's Consolidated Statements of Income.

For the three months ended March 31, 2016, PPL Electric's energy purchases from Talen Energy Marketing were $54 million and are no longer considered affiliate transactions.

Summarized Results of Discontinued Operations (PPL)

The operations of the Supply segment prior to the spinoff on June 1, 2015 are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income. Following are the components of Discontinued Operations in the Statement of Income for the period ended March 31, 2015:

Operating revenues	$	944
Operating expenses		767
Other Income (Expense) - net		7
Interest expense (a)		38
Income (loss) before income taxes		146
Income tax expense (benefit)		51
Income (Loss) from Discontinued Operations (net of income taxes)	$	95

(a) Includes interest associated with the Supply Segment with no additional allocation as the Supply segment was sufficiently capitalized.

Development

Regional Transmission Line Expansion Plan *(PPL and PPL Electric)*

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 that includes three new substations and upgrades to adjacent facilities). The FERC granted the incentive for inclusion in rate base of all prudently incurred construction work in progress costs but denied the requested incentive for a 100 basis point adder to the return on equity.

In December 2012, PPL Electric submitted an application to the PUC requesting permission to site and construct the project. In January 2014, the PUC issued a Final Order approving the application. The line was energized in April 2016, completing the $350 million project which includes additional substation security enhancements. Costs related to the project were capitalized and are included on the Balance Sheets, primarily in "Regulated utility plant."

9. Defined Benefits

(PPL, LKE and LG&E)

Certain net periodic defined benefit costs are applied to accounts that are further distributed among capital, expense and regulatory assets, including certain costs allocated to applicable subsidiaries for plans sponsored by PPL Services and LKE. Following are the net periodic defined benefit costs (credits) of the plans sponsored by PPL and its subsidiaries, LKE and its subsidiaries and LG&E for the three month periods ended March 31:

	Pension Benefits				Other Postretirement Benefits	
	U.S.		U.K.			
	2016	2015	2016 (b)	2015	2016	2015
PPL						
Service cost	$ 17	$ 30	$ 18	$ 20	$ 2	$ 4
Interest cost	43	57	62	79	6	7
Expected return on plan assets	(56)	(75)	(133)	(131)	(5)	(7)
Amortization of:						
Prior service cost	1	2				
Actuarial (gain) loss	15	24	37	39		
Net periodic defined benefit costs (credits) (a)	$ 20	$ 38	$ (16)	$ 7	$ 3	$ 4
LKE						
Service cost	$ 6	$ 7			$ 1	$ 1
Interest cost	17	17			2	2
Expected return on plan assets	(21)	(22)			(2)	(1)
Amortization of:						
Prior service cost	1	2			1	1
Actuarial (gain) loss	5	8				
Net periodic defined benefit costs (credits)	$ 8	$ 12			$ 2	$ 3

	Pension Benefits				Other Postretirement Benefits	
	U.S.		U.K.			
	2016	2015	2016 (b)	2015	2016	2015
LG&E						
Interest cost	$ 3	$ 3				
Expected return on plan assets	(5)	(5)				
Amortization of:						
Prior service cost	1	1				
Actuarial (gain) loss	2	3				
Net periodic defined benefit costs (credits)	$ 1	$ 2				

(a) For the three months ended March 31, 2015, the total net periodic defined benefit cost includes $11 million reflected in discontinued operations related to costs allocated from PPL's plans to PPL Energy Supply prior to the spinoff.
(b) See Note 2 for a discussion of changes to the discount rate used for the U.K. Pension Plans.

(PPL Electric, LG&E and KU)

In addition to the specific plans it sponsors, LG&E is allocated costs of defined benefit plans sponsored by LKE based on its participation in those plans, which management believes are reasonable. PPL Electric and KU do not directly sponsor any defined benefit plans. PPL Electric is allocated costs of defined benefit plans sponsored by PPL Services and KU is allocated costs of defined benefit plans sponsored by LKE based on their participation in those plans, which management believes are reasonable. For the periods ended March 31, PPL Services allocated the following net periodic defined benefit costs to PPL Electric, and LKE allocated the following net periodic defined benefit costs to LG&E and KU.

	Three Months	
	2016	2015
PPL Electric	$ 6	$ 8
LG&E	2	3
KU	3	5

10. Commitments and Contingencies

Legal Matters

(All Registrants)

PPL and its subsidiaries are involved in legal proceedings, claims and litigation in the ordinary course of business. PPL and its subsidiaries cannot predict the outcome of such matters, or whether such matters may result in material liabilities, unless otherwise noted.

WKE Indemnification *(PPL and LKE)*

See footnote (e) to the table in "Guarantees and Other Assurances" below for information on an LKE indemnity relating to its former WKE lease, including related legal proceedings.

(PPL, LKE, LG&E and KU)

Cane Run Environmental Claims

In December 2013, six residents, on behalf of themselves and others similarly situated, filed a class action complaint against LG&E and PPL in the U.S. District Court for the Western District of Kentucky alleging violations of the Clean Air Act and RCRA. In addition, these plaintiffs assert common law claims of nuisance, trespass and negligence. These plaintiffs seek injunctive relief and civil penalties, plus costs and attorney fees, for the alleged statutory violations. Under the common law claims, these plaintiffs seek monetary compensation and punitive damages for property damage and diminished property values for a class consisting of residents within four miles of the plant. In their individual capacities, these plaintiffs seek compensation for alleged adverse health effects. In response to a motion to dismiss filed by PPL and LG&E, in July 2014, the court dismissed the plaintiffs' RCRA claims and all but one Clean Air Act claim, but declined to dismiss their common law tort claims. Upon motion of LG&E and PPL, the district court certified for appellate review the issue of whether the state common law claims are preempted by federal statute. In December 2014, the U.S. Court of Appeals for the Sixth

Circuit issued an order granting appellate review regarding the above matter. Oral argument before the Sixth Circuit was held in August 2015. In November 2015, the Sixth Circuit issued an opinion affirming the District Court's ruling that plaintiffs' state law claims are not preempted by the Clean Air Act and remanding the matter to the District Court for further proceedings. Certain discovery matters are before the District Court. PPL, LKE and LG&E cannot predict the outcome of this matter. LG&E retired one coal-fired unit at the Cane Run plant in March 2015 and the remaining two coal-fired units at the plant in June 2015.

Mill Creek Environmental Claims

In May 2014, the Sierra Club filed a citizen suit against LG&E in the U.S. District Court for the Western District of Kentucky for alleged violations of the Clean Water Act. The Sierra Club alleges that various discharges at the Mill Creek plant constitute violations of the plant's water discharge permit. The Sierra Club seeks civil penalties, injunctive relief, costs and attorney's fees. In August 2015, the Court denied cross-motions for summary judgment filed by both parties and directed the parties to proceed with discovery. Discovery proceedings are underway and the parties have also conducted limited settlement discussions in the matter. PPL, LKE and LG&E cannot predict the outcome of this matter or the potential impact on the operations of the Mill Creek plant, including increased capital or operating costs, if any, but believe the plant is operating in compliance with the permits.

E.W. Brown Environmental Claims

In October 2015, KU received a notice of intent from Earthjustice and the Sierra Club informing certain federal and state agencies of the Sierra Club's intent to file a citizen suit, following expiration of the mandatory 60-day notification period, for alleged violations of the Clean Water Act. The claimant alleges discharges at the E.W. Brown plant in violation of applicable rules and the plant's water discharge permit. The claimant asserts that, unless the alleged discharges are promptly brought into compliance, it intends to seek civil penalties, injunctive relief and attorney's fees. In November 2015, the claimants submitted an amended notice of intent to add the Kentucky Waterways Alliance as a claimant. The parties have conducted limited settlement discussions in the matter. PPL, LKE and KU cannot predict the outcome of this matter or the potential impact on the operations of the E. W. Brown plant, including increased capital or operating costs, if any.

Trimble County Unit 2 Air Permit

The Sierra Club and other environmental groups petitioned the Kentucky Environmental and Public Protection Cabinet to overturn the air permit issued for the Trimble County Unit 2 baseload coal-fired generating unit, but the agency upheld the permit in an order issued in September 2007. In response to subsequent petitions by environmental groups, the EPA ordered certain non-material changes to the permit which, in January 2010, were incorporated into a final revised permit issued by the Kentucky Division for Air Quality. In March 2010, the environmental groups petitioned the EPA to object to the revised state permit. Until the EPA issues a final ruling on the pending petition and all available appeals are exhausted, PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact on the operations of the Trimble County plant, including increased capital or operating costs, if any.

Trimble County Water Discharge Permit

In May 2010, the Kentucky Waterways Alliance and other environmental groups filed a petition with the Kentucky Energy and Environment Cabinet (KEEC) challenging the Kentucky Pollutant Discharge Elimination System permit issued in April 2010, which covers water discharges from the Trimble County plant. In November 2010, the KEEC issued a final order upholding the permit that was subsequently appealed by the environmental groups. In September 2013, the Franklin Circuit Court reversed the KEEC order upholding the permit and remanded the permit to the agency for further proceedings. LG&E and the KEEC appealed the order to the Kentucky Court of Appeals. In July 2015, the Court of Appeals upheld the lower court ruling. On February 10, 2016, the Kentucky Supreme Court issued an order granting discretionary review. PPL, LKE, LG&E and KU are unable to predict the outcome of this matter or the potential impact on the operations of the Trimble County plant, including increased capital or operating costs, if any.

Regulatory Issues *(All Registrants)*

See Note 6 for information on regulatory matters related to utility rate regulation.

Electricity - Reliability Standards

The NERC is responsible for establishing and enforcing mandatory reliability standards (Reliability Standards) regarding the bulk 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.

PPL, LG&E, KU and PPL Electric monitor their compliance with the Reliability Standards and continue to self-report or self-log potential violations of certain applicable reliability requirements and submit accompanying mitigation plans, as required. The resolution of a small 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.

Environmental Matters - Domestic

(All Registrants)

Due to the environmental issues discussed below or other environmental matters, it may be necessary for the Registrants to modify, curtail, replace, or cease operation of certain facilities or performance of certain operations to comply with statutes, regulations and other requirements of regulatory bodies or courts. In addition, legal challenges to new environmental permits or rules add to the uncertainty of estimating the future cost of these permits and rules.

LG&E and KU are entitled to recover, through the ECR mechanism, certain costs of complying with the Clean Air Act, as amended, and those federal, state, or local environmental requirements applicable to coal combustion wastes and by-products from facilities that generate electricity from coal in accordance with approved compliance plans. Costs not covered by the ECR mechanism for LG&E and KU and all such costs for PPL Electric are subject to rate recovery before the companies' respective state regulatory authorities, or the FERC, if applicable. Because PPL Electric does not own any generating plants, its exposure to related environmental compliance costs is reduced. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

(PPL, LKE, LG&E and KU)

Air

The Clean Air Act, which regulates air pollutants from mobile and stationary sources, has a significant impact on the operation of fossil fuel plants. The Clean Air Act requires the EPA periodically to review and establish concentration levels in the ambient air for six criteria pollutants to protect public health and welfare. These concentration levels are known as NAAQS. The six criteria pollutants are carbon monoxide, lead, nitrogen dioxide, ozone, particulate matter, and sulfur dioxide.

Federal environmental regulations of these criteria pollutants require states to adopt implementation plans, known as state implementation plans, for certain pollutants, which detail how the state will attain the standards that are mandated by the relevant law or regulation. Each state identifies the areas within its boundaries that meet the NAAQS (attainment areas) and those that do not (non-attainment areas), and must develop a state implementation plan both to bring non-attainment areas into compliance with the NAAQS and to maintain good air quality in attainment areas. In addition, for attainment of ozone and fine particulates standards, states in the eastern portion of the country, including Kentucky, are subject to a regional program developed by the EPA known as the Cross-State Air Pollution Rule. The NAAQS, future revisions to the NAAQS and state implementation plans, or future revisions to regional programs, may require installation of additional pollution controls, the costs of which PPL, LKE, LG&E and KU believe are subject to cost recovery.

Although PPL, LKE, LG&E and KU do not anticipate significant costs to comply with these programs, changes in market or operating conditions could result in different costs than anticipated.

National Ambient Air Quality Standards (NAAQS)

Under the Clean Air Act, the EPA is required to reassess the NAAQS for certain air pollutants on a five-year schedule. In 2008, the EPA revised the NAAQS for ozone and proposed to further strengthen the standard in November 2014. The EPA released a new ozone standard on October 1, 2015. The states and EPA will determine attainment with the new ozone standard through review of relevant ambient air monitoring data, with attainment or nonattainment designations scheduled no later than October 2017. States are also obligated to address interstate transport issues associated with new ozone standards through the establishment of "good neighbor" state implementation plans for those states that are found to contribute significantly to another states' non-attainment. States that are not in the ozone transport region, including Kentucky, are working together to evaluate further nitrogen oxide reductions from fossil-fueled plants with SCRs. The nature and timing of any additional reductions resulting from these evaluations cannot be predicted at this time.

In 2010, the EPA finalized revised NAAQS for sulfur dioxide and required states to identify areas that meet those standards and areas that are in "non-attainment". In July 2013, the EPA finalized non-attainment designations for parts of the country, including part of Jefferson County in Kentucky. Attainment must be achieved by 2018. PPL, LKE, LG&E and KU anticipate that certain previously required compliance measures, such as upgraded or new sulfur dioxide scrubbers at certain plants and the retirement of coal-fired generating units at LG&E's Cane Run plant and KU's Green River plant, will help to achieve compliance with the new sulfur dioxide and ozone standards. If additional reductions are required, the costs could be significant.

Mercury and Air Toxics Standards (MATS)

In February 2012, the EPA finalized the MATS rule requiring reductions of mercury and other hazardous air pollutants from fossil-fuel fired power plants, with an effective date of April 16, 2012. The MATS rule was challenged by industry groups and states and was upheld by the U.S. Court of Appeals for the D. C. Circuit Court (D.C. Circuit Court) in April 2014. A group of states subsequently petitioned the U.S. Supreme Court (Supreme Court) to review this decision and in June 2015, the Supreme Court held that the EPA failed to properly consider costs when deciding to regulate hazardous air emissions from power plants under MATS. The Supreme Court remanded the matter to the D.C. Circuit Court, which in December 2015 remanded the rule to EPA without vacating it. The EPA has proposed a supplemental finding regarding costs of the rule and has announced that it intends to make a final determination in 2016. The EPA's MATS rule remains in effect during the pendency of the ongoing proceedings.

LG&E and KU have installed significant controls in connection with the MATS rule and in conjunction with compliance with other environmental requirements, including fabric-filter baghouses, upgraded scrubbers or chemical additive systems for which appropriate KPSC authorization and/or ECR treatment has been received. LG&E and KU are seeking KPSC approval for a compliance plan providing for installation of additional MATS-related controls; however, the estimated cost of these controls is not expected to be significant for either LG&E or KU. PPL, LKE, LG&E and KU cannot predict the outcome of the MATS rule or its potential impact, if any, on plant operations, rate treatment or future capital or operating needs. See Note 6 for additional information.

New Source Review (NSR)

The NSR litigation brought by the EPA, states and environmental groups against coal-fired generating plants in past years continues to proceed through the courts. Although none of this litigation directly involves PPL, LKE, LG&E or KU, it can influence the permitting of large capital projects at LG&E's and KU's power plants, the costs of which cannot presently be determined but could be significant.

Climate Change

There is continuing attention focused on issues related to climate change. Most recently, in December 2015, 195 nations, including the U.S., signed the Paris Agreement on Climate which establishes a comprehensive framework for the reduction of greenhouse gas (GHG) emissions from both developed and developing nations. Although the agreement does not establish binding reduction requirements, it requires each nation to prepare, communicate and maintain GHG reduction commitments. Reductions can currently be achieved in a variety of ways, including energy conservation, power plant efficiency improvements, reduced utilization of coal-fired generation, or replacing coal-fired generation with natural gas or renewable generation. Based on EPA's Clean Power Plan described below, the U.S. has committed to an initial reduction target of 26% to 28% below 2005 levels by 2025.

The EPA's Rules under Section 111 of the Clean Air Act

As further described below, the EPA finalized rules imposing GHG emission standards for both new and existing power plants. The EPA has also issued a proposed federal implementation plan that would apply to any states that fail to submit an acceptable state implementation plan under these rules. The EPA's authority to promulgate these regulations under Section 111 of the Clean Air Act has been challenged in the D.C. Circuit Court by several states and industry groups. On February 9, 2016, the Supreme Court stayed the rule for existing plants (the Clean Power Plan) pending the D.C. Circuit Court's review and subsequent review by the Supreme Court if a writ of certiorari is filed and granted.

The EPA's rule for new power plants imposes separate emission standards for coal and natural gas units based on the application of different technologies. The coal standard is based on the application of partial carbon capture and sequestration technology, but because this technology is not presently commercially available, the rule effectively precludes the construction of new coal-fired plants. The standard for NGCC power plants is the same as the EPA proposed in 2012 and is not continuously achievable. The preclusion of new coal-fired plants and the compliance difficulties posed for new natural gas-fired plants could have a significant industry-wide impact.

The EPA's Clean Power Plan

The EPA's rule for existing power plants, referred to as the Clean Power Plan, was published in the Federal Register in October 2015. The Clean Power Plan contains state-specific rate-based and mass-based reduction goals and guidelines for the development, submission and implementation of state implementation plans to achieve the state goals. State-specific goals were calculated from 2012 data by applying the EPA's broad interpretation and definition of the BSER, resulting in the most stringent targets to be met in 2030, with interim targets to be met beginning in 2022. The EPA believes it has offered some flexibility to the states as to how their compliance plans can be crafted, including the option to use a rate-based approach (limit emissions per megawatt hour) or a mass-based approach (limit total tons of emissions per year), and the option to demonstrate compliance through emissions trading and multi-state collaborations. Under the rate-based approach, Kentucky would need to make a 41% reduction from its 2012 emissions rate and under a mass-based approach it would need to make a 36% reduction. These reductions are significantly greater than initially proposed and present significant challenges to the state. If the Clean Power Plan is ultimately upheld and Kentucky fails to develop an approvable implementation plan by the applicable deadline, the EPA would impose a federal implementation plan that could be more stringent than what the state plan might provide. Depending on the provisions of the Kentucky implementation plan, LG&E and KU may need to modify their current portfolio of generating assets during the next decade and/or participate in an allowance trading program.

LG&E and KU are participating in the ongoing regulatory processes at the state and federal level. Various states, industry groups, and individual companies including LKE have filed petitions for reconsideration with EPA and petitions for review with the D.C. Circuit Court challenging the Clean Power Plan. On February 9, 2016, the Supreme Court stayed the rule pending the D.C. Circuit Court's review. PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact, if any, on plant operations, or future capital or operating costs. PPL, LKE, LG&E and KU believe that the costs, which could be significant, would be subject to cost recovery.

In April 2014, the Kentucky General Assembly passed legislation which limits the measures that the Kentucky Energy and Environment Cabinet may consider in setting performance standards to comply with the EPA's regulations governing GHG emissions from existing sources. The legislation provides that such state GHG performance standards shall be based on emission reductions, efficiency measures, and other improvements available at each power plant, rather than renewable energy, end-use energy efficiency, fuel switching and re-dispatch. These statutory restrictions may make it more difficult for Kentucky to achieve the GHG reduction levels that the EPA has established for Kentucky.

Water/Waste

Coal Combustion Residuals (CCRs)

On April 17, 2015, the EPA published its final rule regulating CCRs. CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. The rule became effective on October 19, 2015. It imposes extensive new requirements, including location restrictions, design and operating standards, groundwater monitoring and corrective action requirements, and closure and post-closure care requirements on CCR impoundments and landfills that are located on active power plants and not closed. Under the rule, the EPA will regulate CCRs as non-hazardous under Subtitle D of RCRA and allow beneficial use of CCRs, with some restrictions. The rule's requirements for covered CCR impoundments and landfills include implementation of groundwater monitoring and commencement or completion of closure activities generally between three and ten years from certain triggering events. This self-implementing rule requires posting of compliance documentation on a publicly accessible website and is enforceable solely through citizen suits. LG&E and KU are also subject to state rules applicable to CCR management which may potentially be modified to reflect some or all requirements of the federal rule. Industry groups, environmental groups, individual companies and others have filed legal challenges to the final rule which are pending before the D.C. Circuit Court of Appeals.

LG&E and KU are pursuing KPSC approval for a compliance plan providing for construction of additional landfill capacity at the Brown Station, closure of impoundments at the Mill Creek, Trimble County, Brown, and Ghent stations, and construction of process water management facilities at those plants. In addition to the foregoing measures required for compliance with federal CCR rule requirements, LG&E and KU are also proposing to close impoundments at the retired Green River, Pineville, and Tyrone plants to comply with applicable state law requirements. PPL, LKE, LG&E, and KU estimate the cost of these CCR compliance measures at $311 million for LG&E and $661 million for KU. See Note 6 for additional information.

In connection with the final CCR rule, LG&E and KU recorded increases to existing AROs during 2015. See Note 16 for additional information. Further increases to AROs or changes to current capital plans or to operating costs may be required as estimates are refined based on closure developments, groundwater monitoring results, and regulatory or legal proceedings. Costs relating to this rule are subject to rate recovery.

Clean Water Act

Regulations under the federal Clean Water Act dictate permitting and mitigation requirements for many of LG&E's and KU's facilities and construction projects. Many of those requirements relate to power plant operations, including requirements related to the treatment of pollutants in effluents prior to discharge, the temperature of effluent discharges and the location, design and construction of cooling water intake structures at generating facilities, standards intended to protect aquatic organisms by reducing capture in the screens attached to cooling water intake structures (impingement) at generating facilities and the water volume brought into the facilities (entrainment). The requirements could impose significant costs which are subject to rate recovery.

Effluent Limitations Guidelines (ELGs)

On September 30, 2015, the EPA released its final effluent limitations guidelines for wastewater discharge permits for new and existing steam electric generating facilities. The rule provides strict technology-based discharge limitations for control of pollutants in scrubber wastewater, fly ash and bottom ash transport water, mercury control wastewater, gasification wastewater, and combustion residual leachate. The new guidelines require deployment of additional control technologies providing physical, chemical, and biological treatment of wastewaters. The guidelines also mandate operational changes including "no discharge" requirements for fly ash and bottom ash transport waters and mercury control wastewaters. The implementation date for individual generating stations will be determined by the states on a case-by-case basis according to criteria provided by the EPA, but the requirements of the rule must be fully implemented no later than 2023. It has not been decided how Kentucky intends to integrate the ELGs into its routine permit renewal process. Industry groups, environmental groups, individual companies and others have filed legal challenges to the final rule which have been consolidated before the 5th Circuit Court of Appeals. LG&E and KU are developing compliance strategies and schedules. PPL, LKE, LG&E and KU are unable to fully estimate compliance costs or timing at this time although certain preliminary estimates are included in current capital forecasts, for applicable periods. Costs to comply with ELGs or other discharge limits, which are expected to be significant, are subject to rate recovery.

Clean Water Act Section 316(b)

The EPA's final 316(b) rule for existing facilities became effective in October 2014, and regulates cooling water intake structures and their impact on aquatic organisms. States are allowed broad discretion to make site-specific determinations under the rule. The rule requires existing facilities to choose between several options to reduce the impact to aquatic organisms that become trapped against water intake screens (impingement) and to determine the intake structure's impact on aquatic organisms pulled through a plant's cooling water system (entrainment). Plants equipped with closed-cycle cooling, an acceptable option, would likely not incur substantial costs. Once-through systems would likely require additional technology to comply with the rule. Based on studies conducted by LG&E and KU to date, all plants will incur only insignificant operational costs. In addition, LG&E's Mill Creek Unit 1 is expected to incur capital costs. PPL, LKE, LG&E and KU are evaluating compliance strategies but do not presently expect the compliance costs, which are subject to rate recovery, to be significant.

(All Registrants)

Waters of the United States (WOTUS)

The U.S. Court of Appeals for the Sixth Circuit has issued a stay of EPA's rule on the definition of WOTUS pending the court's review of the rule. The effect of the stay is that the WOTUS rule is not in effect anywhere in the United States. The ultimate outcome of the court's review of the rule remains uncertain. Because of the strict permitting programs already in place in Kentucky and Pennsylvania, the Registrants do not expect the rule to have a significant impact on their operations.

Other Issues

The EPA is reassessing its polychlorinated biphenyls (PCB) regulations under the Toxic Substance Control Act, which 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 has postponed the release of the revised regulations to June 2016. 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.

Superfund and Other Remediation *(All Registrants)*

PPL Electric is potentially responsible for costs at several sites listed by the EPA under the federal Superfund program, including the Columbia Gas Plant site, the Metal Bank site and the Brodhead site. Clean-up actions have been or are being undertaken at all of these sites, the costs of which have not been significant to PPL Electric. Should the EPA require different or additional measures in the future, however, or should PPL Electric's share of costs at multi-party sites increase substantially more than expected, the costs could be significant.

PPL Electric, LG&E and KU are investigating, responding to agency inquiries, remediating, or have completed the remediation of, several sites that were not addressed under a regulatory program such as Superfund, but for which PPL Electric, LG&E and KU may be liable for remediation. These include a number of former coal gas manufacturing plants in Pennsylvania and Kentucky previously owned or operated or currently owned by predecessors or affiliates of PPL Electric, LG&E and KU. To date, the costs of these sites have not been significant.

There are additional sites, formerly owned or operated by PPL Electric, LG&E and KU predecessors or affiliates. LG&E and KU lack information on the conditions of such additional sites and are therefore unable to estimate any potential liability they may have or a range of reasonably possible losses, if any, related to these matters. At March 31, 2016 and December 31, 2015, PPL Electric has a liability of $10 million representing its best estimate of the probable loss incurred to remediate additional sites previously owned or operated by PPL Electric predecessors or affiliates. Depending on the outcome of investigations at sites where investigations have not begun or been completed or developments at sites for which information is incomplete, the costs of remediation and other liabilities could be significant and may be as much as approximately $30 million.

The EPA is evaluating the risks associated with polycyclic aromatic hydrocarbons and naphthalene, chemical by-products of coal gas manufacturing. As a result of the EPA's evaluation, individual states may establish stricter standards for water quality and soil cleanup. This could require several PPL subsidiaries to take more extensive assessment and remedial actions at former coal gas manufacturing plants. PPL, PPL Electric, LKE, LG&E and KU cannot estimate a range of reasonably possible losses, if any, related to these matters.

From time to time, PPL's subsidiaries undertake remedial action in response to notices of violations, spills or other releases at various on-site and off-site locations, negotiate with the EPA and state and local agencies regarding actions necessary for compliance with applicable requirements, negotiate with property owners and other third parties alleging impacts from PPL's operations and undertake similar actions necessary to resolve environmental matters that arise in the course of normal operations. Based on analyses to date, resolution of these environmental matters is not expected to have a significant adverse impact on the operations of PPL Electric, LG&E and KU.

Future cleanup or remediation work at sites under review, or at sites not yet identified, may result in significant additional costs for PPL, PPL Electric, LKE, LG&E and KU. Insurance policies maintained by LKE, LG&E and KU may be applicable to certain of the costs or other obligations related to these matters but the amount of insurance coverage or reimbursement cannot be estimated or assured.

Environmental Matters - WPD *(PPL)*

WPD's distribution businesses are subject to certain statutory and regulatory environmental requirements. In connection with the matters discussed below, it may be necessary for WPD to incur significant compliance costs, which costs may be recoverable through rates subject to the approval of Ofgem. PPL believes that WPD has taken and continues to take measures to comply with all applicable environmental laws and regulations.

European Union Creosote Ban

In 2011, the European Commission amended the European Union Biocides Directive to ban the use of creosote in contact with soil. Creosote is a wood preservative used to extend the life of wooden poles that support power lines. Although European Union member countries were required to pass implementing laws by 2012, the U.K. has not passed an implementing law and there are no legal penalties for failing to do so. If the U.K. were to pass an implementing law, WPD's creosote-treated wood poles would need to be replaced with an acceptable alternative at the time of routine replacement. WPD has 1.4 million wood poles in its system. There are currently no alternative wood preservatives available that are acceptable to the industry and/or regulators. It is not currently anticipated that the U.K. will adopt legislation to implement the creosote ban.

Carbon Reduction Commitment

The U.K.'s Carbon Reduction Commitment is a binding law that requires WPD to file reports regarding its carbon emissions and to purchase carbon allowances to offset emissions associated with WPD's operations. Failure to do so subjects WPD to fines and penalties. The approximate annual cost of purchasing allowances is £400 thousand and is included in WPD's budgeted expenditures. WPD expects these costs to decrease as 18 fuel sources previously subject to these reporting and emission allowance requirements have been exempted from these requirements. In addition, it is expected that energy efficiency measures will continue to decrease WPD's carbon emissions.

Insulating Oil

In 2014, the U.K. Environment Agency interpreted the Waste Framework Directive (a U.K. law) to classify electrical insulating oil as a hazardous waste. As a result, under the Hazardous Waste Regulations 2005 all sites with electrical equipment (other than pole mounted transformers) must be individually registered and licensed as a hazardous waste site, records must be maintained of all shipments of insulating oil to or from those sites and appropriate personnel must be trained on the license requirements. WPD has submitted, or is in the process of submitting, all required permit applications and is conducting training of WPD personnel as required. Compliance visits have been undertaken by the U.K. Environment Agency with no significant findings or permit violations.

Discharge at Substation

In 2014, a leak from a cable joint at a substation resulted in a discharge of a substance known as Linear Alkyl Benzene. The leak did not directly affect any third parties but did reduce the use of River Rea. WPD has taken interim remedial measures and is developing an overall remedial action package in collaboration with the U.K. Environment Agency. WPD has made a voluntary contribution of £25 thousand to a public park under an agreement among WPD, the U.K. Environment Agency and a local wildlife trust. WPD expects to incur additional costs to address this incident, including reimbursement of oversight costs incurred by the U.K. Environment Agency, that are not expected to be significant.

Other

Guarantees and Other Assurances

(All Registrants)

In the normal course of business, the Registrants enter into agreements that provide financial performance assurance to third parties on behalf of certain subsidiaries. Such agreements include, for example, guarantees, stand-by letters of credit issued by financial institutions and surety bonds issued by insurance companies. These agreements are entered into primarily to support or enhance the creditworthiness attributed to a subsidiary on a stand-alone basis or to facilitate the commercial activities in which these subsidiaries engage.

(PPL)

PPL fully and unconditionally guarantees all of the debt securities of PPL Capital Funding.

(All Registrants)

The table below details guarantees provided as of March 31, 2016. "Exposure" represents the estimated maximum potential amount of future payments that could be required to be made under the guarantee. The probability of expected payment/performance under each of these guarantees is remote except for "WPD guarantee of pension and other obligations of unconsolidated entities" and "Indemnification of lease termination and other divestitures." The total recorded liability at March 31, 2016, was $24 million for PPL and $18 million for LKE. The total recorded liability at December 31, 2015, was $25 million for PPL and $18 million for LKE. For reporting purposes, on a consolidated basis, all guarantees of PPL Electric, LKE, LG&E and KU also apply to PPL, and all guarantees of LG&E and KU also apply to LKE.

	Exposure at March 31, 2016	Expiration Date
PPL		
Indemnifications related to the WPD Midlands acquisition	(a)	
WPD indemnifications for entities in liquidation and sales of assets	$ 11 (b)	2019
WPD guarantee of pension and other obligations of unconsolidated entities	111 (c)	
PPL Electric		
Guarantee of inventory value	26 (d)	2018
LKE		
Indemnification of lease termination and other divestitures	301 (e)	2021 - 2023
LG&E and KU		
LG&E and KU guarantee of shortfall related to OVEC	(f)	

(a) Indemnifications related to certain liabilities, including a specific unresolved tax issue and those relating to properties and assets owned by the seller that were transferred to WPD Midlands in connection with the acquisition. A cross indemnity has been received from the seller on the tax issue. The maximum exposure and expiration of these indemnifications cannot be estimated because the maximum potential liability is not capped and the expiration date is not specified in the transaction documents.

(b) Indemnification to the liquidators and certain others for existing liabilities or expenses or liabilities arising during the liquidation process. The indemnifications are limited to distributions made from the subsidiary to its parent either prior or subsequent to liquidation or are not explicitly stated in the agreements. The indemnifications generally expire two to seven years subsequent to the date of dissolution of the entities. The exposure noted only includes those cases where the agreements provide for specific limits.

In connection with their sales of various businesses, WPD and its affiliates have provided the purchasers with indemnifications that are standard for such transactions, including indemnifications for certain pre-existing liabilities and environmental and tax matters or have agreed to continue their obligations under existing third-party guarantees, either for a set period of time following the transactions or upon the condition that the purchasers make reasonable efforts to terminate the guarantees. Additionally, WPD and its affiliates remain secondarily responsible for lease payments under certain leases that they have assigned to third parties.

(c) Relates to certain obligations of discontinued or modified electric associations that were guaranteed at the time of privatization by the participating members. Costs are allocated to the members and can be reallocated if an existing member becomes insolvent. At March 31, 2016, WPD has recorded an estimated discounted liability for which the expected payment/performance is probable. Neither the expiration date nor the maximum amount of potential payments for certain obligations is explicitly stated in the related agreements, and as a result, the exposure has been estimated.

(d) A third party logistics firm provides inventory procurement and fulfillment services. The logistics firm has title to the inventory, however, upon termination of the contracts, PPL Electric has guaranteed to purchase any remaining inventory that has not been used or sold.

(e) LKE provides certain indemnifications covering the due and punctual payment, performance and discharge by each party of its respective obligations. The most comprehensive of these guarantees is the LKE guarantee covering operational, regulatory and environmental commitments and indemnifications made by WKE under a 2009 Transaction Termination Agreement. This guarantee has a term of 12 years ending July 2021, and a maximum exposure of $200 million, exclusive of certain items such as government fines and penalties that fall outside the cap. Another WKE-related LKE guarantee covers other indemnifications related to the purchase price of excess power, has a term expiring in 2023, and a maximum exposure of $100 million. In May 2012, LKE's indemnitee received an unfavorable arbitration panel's decision interpreting this matter. In October 2014, LKE's indemnitee filed a motion for discretionary review with the Kentucky Supreme Court seeking to overturn the arbitration decision, and such motion was denied by the court in September 2015. In September 2015, a counterparty issued a demand letter to LKE's indemnitee. In February 2016, the counterparty filed a complaint in Henderson, Kentucky Circuit Court, seeking an award of damages in the matter. LKE does not believe appropriate contractual, legal or commercial grounds exist for the claim made and has disputed the demands. LKE believes its indemnification obligations in the WKE matter remain subject to various uncertainties, including additional legal and contractual developments, as well as future prices, availability and demand for the subject excess power. The parties are conducting preliminary settlement discussions, however, the ultimate outcomes of the WKE termination-related indemnifications cannot be predicted at this time. Additionally, LKE has indemnified various third parties related to historical obligations for other divested subsidiaries and affiliates. The indemnifications vary by entity and the maximum exposures range from being capped at the sale price to no specified maximum; LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. LKE cannot predict the ultimate outcomes of the indemnification circumstances, but does not expect such outcomes to result in significant losses above the amounts recorded.

(f) Pursuant to the OVEC power purchase contract, LG&E and KU are obligated to pay for their share of OVEC's excess debt service, post-retirement and decommissioning costs, as well as any shortfall from amounts included within a demand charge designed and expected to cover these costs over the term of the contract. LKE's proportionate share of OVEC's outstanding debt was $124 million at March 31, 2016, consisting of LG&E's share of $86 million and KU's share of $38 million. The maximum exposure and the expiration date of these potential obligations are not presently determinable. See "Energy Purchase Commitments" and "Guarantees and Other Assurances" in Note 13 in PPL's, LKE's, LG&E's and KU's 2015 Form 10-K for additional information on the OVEC power purchase contract.

The Registrants provide other miscellaneous guarantees through contracts entered into in the normal course of business. These guarantees are primarily in the form of indemnification or warranties related to services or equipment and vary in duration. The amounts of these guarantees often are not explicitly stated, and the overall maximum amount of the obligation under such guarantees cannot be reasonably estimated. Historically, no significant payments have been made with respect to these types of guarantees and the probability of payment/performance under these guarantees is remote.

PPL, on behalf of itself and certain of its subsidiaries, maintains insurance that covers liability assumed under contract for bodily injury and property damage. The coverage provides maximum aggregate coverage of $225 million. This insurance may be applicable to obligations under certain of these contractual arrangements.

11. Related Party Transactions

PLR Contracts/Purchase of Accounts Receivable *(PPL Electric)*

PPL Electric holds competitive solicitations for PLR generation supply. PPL EnergyPlus was awarded a portion of the PLR generation supply through these competitive solicitations. The purchases from PPL EnergyPlus are included in PPL Electric's Statements of Income as "Energy purchases from affiliate" through May 31, 2015, the period through which PPL Electric and PPL EnergyPlus were affiliated entities. As a result of the June 1, 2015 spinoff of PPL Energy Supply and creation of Talen Energy, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are included as purchases from an unaffiliated third party.

Under the standard Default Service Supply Master Agreement for the solicitation process, PPL Electric requires all suppliers to post collateral once credit exposures exceed defined credit limits. Wholesale suppliers are required to post collateral with PPL Electric when: (a) the market price of electricity to be delivered by the wholesale suppliers exceeds the contract price for the forecasted quantity of electricity to be delivered; and (b) this market price exposure exceeds a contractual credit limit. 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 2 for additional information regarding PPL Electric's purchases of accounts receivable from alternative suppliers, including Talen Energy Marketing.

Support Costs *(PPL Electric, LKE, LG&E and KU)*

PPL Services and LKS provide their respective PPL and LKE subsidiaries and each other with administrative, management and support services. PPL EU Services provides the majority of financial, supply chain, human resources and facilities management services primarily to PPL Electric. PPL Services provides certain corporate functions to PPL Electric. For all service companies, the costs of these services are charged to the respective recipients as direct support costs. General costs that cannot be directly attributed to a specific entity are allocated and charged to the respective recipients as indirect support costs. PPL Services and PPL EU Services use a three-factor methodology that includes the applicable recipients' invested capital, operation and maintenance expenses and number of employees to allocate indirect costs. LKS bases its indirect allocations on the subsidiaries' number of employees, total assets, revenues, number of customers and/or other statistical information. PPL Services, PPL EU Services and LKS charged the following amounts for the periods ended March 31, including amounts applied to accounts that are further distributed between capital and expense on the books of the recipients, based on methods that are believed to be reasonable.

	Three Months	
	2016	2015
PPL Electric from PPL Services	$ 37	$ 30
LKE from PPL Services	5	4
PPL Electric from PPL EU Services	17	15
LG&E from LKS	47	51
KU from LKS	56	56

In addition to the charges for services noted above, LKS makes payments on behalf of LG&E and KU for fuel purchases and other costs for products or services provided by third parties. LG&E and KU also provide services to each other and to LKS. Billings between LG&E and KU relate to labor and overheads associated with union and hourly employees performing work for the other company, charges related to jointly-owned generating units and other miscellaneous charges. Tax settlements between LKE and LG&E and LKE and KU are reimbursed through LKS.

Intercompany Borrowings *(LKE)*

LKE maintains a $225 million revolving line of credit with a PPL Energy Funding subsidiary whereby LKE can borrow funds on a short-term basis at market-based rates. At March 31, 2016 and December 31, 2015, $147 million and $54 million were outstanding and were reflected in "Notes payable with affiliate" on the Balance Sheets. The interest rate on borrowings is equal to one-month LIBOR plus a spread. The interest rates on the outstanding borrowing at March 31, 2016 and December 31, 2015 were 1.94% and 1.74%. Interest on the revolving line of credit was not significant for the three months ended March 31, 2016 and 2015.

LKE has a $400 million ten-year note with a PPL affiliate with an interest rate of 3.5%. At March 31, 2016, the note was reflected in "Long-term debt to affiliate" on the Balance Sheet.

Other *(PPL Electric, LG&E and KU)*

See Note 9 for discussions regarding intercompany allocations associated with defined benefits.

12. Other Income (Expense) - net

(PPL)

"Other Income (Expense) - net" for the three months ended March 31, 2016 and 2015 consisted primarily of gains on foreign currency contracts to economically hedge PPL's translation risk related to its GBP denominated earnings in the U.K. See Note 14 for additional information on these derivatives.

13. Fair Value Measurements

(All Registrants)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models) and/or a cost approach (generally, replacement cost) are used to measure the fair value of an asset or liability, as appropriate. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk. The fair value of a group of financial assets and liabilities is measured on a net basis. Transfers between levels are recognized at end-of-reporting-period values. During the three months ended March 31, 2016 and 2015, there were no transfers between Level 1 and Level 2. See Note 1 in each Registrant's 2015 Form 10-K for information on the levels in the fair value hierarchy.

Recurring Fair Value Measurements

The assets and liabilities measured at fair value were:

	March 31, 2016				December 31, 2015			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	$ 814	$ 814			$ 836	$ 836		
Restricted cash and cash equivalents (a)	32	32			33	33		
Price risk management assets (b):								
Foreign currency contracts	249		$ 249		209		$ 209	
Cross-currency swaps	188		188		86		86	
Total price risk management assets	437		437		295		295	
Auction rate securities (c)	2			$ 2	2			$ 2
Total assets	$ 1,285	$ 846	$ 437	$ 2	$ 1,166	$ 869	$ 295	$ 2
Liabilities								
Price risk management liabilities (b):								
Interest rate swaps	$ 95		$ 95		$ 71		$ 71	
Foreign currency contracts	3		3		1		1	
Total price risk management liabilities	$ 98		$ 98		$ 72		$ 72	
PPL Electric								
Assets								
Cash and cash equivalents	$ 34	$ 34			$ 47	$ 47		
Restricted cash and cash equivalents (a)	2	2			2	2		
Total assets	$ 36	$ 36			$ 49	$ 49		
LKE								
Assets								
Cash and cash equivalents	$ 28	$ 28			$ 30	$ 30		
Cash collateral posted to counterparties (d)	8	8			9	9		
Total assets	$ 36	$ 36			$ 39	$ 39		
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 53		$ 53		$ 47		$ 47	
Total price risk management liabilities	$ 53		$ 53		$ 47		$ 47	
LG&E								
Assets								
Cash and cash equivalents	$ 11	$ 11			$ 19	$ 19		
Cash collateral posted to counterparties (d)	8	8			9	9		
Total assets	$ 19	$ 19			$ 28	$ 28		
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 53		$ 53		$ 47		$ 47	
Total price risk management liabilities	$ 53		$ 53		$ 47		$ 47	

	March 31, 2016				December 31, 2015			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
KU								
Assets								
Cash and cash equivalents	$ 17	$ 17			$ 11	$ 11		
Total assets	$ 17	$ 17			$ 11	$ 11		

(a) Current portion is included in "Other current assets" and long-term portion is included in "Other noncurrent assets" on the Balance Sheets.
(b) Current portion is included in "Price risk management assets" and "Other current liabilities" and noncurrent portion is included in "Price risk management assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.
(c) Included in "Other noncurrent assets" on the Balance Sheets.
(d) Included in "Other noncurrent assets" on the Balance Sheets. Represents cash collateral posted to offset the exposure with counterparties related to certain interest rate swaps under master netting arrangements that are not offset.

Price Risk Management Assets/Liabilities - Interest Rate Swaps/Foreign Currency Contracts/Cross-Currency Swaps (*PPL, LKE, LG&E and KU)*

To manage interest rate risk, PPL, LKE, LG&E and KU use interest rate contracts such as forward-starting swaps, floating-to-fixed swaps and fixed-to-floating swaps. To manage foreign currency risk, PPL uses foreign currency contracts such as forwards, options and cross-currency swaps that contain characteristics of both interest rate and foreign currency contracts. An income approach is used to measure the fair value of these contracts, utilizing readily observable inputs, such as forward interest rates (e.g., LIBOR and government security rates) and forward foreign currency exchange rates (e.g., GBP), as well as inputs that may not be observable, such as credit valuation adjustments. In certain cases, market information cannot practicably be obtained to value credit risk and therefore internal models are relied upon. These models use projected probabilities of default and estimated recovery rates based on historical observances. When the credit valuation adjustment is significant to the overall valuation, the contracts are classified as Level 3.

Financial Instruments Not Recorded at Fair Value *(All Registrants)*

The carrying amounts of long-term debt on the Balance Sheets and their estimated fair values are set forth below. The fair values were estimated using an income approach by discounting future cash flows at estimated current cost of funding rates, which incorporate the credit risk of the Registrants. Long-term debt is classified as Level 2. The effect of third-party credit enhancements is not included in the fair value measurement.

	March 31, 2016		December 31, 2015	
	Carrying Amount (a)	Fair Value	Carrying Amount (a)	Fair Value
PPL	$ 18,559	$ 21,046	$ 19,048	$ 21,218
PPL Electric	2,829	3,216	2,828	3,088
LKE	5,088	5,625	5,088	5,384
LG&E	1,642	1,779	1,642	1,704
KU	2,326	2,587	2,326	2,467

(a) Amounts are net of debt issuance costs.

The carrying value of short-term debt (including notes between affiliates), when outstanding, approximates fair value due to the variable interest rates associated with the short-term debt and is classified as Level 2.

14. Derivative Instruments and Hedging Activities

Risk Management Objectives

(All Registrants)

PPL has a risk management policy approved by the Board of Directors to manage market risk associated with commodities, interest rates on debt issuances and foreign exchange (including price, liquidity and volumetric risk) and credit risk (including non-performance risk and payment default risk). The Risk Management Committee, comprised of senior management and chaired by the Director - Risk Management, oversees the risk management function. Key risk control activities designed to ensure compliance with the risk policy and detailed programs include, but are not limited to, credit review and approval, validation of transactions, verification of risk and transaction limits, value-at-risk analyses (VaR, a statistical model that attempts to estimate the value of potential loss over a given holding period under normal market conditions at a given confidence level) and the coordination and reporting of the Enterprise Risk Management program.

Market Risk

Market risk includes the potential loss that may be incurred as a result of price changes associated with a particular financial or commodity instrument as well as market liquidity and volumetric risks. Forward contracts, futures contracts, options, swaps and structured transactions are utilized as part of risk management strategies to minimize unanticipated fluctuations in earnings caused by changes in commodity prices, interest rates and foreign currency exchange rates. Many of the contracts meet the definition of a derivative. All derivatives are recognized on the Balance Sheets at their fair value, unless NPNS is elected.

The following summarizes the market risks that affect PPL and its subsidiaries.

Interest rate risk

- PPL and its subsidiaries are exposed to interest rate risk associated with forecasted fixed-rate and existing floating-rate debt issuances. PPL and WPD hold over-the-counter cross currency swaps to limit exposure to market fluctuations on interest and principal payments from changes in foreign currency exchange rates and interest rates. LG&E utilizes over-the-counter interest rate swaps to limit exposure to market fluctuations on floating-rate debt. PPL, LG&E and KU utilize forward starting interest rate swaps to hedge changes in benchmark interest rates, when appropriate, in connection with future debt issuances.

- PPL and its subsidiaries are exposed to interest rate risk associated with debt securities and derivatives held by defined benefit plans. This risk is significantly mitigated to the extent that the plans are sponsored at, or sponsored on behalf of, the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place.

Foreign currency risk

- PPL is exposed to foreign currency exchange risk primarily associated with its investments in and earnings of U.K. affiliates.

Commodity price risk

PPL is exposed to commodity price risk through its domestic subsidiaries as described below.

- PPL Electric is exposed to commodity price risk from its obligation as PLR; however, its PUC-approved cost recovery mechanism substantially eliminates its exposure to this risk. PPL Electric also mitigates its exposure to commodity price risk by entering into full-requirement supply agreements to serve its PLR customers. These supply agreements transfer the commodity price risk associated with the PLR obligation to the energy suppliers.

- LG&E's and KU's rates include certain mechanisms for fuel and fuel-related expenses. In addition, LG&E's rates include a mechanism for natural gas supply expenses. These mechanisms generally provide for timely recovery of market price fluctuations associated with these expenses.

Volumetric risk

PPL is exposed to volumetric risk through its domestic subsidiaries as described below.

- WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K. Under the RIIO - ED1 price control period, recovery of such exposure occurs on a two year lag. See Note 1 in PPL's 2015 Form 10-K for additional information on revenue recognition under RIIO - ED1.

- PPL Electric, LG&E and KU are exposed to volumetric risk on retail sales, mainly due to weather and other economic conditions for which there is limited mitigation between rate cases.

Equity securities price risk

- PPL and its subsidiaries are exposed to equity securities price risk associated with defined benefit plans. This risk is significantly mitigated at the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place.

- PPL is exposed to equity securities price risk from future stock sales and/or purchases.

Credit Risk

Credit risk is the potential loss that may be incurred due to a counterparty's non-performance.

PPL is exposed to credit risk from "in-the-money" interest rate and foreign currency derivatives with financial institutions, as well as additional credit risk through certain of its subsidiaries, as discussed below.

In the event a supplier of LKE (through its subsidiaries LG&E and KU) or PPL Electric defaults on its obligation, those entities would be required to seek replacement power or replacement fuel in the market. In general, subject to regulatory review or other processes, appropriate incremental costs incurred by these entities would be recoverable from customers through applicable rate mechanisms, thus mitigating the financial risk for these entities.

PPL and its subsidiaries have credit policies in place to manage credit risk, including the use of an established credit approval process, daily monitoring of counterparty positions and the use of master netting agreements or provisions. These agreements generally include credit mitigation provisions, such as margin, prepayment or collateral requirements. PPL and its subsidiaries may request additional credit assurance, in certain circumstances, in the event that the counterparties' credit ratings fall below investment grade, their tangible net worth falls below specified percentages or their exposures exceed an established credit limit.

Master Netting Arrangements

Net derivative positions on the balance sheets are not offset against the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) under master netting arrangements.

PPL had an obligation to return $15 million of cash collateral under master netting arrangements at March 31, 2016 and no obligation to return cash collateral under master netting arrangements at December 31, 2015.

LKE, LG&E and KU had no obligation to return cash collateral under master netting arrangements at March 31, 2016 and December 31, 2015.

PPL, LKE and LG&E posted $8 million and $9 million of cash collateral under master netting arrangements at March 31, 2016 and December 31, 2015.

KU did not post any cash collateral under master netting arrangements at March 31, 2016 and December 31, 2015.

See "Offsetting Derivative Instruments" below for a summary of derivative positions presented in the balance sheets where a right of setoff exists under these arrangements.

Interest Rate Risk

(All Registrants)

PPL and its subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. Various financial derivative instruments are utilized to adjust the mix of fixed and floating interest rates in their debt portfolio, adjust the duration of the debt portfolio and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under PPL's risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolio due to changes in benchmark interest rates. In addition, the interest rate risk of certain subsidiaries is potentially mitigated as a result of the existing regulatory framework or the timing of rate cases.

Cash Flow Hedges

(PPL)

Interest rate risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financings. Financial interest rate swap contracts that qualify as cash flow hedges may be entered into to hedge floating interest rate risk associated with both existing and anticipated debt issuances. At March 31, 2016, PPL held an aggregate notional value in interest rate swap contracts of $300 million that range in maturity through 2026.

At March 31, 2016, PPL held an aggregate notional value in cross-currency interest rate swap contracts of $1.3 billion that range in maturity from 2016 through 2028 to hedge the interest payments and principal of WPD's U.S. dollar-denominated senior notes.

For the three months ended March 31, 2016 and 2015, PPL had no hedge ineffectiveness associated with interest rate derivatives.

Cash flow hedges are discontinued if it is no longer probable that the original forecasted transaction will occur by the end of the originally specified time period and any amounts previously recorded in AOCI are reclassified into earnings once it is determined that the hedged transaction is not probable of occurring. For the three months ended March 31, 2016, PPL had an insignificant amount of cash flow hedges reclassified into earnings associated with discontinued cash flow hedges and no cash flow hedges reclassified into earnings associated with discontinued cash flow hedges for the three months ended March 31, 2015.

At March 31, 2016, the accumulated net unrecognized after-tax gains (losses) on qualifying derivatives that are expected to be reclassified into earnings during the next 12 months were insignificant. Amounts are reclassified as the hedged interest expense is recorded.

Economic Activity *(PPL, LKE and LG&E)*

LG&E enters into interest rate swap contracts that economically hedge interest payments on variable rate debt. Because realized gains and losses from the swaps, including a terminated swap contract, are recoverable through regulated rates, any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities until they are realized as interest expense. Realized gains and losses are recognized in "Interest Expense" on the Statements of Income at the time the underlying hedged interest expense is recorded. At March 31, 2016, LG&E held contracts with a notional amount of $179 million that range in maturity through 2033.

Foreign Currency Risk

(PPL)

PPL is exposed to foreign currency risk, primarily through investments in and earnings of U.K. affiliates. PPL has adopted a foreign currency risk management program designed to hedge certain foreign currency exposures, including firm commitments, recognized assets or liabilities, anticipated transactions and net investments. In addition, PPL enters into financial instruments to protect against foreign currency translation risk of expected GBP earnings.

Net Investment Hedges

PPL enters into foreign currency contracts on behalf of a subsidiary to protect the value of a portion of its net investment in WPD. The contracts outstanding at March 31, 2016 had a notional amount of £116 million (approximately $180 million based on contracted rates). The settlement dates of these contracts range from April 2016 through June 2016.

At March 31, 2016, PPL had $21 million of accumulated net investment hedge after tax gains (losses) that were included in the foreign currency translation adjustment component of AOCI, compared to $19 million at December 31, 2015.

Economic Activity

PPL enters into foreign currency contracts on behalf of a subsidiary to economically hedge GBP-denominated anticipated earnings. At March 31, 2016, the total exposure hedged by PPL was approximately £2.0 billion (approximately $3.1 billion based on contracted rates). These contracts had termination dates ranging from April 2016 through November 2018.

Accounting and Reporting

(All Registrants)

All derivative instruments are recorded at fair value on the Balance Sheet as an asset or liability unless NPNS is elected. NPNS contracts for PPL and PPL Electric include certain full-requirement purchase contracts and other physical purchase contracts. Changes in the fair value of derivatives not designated as NPNS are recognized in earnings unless specific hedge accounting criteria are met and designated as such, except for the changes in fair values of LG&E's and KU's interest rate swaps that are recognized as regulatory assets or regulatory liabilities. See Note 6 for amounts recorded in regulatory assets and regulatory liabilities at March 31, 2016 and December 31, 2015.

See Notes 1 and 17 in each Registrant's 2015 Form 10-K for additional information on accounting policies related to derivative instruments.

(PPL)

The following table presents the fair value and location of derivative instruments recorded on the Balance Sheets, excluding derivative instruments of discontinued operations.

	March 31, 2016				December 31, 2015			
	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments		Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current:								
Price Risk Management Assets/Liabilities (a):								
Interest rate swaps (b)		$ 42		$ 6		$ 24		$ 5
Cross-currency swaps (b)	$ 71				$ 35			
Foreign currency contracts	12		$ 100	3	10		$ 94	1
Total current	83	42	100	9	45	24	94	6
Noncurrent:								
Price Risk Management Assets/Liabilities (a):								
Interest rate swaps (b)				47				42
Cross-currency swaps (b)	117				51			
Foreign currency contracts			137				105	
Total noncurrent	117		137	47	51		105	42
Total derivatives	$ 200	$ 42	$ 237	$ 56	$ 96	$ 24	$ 199	$ 48

(a) Current portion is included in "Price risk management assets" and "Other current liabilities" and noncurrent portion is included in "Price risk management assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.
(b) Excludes accrued interest, if applicable.

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities for the three months ended March 31.

Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion) 2016	2015	Location of Gain (Loss) Recognized in Income on Derivative	2016 Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	2016 Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	2015 Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	2015 Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Cash Flow Hedges:							
Interest rate swaps	$ (18)	$ (19)	Interest expense	$ (1)		$ (4)	
Cross-currency swaps	113	21	Interest expense	1		1	
			Other income (expense) - net	97		17	
Commodity contracts			Discontinued operations			7	
Total	$ 95	$ 2		$ 97		$ 21	
Net Investment Hedges:							
Foreign currency contracts	$ 3	$ 16					

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	2016	2015
Foreign currency contracts	Other income (expense) - net	$ 60	$ 88
Interest rate swaps	Interest expense	(2)	(2)
	Total	$ 58	$ 86

Derivatives Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	2016	2015
Interest rate swaps	Regulatory assets- noncurrent		$ (56)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	2016	2015
Interest rate swaps	Regulatory assets - noncurrent	$ (6)	$ (4)

(LKE)

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets for the periods ended March 31.

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	2016	2015
Interest rate swaps	Regulatory assets - noncurrent		$ (56)

(LG&E)

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets for the periods ended March 31.

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	2016	2015
Interest rate swaps	Regulatory assets - noncurrent		$ (28)

(KU)

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets for the periods ended March 31.

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	2016	2015
Interest rate swaps	Regulatory assets - noncurrent		$ (28)

(LKE and LG&E)

The following table presents the fair value and the location on the Balance Sheets of derivatives not designated as hedging instruments.

	March 31, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps		$ 6		$ 5
Total current		6		5
Noncurrent:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps		47		42
Total noncurrent		47		42
Total derivatives		$ 53		$ 47

(a) Represents the location on the Balance Sheets.

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets for the periods ended March 31.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	2016	2015
Interest rate swaps	Interest expense	$ (2)	$ (2)

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	2016	2015
Interest rate swaps	Regulatory assets - noncurrent	$ (6)	$ (4)

(PPL, LKE, LG&E and KU)

Offsetting Derivative Instruments

PPL, LKE, LG&E and KU or certain of their subsidiaries have master netting arrangements in place and also enter into agreements pursuant to which they purchase or sell certain energy and other products. Under the agreements, upon termination of the agreement as a result of a default or other termination event, the non-defaulting party typically would have a right to set off amounts owed under the agreement against any other obligations arising between the two parties (whether under the agreement or not), whether matured or contingent and irrespective of the currency, place of payment or place of booking of the obligation.

PPL, LKE, LG&E and KU have elected not to offset derivative assets and liabilities and not to offset net derivative positions against the right to reclaim cash collateral pledged (an asset) or the obligation to return cash collateral received (a liability) under derivatives agreements. The table below summarizes the derivative positions presented in the balance sheets where a right of setoff exists under these arrangements and related cash collateral received or pledged.

	Assets				Liabilities			
		Eligible for Offset				Eligible for Offset		
	Gross	Derivative Instruments	Cash Collateral Received	Net	Gross	Derivative Instruments	Cash Collateral Pledged	Net
March 31, 2016								
Treasury Derivatives								
PPL	$ 437	$ 45	$ 15	$ 377	$ 98	$ 45	$ 8	$ 45
LKE					53		8	45
LG&E					53		8	45
December 31, 2015								
Treasury Derivatives								
PPL	$ 295	$ 25		$ 270	$ 72	$ 25	$ 9	$ 38
LKE					47		9	38
LG&E					47		9	38

Credit Risk-Related Contingent Features

Certain derivative contracts contain credit risk-related contingent features which, when in a net liability position, would permit the counterparties to require the transfer of additional collateral upon a decrease in the credit ratings of PPL, LKE, LG&E and KU or certain of their subsidiaries. Most of these features would require the transfer of additional collateral or permit the counterparty to terminate the contract if the applicable credit rating were to fall below investment grade. Some of these features also would allow the counterparty to require additional collateral upon each downgrade in credit rating at levels that remain above investment grade. In either case, if the applicable credit rating were to fall below investment grade, and assuming no assignment to an investment grade affiliate were allowed, most of these credit contingent features require either immediate payment of the net liability as a termination payment or immediate and ongoing full collateralization on derivative instruments in net liability positions.

Additionally, certain derivative contracts contain credit risk-related contingent features that require adequate assurance of performance be provided if the other party has reasonable concerns regarding the performance of PPL's, LKE's, LG&E's, and KU's obligations under the contracts. A counterparty demanding adequate assurance could require a transfer of additional collateral or other security, including letters of credit, cash and guarantees from a creditworthy entity. This would typically involve negotiations among the parties. However, amounts disclosed below represent assumed immediate payment or immediate and ongoing full collateralization for derivative instruments in net liability positions with "adequate assurance" features.

(PPL, LKE and LG&E)

At March 31, 2016, derivative contracts in a net liability position that contain credit risk-related contingent features, collateral posted on those positions and the related effect of a decrease in credit ratings below investment grade are summarized as follows:

	PPL	LKE	LG&E
Aggregate fair value of derivative instruments in a net liability position with credit risk-related contingent features	$ 31	$ 30	$ 30
Aggregate fair value of collateral posted on these derivative instruments	8	8	8
Aggregate fair value of additional collateral requirements in the event of a credit downgrade below investment grade (a)	23	22	22

(a) Includes the effect of net receivables and payables already recorded on the Balance Sheet.

15. Goodwill

(PPL)

The change in the carrying amount of goodwill for the three months ended March 31, 2016 was due to the effect of foreign currency exchange rates on the U.K. Regulated segment.

16. Asset Retirement Obligations

(PPL, LKE, LG&E and KU)

The changes in the carrying amounts of AROs were as follows.

	PPL	LKE	LG&E	KU
Balance at December 31, 2015	$ 586	$ 535	$ 175	$ 360
Accretion	6	6	2	4
Effect of foreign currency exchange rates	(4)			
Obligations settled	(1)	(1)	(1)	
Balance at March 31, 2016	$ 587	$ 540	$ 176	$ 364

LKE's, LG&E's and KU's ARO liabilities are primarily related to CCR closure costs. See Note 10 for information on the final CCR rule and Note 6 for information on the rate recovery applications with the KPSC. LG&E's and KU's accretion and ARO-related depreciation expense are recorded as a regulatory asset, such that there is no net earnings impact.

17. Accumulated Other Comprehensive Income (Loss)

(PPL)

The after-tax changes in AOCI by component for the three month periods ended March 31 were as follows.

	Foreign currency translation adjustments	Unrealized gains (losses) Available-for-sale securities	Unrealized gains (losses) Qualifying derivatives	Equity investees' AOCI	Defined benefit plans Prior service costs	Defined benefit plans Actuarial gain (loss)	Total
December 31, 2015	$ (520)		$ (7)		$ (6)	$ (2,195)	$ (2,728)
Amounts arising during the period	(464)		80				(384)
Reclassifications from AOCI			(78)			31	(47)
Net OCI during the period	(464)		2			31	(431)
March 31, 2016	$ (984)		$ (5)		$ (6)	$ (2,164)	$ (3,159)
December 31, 2014	$ (286)	$ 201	$ 20	$ 1	$ 3	$ (2,213)	$ (2,274)
Amounts arising during the period	(66)	5	6			(1)	(56)
Reclassifications from AOCI		(1)	(17)	(1)		38	19
Net OCI during the period	(66)	4	(11)	(1)		37	(37)
March 31, 2015	$ (352)	$ 205	$ 9	$	$ 3	$ (2,176)	$ (2,311)

The following table presents the gains (losses) and related income taxes for reclassifications from AOCI for the three month periods ended March 31. The defined benefit plan components of AOCI are not reflected in their entirety in the Statement of Income during the periods; rather, they are included in the computation of net periodic defined benefit costs (credits) and subject to capitalization. See Note 9 for additional information.

Details about AOCI	Three Months 2016	Three Months 2015	Affected Line Item on the Statements of Income
Available-for-sale securities		$ 2	Other Income (Expense) - net
Total Pre-tax		2	
Income Taxes		(1)	
Total After-tax		1	
Qualifying derivatives			
Interest rate swaps	$ (1)	(4)	Interest Expense
Cross-currency swaps	97	17	Other Income (Expense) - net
	1	1	Interest Expense
Commodity contracts		7	Discontinued operations
Total Pre-tax	97	21	
Income Taxes	(19)	(4)	
Total After-tax	78	17	

Details about AOCI	Three Months 2016	2015	Affected Line Item on the Statements of Income
Equity investees' AOCI		2	Other Income (Expense) - net
Total Pre-tax		2	
Income Taxes		(1)	
Total After-tax		1	
Defined benefit plans			
Net actuarial loss	(40)	(51)	
Total Pre-tax	(40)	(51)	
Income Taxes	9	13	
Total After-tax	(31)	(38)	
Total reclassifications during the period	$ 47	$ (19)	

18. New Accounting Guidance Pending Adoption

(All Registrants)

Accounting for Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued accounting guidance that establishes a comprehensive new model for the recognition of revenue from contracts with customers. This model is based on the core principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

For public business entities, this guidance can be applied using either a full retrospective or modified retrospective transition method, beginning in annual reporting periods after December 15, 2017 and interim periods within those years. Public business entities may early adopt this guidance in annual reporting periods beginning after December 15, 2016. The Registrants expect to adopt this guidance effective January 1, 2018.

The Registrants are currently assessing the impact of adopting this guidance, as well as the transition method they will use.

Accounting for Leases

In February 2016, the FASB issued accounting guidance for leases. This new guidance requires lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). For income statement purposes, the FASB retained a dual model for lessees, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines.

Lessor accounting under the new guidance is similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard. Similar to current practice, lessors will classify leases as operating, direct financing, or sales-type.

The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented.

The Registrants are currently assessing the impact of adopting this guidance.

Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations

(All Registrants)

This "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" is separately filed by PPL Corporation, PPL Electric, LKE, LG&E and KU. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure for each Registrant's related activities and disclosures. Within combined disclosures, amounts are disclosed for any Registrant when significant.

The following should be read in conjunction with the Registrants' Condensed Consolidated Financial Statements and the accompanying Notes and with the Registrants' 2015 Form 10-K. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted.

"Management's Discussion and Analysis of Financial Condition and Results of Operations" includes the following information:

- "Overview" provides a description of each Registrant's business strategy, a description of key factors expected to impact future earnings and a discussion of important financial and operational developments.

- "Results of Operations" for PPL provides a detailed analysis of earnings by segment, and for PPL Electric, LKE, LG&E and KU, includes a summary of earnings. For all Registrants, "Non-GAAP Financial Measures", "Earnings from Ongoing Operations" and "Margins" provide explanations of non-GAAP measures used and reconciliations to the most directly comparable GAAP measure. "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income, comparing the three months ended March 31, 2016 with the same period in 2015.

- "Financial Condition - Liquidity and Capital Resources" provides an analysis of the Registrants' liquidity positions and credit profiles. This section also includes a discussion of rating agency actions.

- "Financial Condition - Risk Management" provides an explanation of the Registrants' risk management programs relating to market and credit risk.

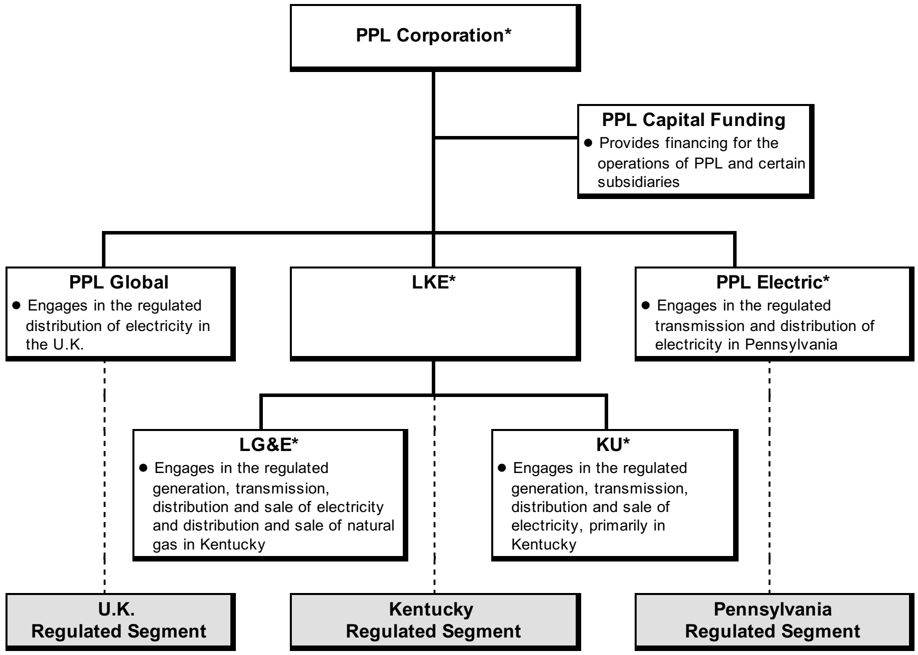
Overview

Introduction

(PPL)

PPL, headquartered in Allentown, Pennsylvania, is a utility holding company. PPL, through its regulated utility subsidiaries, delivers electricity to customers in the U.K., Pennsylvania, Kentucky, Virginia and Tennessee; delivers natural gas to customers in Kentucky; and generates electricity from power plants in Kentucky. In June 2015, PPL and PPL Energy Supply completed the spinoff of PPL Energy Supply which combined its competitive power generation businesses with those of Riverstone to form a new, stand-alone, publicly traded company named Talen Energy. See Note 8 in PPL's 2015 Form 10-K for additional information.

PPL's principal subsidiaries are shown below (* denotes SEC registrant).



PPL's reportable segments' results primarily represent the results of the Subsidiary Registrants, except that the reportable segments are also allocated certain corporate level financing and other costs that are not included in the results of the applicable Subsidiary Registrants. The U.K. Regulated segment has no related Subsidiary Registrant.

In addition to PPL, the other Registrants included in this filing are as follows.

(PPL Electric)

PPL Electric, headquartered in Allentown, Pennsylvania, is a direct wholly owned subsidiary of PPL and a regulated public utility that is an electricity transmission and distribution service provider in eastern and central Pennsylvania. PPL Electric is subject to regulation as a public utility by the PUC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act. PPL Electric delivers electricity in its Pennsylvania service area and provides electricity supply to retail customers in that area as a PLR under the Customer Choice Act.

(LKE)

LKE, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of PPL and a holding company that owns regulated utility operations through its subsidiaries, LG&E and KU, which constitute substantially all of LKE's assets. LG&E and KU are engaged in the generation, transmission, distribution and sale of electricity. LG&E also engages in the distribution and sale of natural gas. LG&E and KU maintain separate corporate identities and serve customers in Kentucky under their respective names. KU also serves customers in Virginia under the Old Dominion Power name and in Tennessee under the KU name.

(LG&E)

LG&E, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity and distribution and sale of natural gas in Kentucky. LG&E is subject to regulation as a public utility by the KPSC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act.

(KU)

KU, headquartered in Lexington, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity in Kentucky, Virginia and Tennessee. KU is subject to regulation as a public utility by the KPSC, the VSCC and the Tennessee Regulatory Authority, and certain of its transmission and wholesale power activities are subject to the jurisdiction of the FERC under the Federal Power Act. KU serves its Virginia customers under the Old Dominion Power name and its Kentucky and Tennessee customers under the KU name.

Business Strategy

(All Registrants)

Following the June 1, 2015 spinoff of PPL Energy Supply, PPL completed its strategic transformation to a fully regulated business model consisting of seven diverse, high-performing utilities. These utilities are located in the U.K., Pennsylvania and Kentucky and each jurisdiction has different regulatory structures and customer classes. The Company believes this diverse portfolio provides strong earnings and dividend growth potential that will create significant value for its shareowners and positions PPL well for continued growth and success.

PPL's businesses of WPD, PPL Electric, LG&E and KU plan to achieve growth by providing efficient, reliable and safe operations and strong customer service, maintaining constructive regulatory relationships and achieving timely recovery of costs. These businesses are expected to achieve strong, long-term growth in rate base and RAV, as applicable, driven by planned significant capital expenditures to maintain existing assets and improve system reliability and, for LKE, LG&E and KU, to comply with federal and state environmental regulations related to coal-fired electricity generation facilities. Additionally, significant transmission rate base growth is expected through 2020 at PPL Electric.

For the U.S. businesses, our strategy is to recover capital project costs efficiently through various rate-making mechanisms, including periodic base rate case proceedings using forward test years, annual FERC formula rate mechanisms and other regulatory agency-approved recovery mechanisms designed to limit regulatory lag. In Kentucky, the KPSC has adopted a series of regulatory mechanisms (ECR, DSM, GLT, fuel adjustment clause, gas supply clause and recovery on construction work-in-progress) that reduce regulatory lag and provide timely recovery of and return on, as appropriate, prudently incurred costs. In addition, the KPSC requires a utility to obtain a CPCN prior to constructing a facility, unless the construction is an ordinary extension of existing facilities in the usual course of business or does not involve sufficient capital outlay to materially affect the utility's financial condition. Although such KPSC proceedings do not directly address cost recovery issues, the KPSC, in awarding a CPCN, concludes that the public convenience and necessity require the construction of the facility on the basis that the facility is the lowest reasonable cost alternative to address the need. In Pennsylvania, the FERC transmission formula rate, DSIC mechanism, Smart Meter Rider and other recovery mechanisms are in place to reduce regulatory lag and provide for timely recovery of and a return on prudently incurred costs.

Although rate base growth in the domestic utilities is expected to result in strong earnings growth for the foreseeable future, PPL does not expect significant earnings growth from the U.K. Regulated segment under the RIIO-ED1 price control period, which began on April 1, 2015. Although the U.K. Regulated segment also projects strong RAV growth, earnings from this segment are expected to be relatively flat from 2015 to 2017 during the transition to RIIO-ED1. Higher revenues resulting from the fast-track bonus are partially offset by higher levels of revenue profiling in the prior price control period (DPCR5) and a lower return on regulatory equity. In addition, starting in 2017, the amount of incentive revenues WPD is able to earn is expected to decline as a result of more stringent reliability and customer service targets established by Ofgem under RIIO-ED1. See "Item 1. Business - Segment Information - U.K. Regulated Segment" of PPL's 2015 Form 10-K for additional information on RIIO-ED1.

To manage financing costs and access to credit markets, and to fund capital expenditures, a key objective of the Registrants is to maintain their investment grade credit ratings and adequate liquidity positions. In addition, the Registrants have financial and operational risk management programs that, among other things, are designed to monitor and manage exposure to earnings and cash flow volatility, as applicable, related to changes in interest rates, foreign currency exchange rates and counterparty credit quality. To manage these risks, PPL generally uses contracts such as forwards, options, and swaps. See "Financial Condition - Risk Management" below for further information. Due to the significant earnings contributed from WPD, PPL enters into foreign currency contracts to economically hedge the value of the GBP versus the U.S. dollar. PPL's exposure to changes in the value of the GBP versus the U.S. dollar related to budgeted earnings of the U.K. Regulated segment is hedged 93%, 89% and 41% for 2016, 2017 and 2018.

As discussed above, a key component of this strategy is to maintain constructive relationships with regulators in all jurisdictions in which we operate (U.K., U.S. federal and state). This is supported by our strong culture of integrity and delivering on commitments to our customers, regulators and shareowners, and a commitment to continue to improve our customer service, reliability and efficiency of operations.

(PPL)

Earnings generated by PPL's U.K. subsidiaries are subject to foreign currency translation risk. The U.K. subsidiaries also have currency exposure to the U.S. dollar to the extent of their U.S. dollar denominated debt. To manage these risks, PPL generally uses contracts such as forwards, options and cross currency swaps that contain characteristics of both interest rate and foreign currency exchange contracts.

Financial and Operational Developments

Earnings *(PPL)*

PPL's earnings by reportable segments for the three month period ended March 31 were as follows:

	Three Months		
	2016	2015	$ Change
U.K. Regulated	$ 289	$ 375	$ (86)
Kentucky Regulated	112	109	3
Pennsylvania Regulated	94	87	7
Corporate and Other (a)	(14)	(19)	5
Discontinued Operations (b)		95	(95)
Net Income	$ 481	$ 647	$ (166)

(a) Primarily represents financing and certain other costs incurred at the corporate level that have not been allocated or assigned to the segments, which are presented to reconcile segment information to PPL's consolidated results.
(b) As a result of the spinoff of PPL Energy Supply, substantially representing PPL's former Supply segment, the earnings of the Supply segment prior to the spinoff are included in Discontinued Operations. See Note 8 to the Financial Statements for additional information.

PPL's Earnings from Ongoing Operations by reportable segment for the three month period ended March 31 were as follows:

	Three Months		
	2016	2015	$ Change
U.K. Regulated	$ 265	$ 336	$ (71)
Kentucky Regulated	112	109	3
Pennsylvania Regulated	94	87	7
Corporate and Other (a)	(13)	(13)	
Earnings from Ongoing Operations	$ 458	$ 519	$ (61)

See "Non-GAAP Financial Measures" below for PPL's definition of Earnings from Ongoing Operations, as well as a reconciliation of this non-GAAP financial measure to Net Income.

See "Results of Operations" below for further discussion of PPL's results of operations, details of special items by reportable segments and analysis of the consolidated results of operations.

2016 Outlook

(PPL)

Higher earnings from ongoing operations are expected in 2016 compared with 2015. This increase is primarily attributable to increases in the Kentucky Regulated and Pennsylvania Regulated segments. The following projections and factors underlying these projections (on an after-tax basis) are provided for PPL's segments and the Corporate and Other category and the related Registrants.

(PPL's U.K. Regulated Segment)

Excluding special items, relatively flat earnings are projected in 2016 compared with 2015, due to higher gross margins and lower operation and maintenance expense, including pension expense, offset by higher financing costs, depreciation, taxes and other expenses and lower GBP to U.S. dollar exchange rates.

(PPL's Kentucky Regulated Segment and LKE, LG&E and KU)

Excluding special items, higher earnings are projected in 2016 compared with 2015, primarily driven by electric and gas base rate increases effective July 1, 2015, and higher returns on additional environmental capital investments, partially offset by higher depreciation and financing costs.

(PPL's Pennsylvania Regulated Segment and PPL Electric)

Excluding special items, higher earnings are projected in 2016 compared with 2015, primarily driven by higher base electricity rates for distribution effective January 1, 2016, and higher transmission margins, partially offset by higher depreciation, higher financing costs and a benefit received in 2015 from the release of a gross receipts tax reserve.

(PPL's Corporate and Other Category)

Excluding special items, costs are projected to be relatively flat in 2016 compared with 2015.

(All Registrants)

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," the rest of this Item 2, Notes 6 and 10 to the Financial Statements and "Item 1A. Risk Factors" in this Form 10-Q (as applicable) and "Item 1. Business" and "Item 1A. Risk Factors" in the Registrants' 2015 Form 10-K for a discussion of the risks, uncertainties and factors that may impact future earnings.

Other Financial and Operational Developments

(PPL)

U.K. Membership in European Union

Significant uncertainty exists concerning the outcome of the forthcoming June 23, 2016 referendum in the U.K. as to whether the U.K. will remain a member of the European Union and the impact that outcome could have on the U.S. dollar to GBP foreign currency exchange rate, RPI and interest rates in the U.K. PPL is well-hedged against certain short-term fluctuations that may occur in the value of the GBP versus the U.S. dollar. As it relates to budgeted earnings, PPL's 2016 foreign currency exposure is 93% hedged at an average rate of $1.54 per GBP. PPL, however, cannot predict the long-term impact that a decision by the U.K. to leave the European Union would have on PPL's financial condition or results of operations, although such impact could be significant.

Regulatory Requirements

(PPL, LKE, LG&E and KU)

The businesses of LKE, LG&E and KU are subject to extensive federal, state and local environmental laws, rules and regulations, including those pertaining to CCRs, GHGs, ELGs, MATS and the Clean Power Plan. See Note 6, Note 10 and Note 16 to the Financial Statements for a discussion of the other significant environmental matters.

(All Registrants)

The Registrants cannot predict the impact that future regulatory requirements may have on their financial condition or results of operations.

(PPL)

Discontinued Operations

The operations of PPL's Supply segment prior to the June 1, 2015 spinoff are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the March 2015 Statement of Income.

See Note 8 to the Financial Statements for additional information related to the spinoff of PPL Energy Supply, including the components of Discontinued Operations.

U.K. Distribution Revenue Reduction

In December 2013, WPD and other U.K. DNOs announced agreements with the U.K. Department of Energy and Climate Change and Ofgem to a reduction of £5 per residential customer of electricity distribution revenues that otherwise would have been collected in the regulatory year beginning April 1, 2014. Full recovery of the revenue reduction, together with the associated carrying cost will occur in the regulatory year beginning April 1, 2016. Under GAAP, WPD does not record a receivable for under recovery of regulated income (which this reduction represents). As a result, earnings for the U.K. Regulated segment were adversely affected by $15 million in 2015. PPL projects earnings in 2016 will be positively affected by $32 million and earnings for 2017 will be positively affected by $17 million.

Discount Rate Change for U.K. Pension Plans

In selecting the discount rate for its U.K. pension plans, WPD historically used a single weighted-average discount rate in the calculation of net periodic defined benefit cost. WPD began using individual spot rates to measure service cost and interest cost beginning with the calculation of 2016 net periodic defined benefit cost. For the three months ended March 31, 2016, this change in discount rate resulted in lower net periodic defined benefit costs recognized on PPL's Statement of Income of $11 million ($9 million after-tax or $0.01 per share). Based on current estimates, PPL expects this change to reduce 2016 net periodic defined benefit costs recognized on PPL's Statement of Income by $44 million ($36 million after-tax or $0.05 per share). Assuming interest rates continue to rise, the benefit is highest in the initial year and then falls over time as the additional actuarial losses on liabilities are amortized. See "Application of Critical Accounting Policies-Defined Benefits" in PPL's 2015 Form 10-K for additional information.

Results of Operations

(PPL)

The discussion for PPL provides a review of results by reportable segment. The "Non-GAAP Financial Measures" discussion provides explanations of non-GAAP financial measures and a reconciliation of non-GAAP financial measures to the most comparable GAAP measure. The "Statement of Income Analysis" discussion addresses significant changes in principal line items on PPL's Statements of Income, comparing the three months ended March 31, 2016 with the same period in 2015. "Segment Earnings, Non-GAAP Financial Measures and Statement of Income Analysis" is presented separately for PPL.

Tables analyzing changes in amounts between periods within "Segment Earnings" 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.

(Subsidiary Registrants)

The discussion for each of PPL Electric, LKE, LG&E and KU provides a summary of earnings. The "Margins" discussion includes a reconciliation of non-GAAP financial measures to "Operating Income" and "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income comparing the three months ended March 31, 2016 with the same period in 2015. "Earnings, Margins and Statement of Income Analysis" is presented separately for PPL Electric, LKE, LG&E and KU.

(All Registrants)

The results for interim periods can be disproportionately influenced by numerous factors and developments and by seasonal variations. As such, the results of operations for interim periods do not necessarily indicate results or trends for the year or future periods.

PPL Segment Earnings, Non-GAAP Financial Measures and Statement of Income Analysis

Segment Earnings

U.K. Regulated Segment

The U.K. Regulated segment consists of PPL Global, which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from GBP into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs, and allocated financing costs. The U.K. Regulated segment represents 60% of PPL's Net Income for the three months ended March 31, 2016 and 41% of PPL's assets at March 31, 2016.

Net Income and Earnings from Ongoing Operations for the periods ended March 31 include the following results.

	Three Months		
	2016	2015	$ Change
Operating revenues	$ 595	$ 697	$ (102)
Other operation and maintenance	97	110	(13)
Depreciation	60	59	1
Taxes, other than income	35	36	(1)
Total operating expenses	192	205	(13)
Other Income (Expense) - net	61	88	(27)
Interest Expense	106	100	6
Income Taxes	69	105	(36)
Net Income	289	375	(86)
Less: Special Items	24	39	(15)
Earnings from Ongoing Operations	$ 265	$ 336	$ (71)

The following after-tax gains (losses), which management considers special items, impacted the U.K. Regulated segment's results and are excluded from Earnings from Ongoing Operations during the three month period ended March 31.

	Income Statement	Three Months	
	Line Item	2016	2015
Foreign currency-related economic hedges, net of tax of ($13), ($20) (a)	Other Income (Expense)-net	$ 24	$ 37
WPD Midlands acquisition-related adjustment, net of tax of $0, ($1)	Other operation and maintenance		2
Total		$ 24	$ 39

(a) Represents unrealized gains (losses) on contracts that economically hedge anticipated GBP-denominated earnings.

The changes in the components of the U.K. Regulated segment's results between these periods are due to the factors set forth below, which reflect amounts classified as U.K. Gross Margins, the items that management considers special and the effects of movements in foreign currency exchange, including the effects of foreign currency hedge contracts, on separate lines and not in their respective Statement of Income line items.

	Three Months
U.K.	
Gross margins	$ (69)
Other operation and maintenance	11
Depreciation	(4)
Interest expense	(12)
Other	1
Income taxes	22
U.S.	
Interest expense and other	(1)
Income taxes	1
Foreign currency exchange, after-tax	(20)
Earnings from Ongoing Operations	(71)
Special items, after-tax	(15)
Net Income	$ (86)

U.K.

- See "Non-GAAP Financial Measures - Margins - Changes in Margins" for an explanation of U.K. Gross Margins.

- Lower other operation and maintenance primarily due to $22 million from lower pension expense, partially offset by $8 million from higher network maintenance expense.

- Lower income taxes primarily due to lower pre-tax income.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations of LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain financing costs are allocated to the Kentucky Regulated segment. The Kentucky Regulated segment represents 23% of PPL's Net Income for the three months ended March 31, 2016 and 36% of PPL's assets at March 31, 2016.

Net Income and Earnings from Ongoing Operations for the periods ended March 31 include the following results.

	Three Months		
	2016	2015	$ Change
Operating revenues	$ 826	$ 899	$ (73)
Fuel	198	253	(55)
Energy purchases	66	92	(26)
Other operation and maintenance	202	209	(7)
Depreciation	99	95	4
Taxes, other than income	15	14	1
Total operating expenses	580	663	(83)
Other Income (Expense) - net	(1)	(1)	
Interest Expense	65	55	10
Income Taxes	68	71	(3)
Net Income	112	109	3
Less: Special Items (a)			
Earnings from Ongoing Operations	$ 112	$ 109	$ 3

(a) There are no items that management considers special for the periods presented.

The changes in the components of the Kentucky Regulated segment's results between these periods are due to the factors set forth below, which reflect amounts classified as Kentucky Gross Margins on a separate line and not in their respective Statement of Income line items.

	Three Months
Kentucky Gross Margins	$ 3
Other operation and maintenance	7
Depreciation	1
Taxes, other than income	(1)
Interest Expense	(10)
Income Taxes	3
Net Income	$ 3

- See "Non-GAAP Financial Measures - Margins - Changes in Margins" for an explanation of Kentucky Gross Margins.

- Higher interest expense primarily due to the September 2015 issuance of $550 million of incremental First Mortgage Bonds by LG&E and KU, higher interest rates on the September 2015 issuance of $500 million of First Mortgage Bonds by LG&E and KU used to retire the same amount of First Mortgage Bonds in November 2015 and $400 million of notes refinanced by LKE in November 2015.

- Lower other operation and maintenance primarily due to lower coal plant operations and maintenance expense as a result of units retired in 2015 at the Cane Run and Green River plants.

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric. The Pennsylvania Regulated segment represents 20% of PPL's Net Income for the three months ended March 31, 2016 and 23% of PPL's assets at March 31, 2016.
Net Income and Earnings from Ongoing Operations for the periods ended March 31 include the following results.

	Three Months		
	2016	2015	$ Change
Operating revenues	$ 585	$ 630	$ (45)
Energy purchases			
External	167	227	(60)
Intersegment		9	(9)
Other operation and maintenance	150	133	17
Depreciation	59	51	8
Taxes, other than income	29	35	(6)
Total operating expenses	405	455	(50)
Other Income (Expense) - net	3	2	1
Interest Expense	33	31	2
Income Taxes	56	59	(3)
Net Income	94	87	7
Less: Special Items (a)			
Earnings from Ongoing Operations	$ 94	$ 87	$ 7

(a) There are no items that management considers special for the periods presented.

The changes in the components of the Pennsylvania Regulated segment's results between these periods were due to the factors set forth below, which reflect amounts classified as Pennsylvania Gross Delivery Margins on a separate line and not in their respective Statement of Income line items.

	Three Months
Pennsylvania Gross Delivery Margins	$ 30
Other operation and maintenance	(18)
Depreciation	(8)
Taxes, other than income	1
Other Income (Expense) - net	1
Interest Expense	(2)
Income Taxes	3
Net Income	$ 7

- See "Non-GAAP Financial Measures - Margins - Changes in Margins" for an explanation of Pennsylvania Gross Delivery Margins.
- Higher other operation and maintenance expense primarily due to $9 million of higher corporate service costs allocated to PPL Electric, $4 million of higher costs for additional work done by outside vendors and $3 million of higher vegetation management expenses.
- Higher depreciation expense primarily due to transmission additions placed into service related to the ongoing efforts to improve reliability and replace aging infrastructure, net of retirements.

Non-GAAP Financial Measures

Management's Discussion and Analysis includes financial information prepared in accordance with GAAP, as well as non-GAAP financial measures including "Earnings from Ongoing Operations" and "Gross Margins" as further described below.

Earnings from Ongoing Operations

Management utilizes "Earnings from Ongoing Operations" as a non-GAAP financial measure and it should not be considered as an alternative to net income, which is an indicator of operating performance determined in accordance with GAAP. PPL believes that Earnings from Ongoing Operations is useful and meaningful to investors because it provides management's view of PPL's earnings performance as another criterion in making investment decisions. PPL's management also uses Earnings from Ongoing Operations in measuring certain corporate performance goals. Other companies may use different measures to present financial performance.

Earnings from Ongoing Operations is adjusted for the impact of special items. Special items include:

- Unrealized gains or losses on foreign currency-related economic hedges (as discussed below).
- Supply segment discontinued operations.
- Gains and losses on sales of assets not in the ordinary course of business.
- Impairment charges.
- Workforce reduction and other restructuring effects.
- Acquisition and divestiture-related adjustments.
- Other charges or credits that are, in management's view, not reflective of the company's ongoing operations.

Unrealized gains or losses on foreign currency-related economic hedges include the changes in fair value of foreign currency contracts used to economically hedge GBP-denominated anticipated earnings. The changes in fair value of these contracts each period are recognized immediately within GAAP earnings. Management believes that excluding these amounts from Earnings from Ongoing Operations until settlement of the contracts provides a better matching of the financial impacts of those contracts with the economic value of PPL's underlying hedged earnings. See Note 14 to the Financial Statements and "Risk Management" below for additional information on foreign currency-related economic activity.

Reconciliation of Earnings from Ongoing Operations

The following tables contain after-tax gains (losses), in total, which management considers special items, that are excluded from Earnings from Ongoing Operations and a reconciliation to PPL's "Net Income (Loss)" for the three month periods ended March 31.

	2016					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income (Loss)	$ 289	$ 112	$ 94	$ (14)		$ 481
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges	24					24
Spinoff of the Supply segment				(1)		(1)
Total Special Items	24			(1)		23
Earnings from Ongoing Operations	$ 265	$ 112	$ 94	$ (13)		$ 458

	2015					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income (Loss)	$ 375	$ 109	$ 87	$ (19)	$ 95	$ 647
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges	37					37
Spinoff of the Supply segment:						
Discontinued operations					95	95
Employee transitional services				(2)		(2)
Transition and transaction costs				(3)		(3)
Separation benefits				(1)		(1)
WPD Midlands acquisition-related adjustment	2					2
Total Special Items	39			(6)	95	128
Earnings from Ongoing Operations	$ 336	$ 109	$ 87	$ (13)	$	$ 519

Margins

Management also utilizes the following non-GAAP financial measures as indicators of performance for its businesses.

- "U.K. Gross Margins" is a single financial performance measure of the electricity distribution operations of the U.K. Regulated segment. In calculating this measure, direct costs such as National Grid connection charges and Ofgem license fees (recorded in "Other operation and maintenance" on the Statements of Income) are deducted from operating revenues, as they are costs passed through to customers. As a result, this measure represents the net revenues from the delivery of electricity across WPD's distribution network in the U.K. and directly related activities.

- "Kentucky Gross Margins" is a single financial performance measure of the electricity generation, transmission and distribution operations of the Kentucky Regulated segment, LKE, LG&E and KU, as well as the Kentucky Regulated segment's, LKE's and LG&E's distribution and sale of natural gas. In calculating this measure, fuel, energy purchases and certain variable costs of production (recorded in "Other operation and maintenance" on the Statements of Income) are deducted from revenues. In addition, certain other expenses, recorded in "Other operation and maintenance", "Depreciation" and "Taxes, other than income" on the Statements of Income, associated with approved cost recovery mechanisms are offset against the recovery of those expenses, which are included in revenues. These mechanisms allow for direct recovery of these expenses and, in some cases, returns on capital investments and performance incentives. As a result, this measure represents the net revenues from electricity and gas operations.

- "Pennsylvania Gross Delivery Margins" is a single financial performance measure of the electricity transmission and distribution delivery operations of the Pennsylvania Regulated segment and PPL Electric. In calculating this measure, utility revenues and expenses associated with approved recovery mechanisms, including energy provided as a PLR, are offset with minimal impact on earnings. Costs associated with these mechanisms are recorded in "Energy purchases," "Other operation and maintenance," (which are primarily Act 129 and Universal Service program costs), and "Taxes, other than income," which is primarily gross receipts tax. This performance measure includes PLR energy purchases by PPL Electric from PPL EnergyPlus, which are reflected in "Energy purchases from affiliate" in the reconciliation tables. As a result of the June 2015 spinoff of PPL Energy Supply and the formation of Talen Energy, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are reflected in "Energy Purchases" in the reconciliation tables. This measure represents the net revenues from the Pennsylvania Regulated segment's and PPL Electric's electricity delivery operations.

These measures are not intended to replace "Operating Income," which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and report their results of operations. Management believes these measures provide additional useful criteria to make investment decisions. These performance measures are used, in conjunction with other information, by senior management and PPL's Board of Directors to manage operations and analyze actual results compared with budget.

Reconciliation of Margins

The following table contains the components from the Statement of Income that are included in the non-GAAP financial measures and a reconciliation to PPL's "Operating Income" for the periods ended March 31.

	2016 Three Months					2015 Three Months				
	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 584 (c)	$ 826	$ 585	$ 16	$ 2,011	$ 686 (c)	$ 899	$ 630	$ 15	$ 2,230
Operating Expenses										
Fuel		198		(1)	197		253			253
Energy purchases		66	167		233		92	227	10	329
Energy purchases from affiliate								9	(9)	
Other operation and maintenance	27	24	25	374	450	29	24	26	377	456
Depreciation		12		217	229		7		209	216
Taxes, other than income		1	28	50	79		1	33	52	86
Total Operating Expenses	27	301	220	640	1,188	29	377	295	639	1,340
Total	$ 557	$ 525	$ 365	$ (624)	$ 823	$ 657	$ 522	$ 335	$ (624)	$ 890

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.
(c) Excludes $11 million of ancillary revenues for the three months ended March 31, 2016 and 2015.

Changes in Margins

The following table shows Margins by PPL's reportable segment and by component, as applicable, for the periods ended March 31 as well as the change between periods. The factors that gave rise to the changes are described following the table.

	Three Months		
	2016	2015	$ Change
U.K.			
U.K. Gross Margins	$ 557	$ 657	$ (100)
Impact of changes in foreign currency exchange rates			(31)
Change in U.K. Gross Margins excluding impact of foreign currency exchange rates			$ (69)
Kentucky Regulated			
Kentucky Gross Margins			
LG&E	$ 228	$ 230	$ (2)
KU	297	292	5
LKE	$ 525	$ 522	$ 3
Pennsylvania Regulated			
Pennsylvania Gross Delivery Margins			
Distribution	$ 258	$ 242	$ 16
Transmission	107	93	14
Total	$ 365	$ 335	$ 30

U.K. Gross Margins

U.K. Gross Margins, excluding the impact of changes in foreign currency exchange rates, decreased primarily due to $69 million from the April 1, 2015 price decrease resulting from the commencement of RIIO-ED1 and lower volumes of $16 million due to milder weather during the first quarter of 2016 partially offset by $16 million of other revenue adjustments.

Kentucky Gross Margins

Kentucky Gross Margins increased primarily due to higher base rates of $36 million ($33 million at KU and $3 million at LG&E). The increase in base rates was the result of new rates approved by the KPSC effective July 1, 2015. The increase was partially offset by a decrease in sales volumes of $29 million ($19 million at KU and $10 million at LG&E) driven by milder weather during the first quarter of 2016.

Pennsylvania Gross Delivery Margins

Distribution

Distribution margins increased primarily due to $39 million of higher base rates, effective January 1, 2016 as a result of the 2015 rate case, partially offset by a $23 million unfavorable impact of milder weather in the first quarter of 2016.

Transmission

Transmission margins increased primarily due to returns on additional capital investments focused on replacing aging infrastructure and improving reliability.

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related decreases during the period ended March 31, 2016 compared with 2015 are included above within "Margins" and are not separately discussed.

	Three Months
Operating Revenues	$ (219)
Fuel	(56)
Energy purchases	(96)

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the period ended March 31, 2016 compared with 2015 was due to:

	Three Months
Domestic:	
LKE coal plant operations and maintenance	$ (7)
LKE pension	(4)
PPL Electric Act 129 costs incurred	(4)
PPL Electric vegetation management	3
PPL Electric payroll-related costs	(3)
PPL Electric contractor-related expenses	5
PPL Electric storm costs	3
Corporate costs previously included in discontinued operations (a)	9
Other	5
U.K.:	
Network maintenance	8
Pension expense	(22)
Foreign currency exchange rates (b)	(5)
Other	6
Total	$ (6)

(a) The increase in 2016 compared with 2015 was due to corporate costs allocated to PPL Energy Supply (and included in discontinued operations) prior to the spin. As a result of the spinoff on June 1, 2015, these corporate costs now remain in continuing operations.
(b) The offsetting impacts from foreign currency hedging instruments are recorded in "Other Income (Expense)- net."

Depreciation

Depreciation increased by $13 million for the three months ended March 31, 2016 compared with 2015, primarily due to additional assets placed into service, primarily at the domestic utilities, net of retirements.

Other Income (Expense) - net

Other income (expense) - net decreased by $27 million for the three months ended March 31, 2016 compared with 2015, primarily due to changes in realized and unrealized gains on foreign currency contracts to economically hedge GBP denominated earnings from WPD.

Interest Expense

The increase (decrease) in interest expense for the period ended March 31, 2016 compared with 2015 was due to:

	Three Months
Long-term debt interest expense (a)	$ 23
Foreign currency exchange rates	(5)
Other	(3)
Total	$ 15

(a) The increase was primarily due to debt issuances at WPD in November 2015, PPL Electric in October 2015 and LG&E and KU in September 2015 as well as higher interest rates on bonds refinanced in September 2015 at LG&E and KU.

Income Taxes

The increase (decrease) in income taxes for the period ended March 31, 2016 compared with 2015 was due to:

	Three Months
Change in pre-tax income at current period tax rates	$ (39)
Impact of U.K. income tax rates	8
Stock-based compensation (a)	(8)
Other	1
Total	$ (38)

(a) During the three months ended March 31, 2016, PPL recorded an $8 million tax benefit related to the application of new stock-based compensation accounting guidance. See Note 2 to the Financial Statements for additional information.

See Note 5 to the Financial Statements for additional information.

Income (Loss) from Discontinued Operations (net of income taxes)

Income (Loss) from Discontinued Operations (net of income taxes) includes the results of operations of PPL Energy Supply, which was spun off from PPL on June 1, 2015 and substantially represents PPL's former Supply segment. See "Discontinued Operations" in Note 8 to the Financial Statements for additional information.

PPL Electric: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended March 31,	
	2016	2015
Net Income	$ 94	$ 87
Special item, gains (losses), after-tax (a)		

(a) There are no items management considers special for the periods presented.

Earnings increased for the three month period in 2016 compared with 2015 primarily due to higher distribution margins, primarily as a result of higher base rates effective January 1, 2016 and higher transmission margins, primarily due to returns on additional capital investments, partially offset by the impact of unfavorable weather, higher other operation and maintenance and higher depreciation.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Pennsylvania Gross Delivery Margins on a separate line and not in their respective Statement of Income line items.

	Three Months
Pennsylvania Gross Delivery Margins	$ 30
Other operation and maintenance	(18)
Depreciation	(8)
Taxes, other than income	1
Other Income (Expense) - net	1
Interest Expense	(2)
Income Taxes	3
Net Income	$ 7

Margins

"Pennsylvania Gross Delivery Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Non-GAAP Financial Measures - Margins" for information on why management believes this measure is useful and for explanations of the underlying drivers of the changes between periods.

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended March 31.

	2016 Three Months			2015 Three Months		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 585		$ 585	$ 630		$ 630
Operating Expenses						
Energy purchases	167		167	227		227
Energy purchases from affiliate				9		9
Other operation and maintenance	25	$ 125	150	26	$ 107	133
Depreciation		59	59		51	51
Taxes, other than income	28	1	29	33	2	35
Total Operating Expenses	220	185	405	295	160	455
Total	$ 365	$ (185)	$ 180	$ 335	$ (160)	$ 175

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related decrease during the period ended March 31, 2016 compared with 2015 are included above within "Margins" and are not separately discussed.

	Three Months
Operating revenues	$ (45)
Energy purchases	(60)
Energy purchases from affiliate	(9)

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the period ended March 31, 2016 compared with 2015 was due to:

	Three Months
Corporate service costs	$ 9
Contractor-related expenses	5
Vegetation management	3
Storm costs	3
Payroll-related costs	(3)
Act 129	(4)
Other	4
Total	$ 17

Depreciation

Depreciation increased by $8 million for the three months ended March 31, 2016 compared with 2015, primarily due to additional assets placed into service, related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure, net of retirements.

Taxes, Other Than Income

Taxes, other than income decreased by $6 million for the three months ended March 31, 2016 compared with 2015, primarily due to lower Pennsylvania gross receipts tax expense as a result of a decrease in retail electric revenues. This tax is included in "Pennsylvania Gross Delivery Margins."

Interest Expense

Interest expense increased by $2 million for the three months ended March 31, 2016 compared with 2015, primarily due to the issuance of first mortgage bonds in October 2015.

Income Taxes

The increase (decrease) in income taxes for the period ended March 31, 2016 compared with 2015 was due to:

		Three Months
Change in pre-tax income at current period tax rates	$	2
Stock-based compensation (a)		(5)
Total	$	(3)

(a) During the three months ended March 31, 2016, PPL Electric recorded a $5 million tax benefit related to the application of new stock-based compensation accounting guidance. See Note 2 to the Financial Statements for additional information.

See Note 5 to the Financial Statements for additional information.

LKE: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended March 31,			
		2016		2015
Net Income	$	120	$	117

Earnings increased for the three month period in 2016 compared with 2015 primarily due to higher base electricity rates effective July 1, 2015 and lower other operation and maintenance partially offset by lower sales volumes, due to unfavorable weather, and higher financing costs.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins on a separate line and not in their respective Statement of Income line items.

		Three Months
Margins	$	3
Other operation and maintenance		7
Depreciation		1
Taxes, other than income		(1)
Interest expense		(11)
Income taxes		4
Total	$	3

Margins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Non-GAAP Financial Measures - Margins" for an explanation of why management believes this measure is useful and the factors underlying changes between periods. Within PPL's discussion, LKE's Margins are referred to as "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended March 31.

	2016 Three Months			2015 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 826		$ 826	$ 899		$ 899
Operating Expenses						
Fuel	198		198	253		253
Energy purchases	66		66	92		92
Other operation and maintenance	24	$ 178	202	24	$ 185	209
Depreciation	12	87	99	7	88	95
Taxes, other than income	1	14	15	1	13	14
Total Operating Expenses	301	279	580	377	286	663
Total	$ 525	$ (279)	$ 246	$ 522	$ (286)	$ 236

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses included in "Margins"

The following Statement of Income line items and their related decrease during the period ended March 31, 2016 compared with 2015 are included above within "Margins" and are not separately discussed.

	Three Months
Operating revenues	$ (73)
Fuel	(55)
Energy purchases	(26)

Other Operation and Maintenance

The decrease in other operation and maintenance for the period ended March 31, 2016 compared with 2015 was due to:

	Three Months
Coal plant operations and maintenance	$ (7)
Pension	(4)
Other	4
Total	$ (7)

Interest Expense

Interest expense increased $11 million for the three months ended March 31, 2016 compared with 2015 primarily due to the September 2015 issuance of $550 million of incremental First Mortgage Bonds by LG&E and KU, higher interest rates on the September 2015 issuance of $500 million of First Mortgage Bonds by LG&E and KU used to retire the same amount of First Mortgage Bonds in November 2015 and $400 million of notes refinanced in November 2015.

LG&E: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended March 31,	
	2016	2015
Net Income	$ 56	$ 53

Earnings increased for the three month period in 2016 compared with 2015 primarily due to lower other operation and maintenance and lower depreciation partially offset by lower sales volumes, due to unfavorable weather, and higher financing costs.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins on a separate line and not in their respective Statement of Income line items.

	Three Months
Margins	$ (2)
Other operation and maintenance	7
Depreciation	4
Taxes, other than income	(1)
Other income (expense) - net	1
Interest expense	(4)
Income taxes	(2)
Total	$ 3

Margins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Non-GAAP Financial Measures - Margins" for an explanation of why management believes this measure is useful and the factors underlying changes between periods. Within PPL's discussion, LG&E's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended March 31.

	2016 Three Months			2015 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 386		$ 386	$ 439		$ 439
Operating Expenses						
Fuel	78		78	103		103
Energy purchases, including affiliate	64		64	91		91
Other operation and maintenance	9	$ 78	87	11	$ 85	96
Depreciation	6	35	41	3	39	42
Taxes, other than income	1	7	8	1	6	7
Total Operating Expenses	158	120	278	209	130	339
Total	$ 228	$ (120)	$ 108	$ 230	$ (130)	$ 100

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses included in "Margins"

The following Statement of Income line items and their related decrease during the period ended March 31, 2016 compared with 2015 are included above within "Margins" and are not separately discussed.

	Three Months
Retail and wholesale	$ (42)
Electric revenue from affiliate	(11)
Fuel	(25)
Energy purchases	(26)
Energy purchases from affiliate	(1)

Other Operation and Maintenance

The decrease in other operation and maintenance for the period ended March 31, 2016 compared with 2015 was due to:

	Three Months
Coal plant operations and maintenance	$ (7)
Other	(2)
Total	$ (9)

Interest Expense

Interest expense increased $4 million for the three months ended March 31, 2016 compared with 2015 primarily due to the September 2015 issuance of $300 million of incremental First Mortgage Bonds and higher interest rates on the September 2015 issuance of $250 million of First Mortgage Bonds used to retire the same amount of First Mortgage Bonds in November 2015.

KU: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Net Income	$ 75	$ 78

Earnings decreased for the three month period in 2016 compared with 2015 primarily due to lower sales volumes, due to unfavorable weather, and higher financing costs partially offset by higher base electricity rates effective July 1, 2015.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins on a separate line and not in their respective Statement of Income line items.

	Three Months
Margins	$ 5
Depreciation	(3)
Other income (expense)- net	(1)
Interest expense	(5)
Income taxes	1
Total	$ (3)

Margins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Non-GAAP Financial Measures - Margins" for an explanation of why management believes this measure is useful and the factors underlying changes between periods. Within PPL's discussion, KU's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended March 31.

	2016 Three Months			2015 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 453		$ 453	$ 485		$ 485
Operating Expenses						
Fuel	120		120	150		150
Energy purchases, including affiliate	15		15	26		26
Other operation and maintenance	15	$ 91	106	13	$ 91	104
Depreciation	6	52	58	4	49	53
Taxes, other than income		7	7		7	7
Total Operating Expenses	156	150	306	193	147	340
Total	$ 297	$ (150)	$ 147	$ 292	$ (147)	$ 145

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses included in "Margins"

The following Statement of Income line items and their related decrease during the period ended March 31, 2016 compared with 2015 are included above within "Margins" and are not separately discussed.

		Three Months
Retail and wholesale	$	(31)
Electric revenue from affiliate		(1)
Fuel		(30)
Energy purchases from affiliate		(11)

Depreciation

Depreciation increased $5 million for the three months ended March 31, 2016 compared with 2015 primarily due to additional assets placed into service, net of retirements.

Interest Expense

Interest expense increased $5 million for the three months ended March 31, 2016 compared with 2015 primarily due to the September 2015 issuance of $250 million of incremental First Mortgage Bonds and higher interest rates on the September 2015 issuance of $250 million of First Mortgage Bonds used to retire the same amount of First Mortgage Bonds in November 2015.

Financial Condition

The remainder of this Item 2 in this Form 10-Q is presented on a combined basis, providing information, as applicable, for all Registrants.

Liquidity and Capital Resources

(All Registrants)

The Registrants had the following at:

		PPL (a)		PPL Electric		LKE		LG&E		KU
March 31, 2016										
Cash and cash equivalents	$	814	$	34	$	28	$	11	$	17
Short-term debt		1,265		125		116		82		34
Notes payable with affiliate						147				
December 31, 2015										
Cash and cash equivalents	$	836	$	47	$	30	$	19	$	11
Short-term debt		916				265		142		48
Notes payable with affiliate						54				

(a) At March 31, 2016, $452 million of cash and cash equivalents were denominated in GBP. If these amounts would be remitted as dividends, PPL would not anticipate a material incremental U.S. tax cost. Historically, dividends paid by foreign subsidiaries have been limited to distributions of the current year's earnings. See Note 5 to the Financial Statements in PPL's 2015 Form 10-K for additional information on undistributed earnings of WPD.

(PPL)

The Statements of Cash Flows separately report the cash flows of the discontinued operations in 2015. The "Operating Activities", "Investing Activities" and "Financing Activities" sections below included only the cash flows of continuing operations.

(All Registrants)

Net cash provided by (used in) operating, investing and financing activities for the three month periods ended March 31, and the changes between periods, were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
2016					
Operating activities	$ 557	$ 124	$ 303	$ 157	$ 195
Investing activities	(661)	(215)	(219)	(109)	(110)
Financing activities	115	78	(86)	(56)	(79)
2015					
Operating activities	$ 452	$ (45)	$ 451	$ 251	$ 229
Investing activities	(860)	(225)	(317)	(173)	(144)
Financing activities	(66)	91	(115)	(71)	(73)
Change - Cash Provided (Used)					
Operating activities	$ 105	$ 169	$ (148)	$ (94)	$ (34)
Investing activities	199	10	98	64	34
Financing activities	181	(13)	29	15	(6)

Operating Activities

The components of the change in cash provided by (used in) operating activities for the three months ended March 31, 2016 compared with 2015 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Net income	$ (71)	$ 7	$ 3	$ 3	$ (3)
Non-cash components	57	65	(23)	(10)	4
Working capital	78	76	(148)	(98)	(41)
Defined benefit plan funding	74	33	20	9	5
Other operating activities	(33)	(12)		2	1
Total	$ 105	$ 169	$ (148)	$ (94)	$ (34)

(PPL)

PPL's cash provided by operating activities from continuing operations in 2016 increased $105 million in 2016 compared with 2015.

- Income from continuing operations decreased by $71 million between the periods. This was offset by an increase of $57 million in non-cash components. The net $14 million decrease from net income and non-cash components in 2016 compared with 2015 reflects lower U.K. gross margins, partially offset by higher Pennsylvania gross delivery margins.

- The $78 million increase in cash from changes in working capital was primarily due to lower growth in accounts receivable, primarily due to milder winter weather in 2016.

- Defined benefit plan funding was $74 million lower in 2016.

(PPL Electric)

PPL Electric's cash provided by operating activities in 2016 increased $169 million compared with 2015.

- The net increase in non-cash components of $65 million in 2016 compared with 2015 is primarily due to an increase in deferred income taxes, primarily due to an increase related to book versus tax plant timing differences.

- The $76 million increase in cash from changes in working capital was primarily due to lower growth in accounts receivable and a lower decline in accounts payable, due to timing of payments.

- Defined benefit plan funding was $33 million lower in 2016.

(LKE)

LKE's cash provided by operating activities in 2016 decreased $148 million compared with 2015.

- The decrease in cash from working capital was driven primarily by a lower payment received from PPL for the use of prior year excess tax depreciation deductions.

(LG&E)

LG&E's cash provided by operating activities in 2016 decreased $94 million compared with 2015.

- The decrease in cash from working capital was driven primarily by a lower payment received from LKE for the use of prior year excess tax depreciation deductions.

(KU)

KU's cash provided by operating activities in 2016 decreased $34 million compared with 2015.

- The decrease in cash from working capital was driven primarily by a lower payment received from LKE for the use of prior year excess tax depreciation deductions.

Investing Activities

(All Registrants)

Expenditures for Property, Plant and Equipment

Investment in PP&E is the primary investing activity of the registrants. The change in expenditures for PP&E for the three months ended March 31, 2016 compared with 2015 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Decrease	$ 177	$ 10	$ 102	$ 64	$ 38

For PPL, the decrease in expenditures was due to lower project expenditures at WPD, PPL Electric Utilities, LG&E, and KU. The decrease in expenditures for WPD was primarily due to a decrease in expenditures to enhance system reliability associated with the end of the DPCR5 price control period and changes in foreign currency exchange rates. The decrease in expenditures for PPL Electric was primarily due to the completion of the Susquehanna-Roseland transmission project and near completion of the Northeast Pocono reliability project. The decrease in expenditures for LG&E was primarily due to the environmental air projects at LG&E's Mill Creek plant. The decrease in expenditures for KU was related to the environmental air projects at KU's Ghent plant and the CCR project at KU's E.W. Brown plant.

Financing Activities

(All Registrants)

The components of the change in cash provided by (used in) financing activities for the three months ended March 31, 2016 compared with 2015 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Stock issuances/redemptions, net	$ 7				
Dividends	(5)	$ (1)		$ (2)	$ (34)
Capital contributions/distributions, net		(50)	$ (6)	30	
Change in short-term debt, net	188	40	(58)	(12)	29
Notes payable with affiliate			94		
Other financing activities	(9)	(2)	(1)	(1)	(1)
Total	$ 181	$ (13)	$ 29	$ 15	$ (6)

See Note 7 to the Financial Statements in this Form 10-Q for information on 2016 short and long-term debt activity, equity transactions and PPL dividends. See the Registrants' 2015 Form 10-K for information on 2015 activity.

Credit Facilities

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. Amounts borrowed under these credit facilities are reflected in "Short-term debt" on the Balance Sheets. At

March 31, 2016, the total committed borrowing capacity and the use of that capacity under these credit facilities was as follows:

External

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	$ 1,150		$ 790	$ 360
PPL Electric Credit Facility	400		126	274
LKE Credit Facility	75			75
LG&E Credit Facility	500		82	418
KU Credit Facilities	598		232	366
Total LKE	1,173		314	859
Total U.S. Credit Facilities (a)	$ 2,723		$ 1,230	$ 1,493
Total U.K. Credit Facilities (b)	£ 1,055	£ 181		£ 880

(a) The commitments under the U.S. credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than the following percentages of the total committed capacity: PPL - 11%, PPL Electric - 7%, LKE - 21%, LG&E - 7% and KU - 37%.

(b) The amounts borrowed at March 31, 2016 were a USD-denominated borrowing of $200 million and a GPB-denominated borrowing which equated to $51 million. The unused capacity reflects the USD-denominated borrowing amount borrowed in GBP of £138 million as of the date borrowed. At March 31, 2016, the USD equivalent of unused capacity under the U.K. committed credit facilities was $1.2 billion.

The commitments under the U.K. credit facilities are provided by a diverse bank group, with no one bank providing more than 13% of the total committed capacity.

See Note 7 to the Financial Statements for further discussion of the Registrants' credit facilities.

Intercompany (LKE, LG&E and KU)

	Committed Capacity	Borrowed	Other Used Capacity	Unused Capacity
LKE Credit Facility	$ 225	$ 147		$ 78
LG&E Money Pool (a)	500		$ 82	418
KU Money Pool (a)	500		34	466

(a) LG&E and KU participate in an intercompany money pool agreement whereby LKE, LG&E and/or KU make available funds up to $500 million at an interest rate based on a market index of commercial paper issues. However, the FERC has issued a maximum short-term debt limit for each utility at $500 million from any source.

See Note 11 to the Financial Statements for further discussion of intercompany credit facilities.

Commercial Paper *(All Registrants)*

PPL, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's Syndicated Credit Facility. The following commercial paper programs were in place at March 31, 2016:

	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Capital Funding	$ 1,000	$ 773	$ 227
PPL Electric	400	125	275
LG&E	350	82	268
KU	350	34	316
Total LKE	700	116	584
Total PPL	$ 2,100	$ 1,014	$ 1,086

Long-term Debt

(PPL and PPL Electric)

In March 2016, the LCIDA issued $116 million of Pollution Control Revenue Refunding Bonds, Series 2016A due 2029 and $108 million of Pollution Control Revenue Refunding Bonds, Series 2016B due 2027 on behalf of PPL Electric. The bonds were issued bearing interest at an initial term rate of 0.90% through their mandatory purchase dates of September 1, 2017 and August 15, 2017. The proceeds of the bonds were used to redeem $116 million of 4.70% Pollution Control Revenue Refunding Bonds, 2005 Series A due 2029 and $108 million of 4.75% Pollution Control Revenue Refunding Bonds, 2005 Series B due 2027 previously issued by the LCIDA on behalf of PPL Electric.

In connection with the issuance of each of these new series of LCIDA bonds, PPL Electric entered into a loan agreement with the LCIDA pursuant to which the LCIDA has loaned to PPL Electric the proceeds of the LCIDA bonds on payment terms that correspond to the LCIDA bonds. In order to secure its obligations under the loan agreement, PPL Electric issued $224 million of First Mortgage Bonds under its 2001 Mortgage Indenture, which also have payment terms that correspond to the LCIDA bonds.

(PPL)

ATM Program

For the periods ended March 31, 2016 and 2015, PPL did not issue any shares under the program.

Common Stock Dividends

In February 2016, PPL declared a quarterly common stock dividend, payable April 1, 2016, of 38 cents per share (equivalent to $1.52 per annum). Future dividends, declared at the discretion of the Board of Directors, will be dependent upon future earnings, cash flows, financial and legal requirements and other factors.

Rating Agency Actions

(All Registrants)

Moody's and S&P have periodically reviewed the credit ratings of the debt of the Registrants and their subsidiaries. Based on their respective independent reviews, the rating agencies may make certain ratings revisions or ratings affirmations.

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of the Registrants and their subsidiaries are based on information provided by the Registrants and other sources. The ratings of Moody's and S&P are not a recommendation to buy, sell or hold any securities of the Registrants or their subsidiaries. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities. The credit ratings of the Registrants and their subsidiaries affect their liquidity, access to capital markets and cost of borrowing under their credit facilities.

The rating agencies have taken the following actions related to the Registrants and their subsidiaries during 2016:

(PPL)

In February 2016, Moody's and S&P affirmed their commercial paper ratings for PPL Capital Funding's $1.0 billion commercial paper program.

(PPL Electric)

In February 2016, Moody's and S&P affirmed their commercial paper ratings for PPL Electric's $400 million commercial paper program.

In February 2016, Moody's and S&P assigned ratings of A1 and A to LCIDA's $116 million 0.90% Pollution Control Revenue Refunding Bonds due 2029 and $108 million 0.90% Pollution Control Revenue Refunding Bonds due 2027, issued on behalf of PPL Electric.

Ratings Triggers

(PPL, LKE, LG&E and KU)

Various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, interest rate and foreign currency instruments (for PPL), contain provisions that require the posting of additional collateral or permit the counterparty to terminate the contract, if PPL's, LKE's, LG&E's or KU's or their subsidiaries' credit rating, as applicable, were to fall below investment grade. See Note 14 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral requirements for PPL, LKE and LG&E for derivative contracts in a net liability position at March 31, 2016.

(All Registrants)

For additional information on the Registrants' liquidity and capital resources, see "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Registrants' 2015 Form 10-K.

Risk Management

Market Risk

(All Registrants)

See Notes 13 and 14 to the Financial Statements for information about the Registrants' risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These are not precise indicators of expected future losses, but are rather only indicators of possible losses under normal market conditions at a given confidence level.

Interest Rate Risk

The Registrants and their subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. The Registrants and their subsidiaries utilize various financial derivative instruments to adjust the mix of fixed and floating interest rates in their debt portfolios, adjust the duration of their debt portfolios and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under the risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolios due to changes in the absolute level of interest rates. In addition, the interest rate risk of certain subsidiaries is potentially mitigated as a result of the existing regulatory framework or the timing of rate cases.

The following interest rate hedges were outstanding at March 31, 2016.

	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through
PPL				
Cash flow hedges				
Interest rate swaps (c)	$ 300	$ (42)	$ (5)	2026
Cross-currency swaps (d)	1,262	189	(141)	2028
Economic hedges				
Interest rate swaps (e)	179	(54)	(2)	2033
LKE				
Economic hedges				
Interest rate swaps (e)	179	(54)	(2)	2033
LG&E				
Economic hedges				
Interest rate swaps (e)	179	(54)	(2)	2033

(a) Includes accrued interest, if applicable.
(b) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability. Sensitivities represent a 10% adverse movement in interest rates, except for cross-currency swaps which also includes a 10% adverse movement in foreign currency exchange rates.
(c) Changes in the fair value of such cash flow hedges are recorded in equity or as regulatory assets or regulatory liabilities, if recoverable through regulated rates, and reclassified into earnings in the same period during which the item being hedged affects earnings.
(d) Cross-currency swaps are utilized to hedge the principal and interest payments of WPD's U.S. dollar-denominated senior notes. Changes in the fair value of these instruments are recorded in equity and reclassified into earnings in the same period during which the item being hedged affects earnings.
(e) Realized changes in the fair value of such economic hedges are recoverable through regulated rates and any subsequent changes in the fair value of these derivatives are included in regulatory assets or regulatory liabilities.

The Registrants are exposed to a potential increase in interest expense and to changes in the fair value of their debt portfolios. The estimated impact of a 10% adverse movement in interest rates on interest expense at March 31, 2016 was insignificant for PPL, PPL Electric, LKE, LG&E and KU. The estimated impact of a 10% adverse movement in interest rates on the fair value of debt at March 31, 2016 is shown below.

	10% Adverse Movement in Rates
PPL	$ 669
PPL Electric	143
LKE	185
LG&E	68
KU	102

Foreign Currency Risk (PPL)

PPL is exposed to foreign currency risk primarily through investments in U.K. affiliates. Under its risk management program, PPL may enter into financial instruments to hedge certain foreign currency exposures, including translation risk of expected earnings, firm commitments, recognized assets or liabilities, anticipated transactions and net investments.

The following foreign currency hedges were outstanding at March 31, 2016.

	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Maturities Ranging Through
Net investment hedges (b)	£ 116	$ 12	$ (17)	2016
Economic hedges (c)	1,961	234	(266)	2018

(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.
(c) To economically hedge the translation risk of expected earnings denominated in GBP.

(All Registrants)

Commodity Price Risk

PPL is exposed to commodity price risk through its domestic subsidiaries as described below.

- PPL Electric is exposed to commodity price risk from its obligation as PLR; however, its PUC-approved cost recovery mechanism substantially eliminates its exposure to this risk. PPL Electric also mitigates its exposure to commodity price risk by entering into full-requirement supply agreements to serve its PLR customers. These supply agreements transfer the commodity price risk associated with the PLR obligation to the energy suppliers.

- LG&E's and KU's rates include certain mechanisms for fuel and fuel-related expenses. In addition, LG&E's rates include a mechanism for natural gas supply expenses. These mechanisms generally provide for timely recovery of market price fluctuations associated with these expenses.

Volumetric Risk

PPL is exposed to volumetric risk through its domestic subsidiaries as described below.

- WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K. Under the RIIO - ED1 price control period, recovery of such exposure occurs on a two year lag. See Note 1 in PPL's 2015 Form 10-K for additional information on revenue recognition under RIIO - ED1.

- PPL Electric, LG&E and KU are exposed to volumetric risk on retail sales, mainly due to weather and other economic conditions for which there is limited mitigation between rate cases.

Credit Risk *(All Registrants)*

See Notes 13 and 14 to the Financial Statements in this Form 10-Q and "Risk Management - Credit Risk" in the Registrants' 2015 Form 10-K for additional information.

Foreign Currency Translation *(PPL)*

The value of the British pound sterling fluctuates in relation to the U.S. dollar. Changes in this exchange rate resulted in a foreign currency translation loss of $466 million for the three months ended March 31, 2016, which primarily reflected a $909 million decrease to PP&E and $214 million decrease to goodwill partially offset by a decrease of $657 million to net liabilities. Changes in this exchange rate resulted in a foreign currency translation loss of $77 million for the three months ended March 31, 2015, which primarily reflected a $158 million decrease to PP&E and $41 million decrease to goodwill partially offset by a decrease of $122 million to net liabilities. The impact of foreign currency translation is recorded in AOCI.

Related Party Transactions *(All Registrants)*

The Registrants are not aware of any material ownership interests or operating responsibility by senior management in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with the Registrants. See Note 11 to the Financial Statements for additional information on related party transactions for PPL Electric, LKE, LG&E and KU.

Acquisitions, Development and Divestitures *(All Registrants)*

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with, modify or terminate the projects. Any resulting transactions may impact future financial results. See Note 8 to the Financial Statements for information on the more significant activities.

Environmental Matters *(All Registrants)*

Extensive federal, state and local environmental laws and regulations are applicable to PPL's, LKE's, LG&E's and KU's air emissions, water discharges and the management of hazardous and solid waste, as well as other aspects of the Registrants' businesses. The cost of compliance or alleged non-compliance cannot be predicted with certainty but could be significant. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed. Costs may take the form of increased capital expenditures or operating and maintenance expenses, monetary fines, penalties or other restrictions. Many of these environmental law considerations are also applicable to the operations of key suppliers, or customers, such as coal producers and industrial power users, and may impact the cost for their products or their demand for the Registrants' services. Increased capital and operating costs are subject to rate recovery. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

See Note 10 to the Financial Statements for a discussion of the more significant environmental matters including:

- Legal Matters,
- Climate Change,
- Coal Combustion Residuals,
- Effluent Limitations Guidelines,
- Mercury and Air Toxics Standards,
- National Ambient Air Quality Standards, and
- Superfund and Other Remediation.

Additionally, see "Item 1. Business - Environmental Matters" in the Registrants' 2015 Form 10-K for additional information on environmental matters.

New Accounting Guidance *(All Registrants)*

See Notes 2 and 18 to the Financial Statements for a discussion of new accounting guidance adopted and pending adoption.

Application of Critical Accounting Policies *(All Registrants)*

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following table summarizes the accounting policies by Registrant that are particularly important to an understanding of the reported financial condition or results of operations, and require management to make estimates or other judgments of matters that are inherently uncertain. See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Registrants' 2015 Form 10-K for a discussion of each critical accounting policy.

	PPL	PPL Electric	LKE	LG&E	KU
Defined Benefits	X	X	X	X	X
Loss Accruals	X	X	X	X	X
Income Taxes	X	X	X	X	X
Goodwill Impairment	X		X	X	X
AROs	X		X	X	X
Price Risk Management	X				
Regulatory Assets and Liabilities	X	X	X	X	X
Revenue Recognition - Unbilled Revenue		X	X	X	X

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Reference is made to "Risk Management" in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The Registrants' principal executive officers and principal financial officers, based on their evaluation of the Registrants' disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) have concluded that, as of March 31, 2016, the Registrants' disclosure controls and procedures are effective to ensure that material information relating to the Registrants and their consolidated subsidiaries is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, particularly during the period for which this quarterly report has been prepared. The aforementioned principal officers have concluded that the disclosure controls and procedures are also effective to ensure that information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive and principal financial officers, to allow for timely decisions regarding required disclosure.

(b) Change in internal controls over financial reporting.

The Registrants' principal executive officers and principal financial officers have concluded that there were no changes in the Registrants' internal control over financial reporting during the Registrants' first fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrants' internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding pending administrative and judicial proceedings involving regulatory, environmental and other matters, which information is incorporated by reference into this Part II, see:

- "Item 3. Legal Proceedings" in each Registrant's 2015 Form 10-K; and
- Notes 6 and 10 to the Financial Statements.

Item 1A. Risk Factors

There have been no material changes in the Registrants' risk factors from those disclosed in "Item 1A. Risk Factors" of the Registrants' 2015 Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

Item 6. Exhibits

The following Exhibits indicated by an asterisk preceding the Exhibit number are filed herewith. The balance of the Exhibits has heretofore been filed with the Commission and pursuant to Rule 12(b)-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.

4(a)	- Pollution Control Facilities Loan Agreements dated as of March 1, 2016 between PPL Electric and the Lehigh County Industrial Development Authority (Series 2016 A Bonds) (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated March 10, 2016)
4(b)	- Pollution Control Facilities Loan Agreements dated as of March 1, 2016 between PPL Electric and the Lehigh County Industrial Development Authority (Series 2016 B Bonds) (Exhibit 4(b) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated March 10, 2016)
4(c)	- Supplemental Indenture No. 18, dated as of March 1, 2016, of PPL Electric Utilities Corporation to The Bank of New York Mellon, as Trustee (Exhibit 4(c) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated March 10, 2016)
*12(a)	- PPL Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(b)	- PPL Electric Utilities Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(c)	- LG&E and KU Energy LLC and Subsidiaries Computation of Ratio of Earnings to Fixed Charges
*12(d)	- Louisville Gas and Electric Company Computation of Ratio of Earnings to Fixed Charges
*12(e)	- Kentucky Utilities Company Computation of Ratio of Earnings to Fixed Charges

Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended March 31, 2016, filed by the following officers for the following companies:

*31(a)	- PPL Corporation's principal executive officer
*31(b)	- PPL Corporation's principal financial officer
*31(c)	- PPL Electric Utilities Corporation's principal executive officer
*31(d)	- PPL Electric Utilities Corporation's principal financial officer
*31(e)	- LG&E and KU Energy LLC's principal executive officer
*31(f)	- LG&E and KU Energy LLC's principal financial officer
*31(g)	- Louisville Gas and Electric Company's principal executive officer
*31(h)	- Louisville Gas and Electric Company's principal financial officer
*31(i)	- Kentucky Utilities Company's principal executive officer
*31(j)	- Kentucky Utilities Company's principal financial officer

Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended March 31, 2016, furnished by the following officers for the following companies:

*32(a)	- PPL Corporation's principal executive officer and principal financial officer
*32(b)	- PPL Electric Utilities Corporation's principal executive officer and principal financial officer
*32(c)	- LG&E and KU Energy LLC's principal executive officer and principal financial officer
*32(d)	- Louisville Gas and Electric Company's principal executive officer and principal financial officer
*32(e)	- Kentucky Utilities Company's principal executive officer and principal financial officer
101.INS	- XBRL Instance Document
101.SCH	- XBRL Taxonomy Extension Schema
101.CAL	- XBRL Taxonomy Extension Calculation Linkbase
101.DEF	- XBRL Taxonomy Extension Definition Linkbase
101.LAB	- XBRL Taxonomy Extension Label Linkbase
101.PRE	- XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiaries.

PPL Corporation
(Registrant)

Date: April 29, 2016

/s/ Stephen K. Breininger
Stephen K. Breininger
Vice President and Controller
(Principal Accounting Officer)

PPL Electric Utilities Corporation
(Registrant)

Date: April 29, 2016

/s/ Marlene C. Beers
Marlene C. Beers
Controller
(Principal Financial Officer and Principal Accounting Officer)

LG&E and KU Energy LLC
(Registrant)

Louisville Gas and Electric Company
(Registrant)

Kentucky Utilities Company
(Registrant)

Date: April 29, 2016

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 12(a)

PPL CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	3 Months Ended March 31, 2016	Years Ended December 31, (a) 2015	2014	2013	2012	2011
Earnings, as defined:						
Income from Continuing Operations Before Income Taxes	**$ 660**	$ 2,068	$ 2,129	$ 1,728	$ 1,406	$ 922
Adjustment to reflect earnings from equity method investments on a cash basis (b)		(1)			34	
	660	2,067	2,129	1,728	1,440	922
Total fixed charges as below	**230**	1,054	1,095	1,096	1,065	1,022
Less:						
Capitalized interest	**1**	11	11	11	6	4
Preferred security distributions of subsidiaries on a pre-tax basis					5	23
Interest expense and fixed charges related to discontinued operations		150	186	235	235	231
Total fixed charges included in Income from Continuing Operations Before Income Taxes	**229**	893	898	850	819	764
Total earnings	**$ 889**	$ 2,960	$ 3,027	$ 2,578	$ 2,259	$ 1,686
Fixed charges, as defined:						
Interest charges (c)	**$ 227**	$ 1,038	$ 1,073	$ 1,058	$ 1,019	$ 955
Estimated interest component of operating rentals	**3**	16	22	38	41	44
Preferred security distributions of subsidiaries on a pre-tax basis					5	23
Total fixed charges (d)	**$ 230**	$ 1,054	$ 1,095	$ 1,096	$ 1,065	$ 1,022
Ratio of earnings to fixed charges	**3.9**	2.8	2.8	2.4	2.1	1.7
Ratio of earnings to combined fixed charges and preferred stock dividends (e)	**3.9**	2.8	2.8	2.4	2.1	1.7

(a) Reflects PPL's former Supply segment as Discontinued Operations. See Note 8 to the Financial Statements for additional information.

(b) Includes other-than-temporary impairment loss of $25 million in 2012.

(c) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.

(d) Interest on unrecognized tax benefits is not included in fixed charges.

(e) PPL, the parent holding company, does not have any preferred stock outstanding; therefore, the ratio of earnings to combined fixed charges and preferred stock dividends is the same as the ratio of earnings to fixed charges.

Exhibit 12(b)

PPL ELECTRIC UTILITIES CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	3 Months Ended March 31, 2016	Years Ended December 31, 2015	2014	2013	2012	2011
Earnings, as defined:						
Income Before Income Taxes	**$ 150**	$ 416	$ 423	$ 317	$ 204	$ 257
Total fixed charges as below	**36**	139	131	117	107	105
Total earnings	**$ 186**	$ 555	$ 554	$ 434	$ 311	$ 362
Fixed charges, as defined:						
Interest charges (a)	**$ 35**	$ 135	$ 127	$ 113	$ 104	$ 102
Estimated interest component of operating rentals	**1**	4	4	4	3	3
Total fixed charges (b)	**$ 36**	$ 139	$ 131	$ 117	$ 107	$ 105
Ratio of earnings to fixed charges	**5.2**	4.0	4.2	3.7	2.9	3.4
Preferred stock dividend requirements on a pre-tax basis					$ 6	$ 21
Fixed charges, as above	**$ 36**	$ 139	$ 131	$ 117	107	105
Total fixed charges and preferred stock dividends	**$ 36**	$ 139	$ 131	$ 117	$ 113	$ 126
Ratio of earnings to combined fixed charges and preferred stock dividends	**5.2**	4.0	4.2	3.7	2.8	2.9

(a) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.

(b) Interest on unrecognized tax benefits is not included in fixed charges.

Exhibit 12(c)

LG&E AND KU ENERGY LLC AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	3 Months Ended March 31,	Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Earnings, as defined:						
Income from Continuing Operations Before Income Taxes	**$ 192**	$ 603	$ 553	$ 551	$ 331	$ 419
Adjustment to reflect earnings from equity method investments on a cash basis (a)		(1)	(1)	(1)	33	(1)
	192	602	552	550	364	418
Total fixed charges as below	**55**	189	173	151	157	153
Total earnings	**$ 247**	$ 791	$ 725	$ 701	$ 521	$ 571
Fixed charges, as defined:						
Interest charges (b) (c)	**$ 53**	$ 181	$ 167	$ 145	$ 151	$ 147
Estimated interest component of operating rentals	**2**	8	6	6	6	6
Total fixed charges	**$ 55**	$ 189	$ 173	$ 151	$ 157	$ 153
Ratio of earnings to fixed charges	**4.5**	4.2	4.2	4.6	3.3	3.7

(a) Includes other-than-temporary impairment loss of $25 million in 2012.

(b) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

(c) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(d)

LOUISVILLE GAS AND ELECTRIC COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	3 Months Ended March 31, 2016	Years Ended December 31, 2015	2014	2013	2012	2011
Earnings, as defined:						
Income Before Income Taxes	$ 91	$ 299	$ 272	$ 257	$ 192	$ 195
Total fixed charges as below	18	61	51	36	44	46
Total earnings	$ 109	$ 360	$ 323	$ 293	$ 236	$ 241
Fixed charges, as defined:						
Interest charges (a) (b)	$ 17	$ 57	$ 49	$ 34	$ 42	$ 44
Estimated interest component of operating rentals	1	4	2	2	2	2
Total fixed charges	$ 18	$ 61	$ 51	$ 36	$ 44	$ 46
Ratio of earnings fixed charges	6.1	5.9	6.3	8.1	5.4	5.2

(a) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

(b) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(e)

KENTUCKY UTILITIES COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	3 Months Ended March 31,	Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Earnings, as defined:						
Income Before Income Taxes	**$ 121**	**$ 374**	$ 355	$ 360	$ 215	$ 282
Adjustment to reflect earnings from equity method investments on a cash basis (a)		**(1)**	(1)	(1)	33	(1)
	121	**373**	354	359	248	281
Total fixed charges as below	**25**	**86**	80	73	72	73
Total earnings	**$ 146**	**$ 459**	$ 434	$ 432	$ 320	$ 354
Fixed charges, as defined:						
Interest charges (b)	**$ 24**	**$ 82**	$ 77	$ 70	$ 69	$ 70
Estimated interest component of operating rentals	**1**	**4**	3	3	3	3
Total fixed charges	**$ 25**	**$ 86**	$ 80	$ 73	$ 72	$ 73
Ratio of earnings to fixed charges	**5.8**	**5.3**	5.4	5.9	4.4	4.8

(a) Includes other-than-temporary impairment loss of $25 million in 2012.

(b) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

CERTIFICATION

I, WILLIAM H. SPENCE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2016

/s/ William H. Spence
William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

CERTIFICATION

I, VINCENT SORGI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2016

/s/ Vincent Sorgi
Vincent Sorgi
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

CERTIFICATION

I, GREGORY N. DUDKIN, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2016

/s/ Gregory N. Dudkin
Gregory N. Dudkin
President
(Principal Executive Officer)
PPL Electric Utilities Corporation

CERTIFICATION

I, MARLENE C. BEERS, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2016

/s/ Marlene C. Beers
Marlene C. Beers
Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

Exhibit 31(e)

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2016

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
LG&E and KU Energy LLC

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2016

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
LG&E and KU Energy LLC

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2016

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Louisville Gas and Electric Company

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2016

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Louisville Gas and Electric Company

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kentucky Utilities Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2016

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Kentucky Utilities Company

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kentucky Utilities Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2016

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Kentucky Utilities Company

Exhibit 32(a)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2016

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended March 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, William H. Spence, the Principal Executive Officer of the Company, and Vincent Sorgi, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2016

/s/ William H. Spence
William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

/s/ Vincent Sorgi
Vincent Sorgi
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(b)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ELECTRIC UTILITIES CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2016

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended March 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Gregory N. Dudkin, the Principal Executive Officer of the Company, and Marlene C. Beers, the Principal Accounting Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2016

/s/ Gregory N. Dudkin
Gregory N. Dudkin
President
(Principal Executive Officer)
PPL Electric Utilities Corporation

/s/ Marlene C. Beers
Marlene C. Beers
Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(c)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LG&E AND KU ENERGY LLC'S FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2016

In connection with the quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "Company") for the quarter ended March 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2016

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
LG&E and KU Energy LLC

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
LG&E and KU Energy LLC

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(d)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LOUISVILLE GAS AND ELECTRIC COMPANY'S FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2016

In connection with the quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "Company") for the quarter ended March 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2016

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Louisville Gas and Electric Company

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Louisville Gas and Electric Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR KENTUCKY UTILITIES COMPANY'S FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2016

In connection with the quarterly report on Form 10-Q of Kentucky Utilities Company (the "Company") for the quarter ended March 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2016

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Kentucky Utilities Company

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Kentucky Utilities Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

FORM 8-K

LOUISVILLE GAS & ELECTRIC CO /KY/ - N/A

Filed: June 17, 2016 (period: June 13, 2016)

Report of unscheduled material events or corporate changes.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 13, 2016

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
333-173665	**LG&E and KU Energy LLC** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-2893	**Louisville Gas and Electric Company** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150
1-3464	**Kentucky Utilities Company** (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 8 - Other Events

Item 8.01. Other Events.

On June 13, 2016, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU" and, together with LG&E, the "Companies") filed a unanimous settlement agreement with intervenors in their proceedings before the Kentucky Public Service Commission ("KPSC") regarding the Companies' upcoming environmental construction plans.

The proceedings were commenced in January 2016 with respect to the Companies' applications for Certificates of Public Convenience and Necessity ("CPCN") and for Environmental Cost Recovery ("ECR") rate treatment for construction projects relating to altering landfills, closing ash ponds, water process changes and other controls at existing and retired plants in response to the U.S. Environmental Protection Agency's Coal Combustion Byproducts and Mercury and Air Toxics Standards rules.

The proposed settlement provides for cost recovery of the full amounts requested by the Companies in their original applications, with adjustments to amortization or depreciation methods and periods for certain enumerated construction projects. The proposed settlement also includes the parties' support for the Companies' requested 10% authorized return on equity. If approved, recovery of costs could commence with bills rendered on and after August 31, 2016.

The construction projects have schedules commencing in 2016 and continuing through 2023 and are estimated in the Companies' filings to cost approximately $316 million at LG&E and $678 million at KU.

A hearing on the settlement was held on June 14, 2016. The matter is subject to KPSC authority to accept, decline or modify the proposed settlement. An order in the proceeding is anticipated from the KPSC by the end of July 2016.

Statements in this report and the accompanying press releases, including statements with respect to future events and their timing, including the Companies' future rates, rate mechanisms or returns on equity ultimately authorized or achieved, as well as statements as to future costs or expenses, regulation, corporate strategy and performance, are "forward-looking statements" within the meaning of the federal securities laws. Although the Companies believe that the expectations and assumptions reflected in these forward-looking statements are reasonable, these expectations, assumptions and statements are subject to a number of risks and uncertainties, and actual results may differ materially from the results discussed in the statements. The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: subsequent phases of rate proceedings and regulatory cost recovery; market demand and prices for electricity; political, regulatory or economic conditions in states and regions where the Companies conduct business; and the progress of actual construction, purchase or installation of assets or operations subject to tracker mechanisms. Any such forward-looking statements should be considered in light of such important factors and in conjunction with PPL Corporation's, LG&E and KU Energy LLC's and the Companies' Form 10-K and other reports on file with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

PPL CORPORATION

By: /s/ Stephen K. Breininger
Stephen K. Breininger
Vice President and Controller

LG&E AND KU ENERGY LLC

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

LOUISVILLE GAS AND ELECTRIC COMPANY

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

KENTUCKY UTILITIES COMPANY

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

Dated: June 17, 2016

FORM 10-Q

PPL CORP - PPL

Filed: August 09, 2016 (period: June 30, 2016)

Quarterly report with a continuing view of a company's financial position

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended June 30, 2016

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _________ to ___________

Commission File Number	Registrant; State of Incorporation; Address and Telephone Number	IRS Employer Identification No.
1-11459	**PPL Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-2758192
1-905	**PPL Electric Utilities Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-0959590
333-173665	**LG&E and KU Energy LLC** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-2893	**Louisville Gas and Electric Company** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150
1-3464	**Kentucky Utilities Company** (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

PPL Corporation	Yes X	No ___
PPL Electric Utilities Corporation	Yes X	No ___
LG&E and KU Energy LLC	Yes X	No ___
Louisville Gas and Electric Company	Yes X	No ___
Kentucky Utilities Company	Yes X	No ___

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files).

PPL Corporation	Yes X	No ___
PPL Electric Utilities Corporation	Yes X	No ___
LG&E and KU Energy LLC	Yes X	No ___
Louisville Gas and Electric Company	Yes X	No ___
Kentucky Utilities Company	Yes X	No ___

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
PPL Corporation	[X]	[ ]	[ ]	[ ]
PPL Electric Utilities Corporation	[ ]	[ ]	[X]	[ ]
LG&E and KU Energy LLC	[ ]	[ ]	[X]	[ ]
Louisville Gas and Electric Company	[ ]	[ ]	[X]	[ ]
Kentucky Utilities Company	[ ]	[ ]	[X]	[ ]

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

PPL Corporation	Yes ___	No X
PPL Electric Utilities Corporation	Yes ___	No X
LG&E and KU Energy LLC	Yes ___	No X
Louisville Gas and Electric Company	Yes ___	No X
Kentucky Utilities Company	Yes ___	No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

PPL Corporation	Common stock, $0.01 par value, 678,094,068 shares outstanding at August 3, 2016.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at August 3, 2016.
LG&E and KU Energy LLC	PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC.
Louisville Gas and Electric Company	Common stock, no par value, 21,294,223 shares outstanding and all held by LG&E and KU Energy LLC at August 3, 2016.
Kentucky Utilities Company	Common stock, no par value, 37,817,878 shares outstanding and all held by LG&E and KU Energy LLC at August 3, 2016.

This document is available free of charge at the Investors section of PPL Corporation's website at www.pplweb.com. However, information on this website does not constitute a part of this Form 10-Q.

PPL CORPORATION
PPL ELECTRIC UTILITIES CORPORATION
LG&E AND KU ENERGY LLC
LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

FORM 10-Q
FOR THE QUARTER ENDED June 30, 2016

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This combined Form 10-Q is separately filed by the following Registrants in their individual capacity: PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant, except that information under "Forward-Looking Information" relating to subsidiaries of PPL Corporation is also attributed to PPL Corporation and information relating to the subsidiaries of LG&E and KU Energy LLC is also attributed to LG&E and KU Energy LLC.

Unless otherwise specified, references in this Report, individually, to PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company are references to such entities directly or to one or more of their subsidiaries, as the case may be, the financial results of which subsidiaries are consolidated into such Registrants in accordance with GAAP. This presentation has been applied where identification of particular subsidiaries is not material to the matter being disclosed, and to conform narrative disclosures to the presentation of financial information on a consolidated basis.

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GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its subsidiaries

KU - Kentucky Utilities Company, a public utility subsidiary of LKE engaged in the regulated generation, transmission, distribution and sale of electricity, primarily in Kentucky.

LG&E - Louisville Gas and Electric Company, a public utility subsidiary of LKE engaged in the regulated generation, transmission, distribution and sale of electricity and the distribution and sale of natural gas in Kentucky.

LKE - LG&E and KU Energy LLC, a subsidiary of PPL and the parent of LG&E, KU and other subsidiaries.

LKS - LG&E and KU Services Company, a subsidiary of LKE that provides services to LKE and its subsidiaries.

PPL - PPL Corporation, the parent holding company of PPL Electric, PPL Energy Funding, PPL Capital Funding, LKE and other subsidiaries.

PPL Capital Funding - PPL Capital Funding, Inc., a financing subsidiary of PPL that provides financing for the operations of PPL and certain subsidiaries. Debt issued by PPL Capital Funding is guaranteed as to payment by PPL.

PPL Electric - PPL Electric Utilities Corporation, a public utility subsidiary of PPL engaged in the regulated transmission and distribution of electricity in its Pennsylvania service area and that provides electricity supply to its retail customers in this area as a PLR.

PPL Energy Funding - PPL Energy Funding Corporation, a subsidiary of PPL and the parent holding company of PPL Global and other subsidiaries.

PPL EU Services - PPL EU Services Corporation, a subsidiary of PPL that, beginning in 2015, provides support services and corporate functions such as financial, supply chain, human resources and facilities management services primarily to PPL Electric and its affiliates.

PPL Global - PPL Global, LLC, a subsidiary of PPL Energy Funding that, primarily through its subsidiaries, owns and operates WPD, PPL's regulated electricity distribution businesses in the U.K.

PPL Services - PPL Services Corporation, a subsidiary of PPL that provides administrative, management and support services to PPL and its subsidiaries.

PPL WPD Limited - an indirect U.K. subsidiary of PPL Global and parent to WPD plc.

WPD - refers to PPL WPD Limited and its subsidiaries.

WPD (East Midlands) - Western Power Distribution (East Midlands) plc, a British regional electricity distribution utility company.

WPD plc - Western Power Distribution plc, a direct U.K. subsidiary of PPL WPD Limited. Its principal indirectly owned subsidiaries are WPD (East Midlands), WPD (South Wales), WPD (South West) and WPD (West Midlands).

WPD Midlands - refers to WPD (East Midlands) and WPD (West Midlands), collectively.

WPD (South Wales) - Western Power Distribution (South Wales) plc, a British regional electricity distribution utility company.

WPD (South West) - Western Power Distribution (South West) plc, a British regional electricity distribution utility company.

WPD (West Midlands) - Western Power Distribution (West Midlands) plc, a British regional electricity distribution utility company.

WKE - Western Kentucky Energy Corp., a subsidiary of LKE that leased certain non-utility generating plants in western Kentucky until July 2009.

Other terms and abbreviations

£ - British pound sterling.

2015 Form 10-K - Annual Report to the SEC on Form 10-K for the year ended December 31, 2015.

2001 Mortgage Indenture - PPL Electric's Indenture, dated as of August 1, 2001, to the Bank of New York Mellon (as successor to JPMorgan Chase Bank), as trustee, as supplemented.

Act 11 - Act 11 of 2012 that became effective on April 16, 2012. The Pennsylvania legislation authorizes the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, a DSIC.

Act 129 - Act 129 of 2008 that became effective in October 2008. The law amends the Pennsylvania Public Utility Code and creates an energy efficiency and conservation program and smart metering technology requirements, adopts new PLR electricity supply procurement rules, provides remedies for market misconduct and changes to the Alternative Energy Portfolio Standard (AEPS).

AOCI - accumulated other comprehensive income or loss.

ARO - asset retirement obligation.

ATM Program - At-the-Market stock offering program.

BSER - Best System of Emission Reduction. The degree of emission reduction that EPA determines has been adequately demonstrated when taking into account the cost of achieving such reduction and any non-air quality health and environmental impact and energy requirements.

CCR(s) - Coal Combustion Residual(s). CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes.

Clean Air Act - federal legislation enacted to address certain environmental issues related to air emissions, including acid rain, ozone and toxic air emissions.

Clean Water Act - federal legislation enacted to address certain environmental issues relating to water quality including effluent discharges, cooling water intake, and dredge and fill activities.

CPCN - Certificate of Public Convenience and Necessity. Authority granted by the KPSC pursuant to Kentucky Revised Statute 278.020 to provide utility service to or for the public or the construction of certain plant, equipment, property or facility for furnishing of utility service to the public.

Customer Choice Act - the Pennsylvania Electricity Generation Customer Choice and Competition Act, legislation enacted to restructure the state's electric utility industry to create retail access to a competitive market for generation of electricity.

DNO - Distribution Network Operator in the U.K.

DPCR4 - Distribution Price Control Review 4, the U.K. five-year rate review period applicable to WPD that commenced April 1, 2005.

DPCR5 - Distribution Price Control Review 5, the U.K. five-year rate review period applicable to WPD that commenced April 1, 2010.

DRIP - PPL Amended and Restated Dividend Reinvestment and Direct Stock Purchase Plan.

DSIC - the Distribution System Improvement Charge authorized under Act 11, which is an alternative ratemaking mechanism providing more-timely cost recovery of qualifying distribution system capital expenditures.

DSM - Demand Side Management. Pursuant to Kentucky Revised Statute 278.285, the KPSC may determine the reasonableness of DSM plans proposed by any utility under its jurisdiction. Proposed DSM mechanisms may seek full recovery of costs and revenues lost by implementing DSM programs and/or incentives designed to provide financial rewards to the utility for implementing cost-effective DSM programs. The cost of such programs shall be assigned only to the class or classes of customers which benefit from the programs.

Earnings from Ongoing Operations - A non-GAAP financial measure of earnings adjusted for the impact of special items and used in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A).

ECR - Environmental Cost Recovery. Pursuant to Kentucky Revised Statute 278.183, Kentucky electric utilities are entitled to the current recovery of costs of complying with the Clean Air Act, as amended, and those federal, state or local environmental requirements that apply to coal combustion wastes and by-products from the production of energy from coal.

ELG(s) - Effluent Limitation Guidelines, regulations promulgated by the EPA.

EPA - Environmental Protection Agency, a U.S. government agency.

FERC - Federal Energy Regulatory Commission, the U.S. federal agency that regulates, among other things, interstate transmission and wholesale sales of electricity, hydroelectric power projects and related matters.

GAAP - Generally Accepted Accounting Principles in the U.S.

GBP - British pound sterling.

GLT - Gas Line Tracker. The KPSC approved mechanism for LG&E's recovery of costs associated with gas service lines, gas risers, leak mitigation, and gas main replacements. Rate recovery became effective on January 1, 2013.

KPSC - Kentucky Public Service Commission, the state agency that has jurisdiction over the regulation of rates and service of utilities in Kentucky.

LCIDA - Lehigh County Industrial Development Authority.

LIBOR - London Interbank Offered Rate.

Margins - A non-GAAP financial measure of performance used in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A).

MATS - Mercury and Air Toxics Standards, regulations promulgated by the EPA.

Moody's - Moody's Investors Service, Inc., a credit rating agency.

MW - megawatt, one thousand kilowatts.

NAAQS - National Ambient Air Quality Standards periodically adopted pursuant to the Clean Air Act.

NERC - North American Electric Reliability Corporation.

NGCC - Natural gas-fired combined-cycle generating plant.

NPNS - the normal purchases and normal sales exception as permitted by derivative accounting rules. Derivatives that qualify for this exception may receive accrual accounting treatment.

NSR - The new source review provisions of the Clean Air Act that impose stringent emission control requirements on new and modified sources of air emissions that result in emission increases beyond thresholds allowed by the Clean Air Act.

OCI - other comprehensive income or loss.

Ofgem - Office of Gas and Electricity Markets, the British agency that regulates transmission, distribution and wholesale sales of electricity and related matters.

OVEC - Ohio Valley Electric Corporation, located in Piketon, Ohio, an entity in which LKE indirectly owns an 8.13% interest (consists of LG&E's 5.63% and KU's 2.50% interests), which is accounted for as a cost-method investment. OVEC owns and operates two coal-fired power plants, the Kyger Creek plant in Ohio and the Clifty Creek plant in Indiana, with combined summer rating capacities of 2,120 MW.

PLR - Provider of Last Resort, the role of PPL Electric in providing default electricity supply within its delivery area to retail customers who have not chosen to select an alternative electricity supplier under the Customer Choice Act.

PP&E - property, plant and equipment.

PPL EnergyPlus - prior to the June 1, 2015 spinoff of PPL Energy Supply, PPL EnergyPlus, LLC, a subsidiary of PPL Energy Supply that marketed and traded wholesale and retail electricity and gas, and supplied energy and energy services in competitive markets.

PPL Energy Supply - prior to the June 1, 2015 spinoff, PPL Energy Supply, LLC, a subsidiary of PPL Energy Funding and the parent company of PPL EnergyPlus and other subsidiaries.

PUC - Pennsylvania Public Utility Commission, the state agency that regulates certain ratemaking, services, accounting and operations of Pennsylvania utilities.

RAV - regulatory asset value. This term, used within the U.K. regulatory environment, is also commonly known as RAB or regulatory asset base. RAV is based on historical investment costs at time of privatization, plus subsequent allowed additions less annual regulatory depreciation, and represents the value on which DNOs earn a return in accordance with the regulatory cost of capital. RAV is indexed to Retail Price Index (RPI) in order to allow for the effects of inflation. Since the beginning of DPCR5 in April 2010, RAV additions have been based on a percentage of annual total expenditures, which have continued from April 2015 under RIIO-ED1. RAV is intended to represent expenditures that have a long-term benefit to WPD (similar to capital projects for the U.S. regulated businesses that are generally included in rate base).

RCRA - Resource Conservation and Recovery Act of 1976.

Registrant(s) - refers to the Registrants named on the cover of this Report (each a "Registrant" and collectively, the "Registrants").

Regulation S-X - SEC regulation governing the form and content of and requirements for financial statements required to be filed pursuant to the federal securities laws.

RFC - 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.

RIIO-ED1 - RIIO represents "Revenues = Incentive + Innovation + Outputs." RIIO-ED1 refers to the initial eight-year rate review period applicable to WPD which commenced April 1, 2015.

Riverstone - Riverstone Holdings LLC, a Delaware limited liability company and ultimate parent company of the entities that own the competitive power generation business contributed to Talen Energy other than the competitive power generation business contributed by virtue of the spinoff of a newly formed parent of PPL Energy Supply.

RPI - Retail Price Index, is a measure of inflation in the United Kingdom published monthly by the Office for National Statistics.

SCRs - selective catalytic reduction, a pollution control process for the removal of nitrogen oxide from exhaust gas.

S&P - Standard & Poor's Ratings Services, a credit rating agency.

Sarbanes-Oxley- Sarbanes-Oxley Act of 2002, which sets requirements for management's assessment of internal controls for financial reporting. It also requires an independent auditor to make its own assessment.

Scrubber - an air pollution control device that can remove particulates and/or gases (primarily sulfur dioxide) from exhaust gases.

SEC - the U.S. Securities and Exchange Commission, a U.S. government agency primarily responsible to protect investors and maintain the integrity of the securities markets.

SERC - SERC Reliability Corporation, one of eight regional entities with delegated authority from NERC that work to safeguard the reliability of the bulk power systems throughout North America.

Smart meter - an electric meter that utilizes smart metering technology.

Smart metering technology - technology that can measure, among other things, time of electricity consumption to permit offering rate incentives for usage during lower cost or demand intervals. The use of this technology also has the potential to strengthen network reliability.

Superfund - federal environmental statute that addresses remediation of contaminated sites; states also have similar statutes.

Talen Energy - Talen Energy Corporation, the Delaware corporation formed to be the publicly traded company and owner of the competitive generation assets of PPL Energy Supply and certain affiliates of Riverstone.

Talen Energy Marketing - Talen Energy Marketing, LLC, PPL EnergyPlus' new name subsequent to the spinoff of PPL Energy Supply.

Treasury Stock Method - A method applied to calculate diluted EPS that assumes any proceeds that could be obtained upon exercise of options and warrants (and their equivalents) would be used to purchase common stock at the average market price during the relevant period.

VSCC - Virginia State Corporation Commission, the state agency that has jurisdiction over the regulation of Virginia corporations, including utilities.

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Forward-looking Information

Statements contained in this Form 10-Q concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in each Registrant's 2015 Form 10-K and in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements.

- challenges by intervenors to the return on equity granted in existing rate structures;
- fuel supply and cost;
- continuing ability to recover fuel costs and environmental expenditures in a timely manner at LG&E and KU, and natural gas supply costs at LG&E;
- weather conditions affecting transmission and distribution operations, and customer energy use;
- availability and operating costs of existing generation facilities;
- the duration of and cost associated with outages at our generating facilities;
- generation, transmission and distribution system conditions, and operating costs;
- expansion of alternative and distributed sources of electricity generation and storage;
- collective labor bargaining negotiations;
- laws or regulations to reduce emissions of "greenhouse" gases or physical effects of climate change;
- the outcome of litigation against the Registrants and their subsidiaries;
- potential effects of threatened or actual terrorism, war or other hostilities, cyber-based intrusions or natural disasters;
- the commitments and liabilities of the Registrants and their subsidiaries;
- the effectiveness of our risk management programs, including foreign currency and interest rate hedging;
- our ability to attract and retain qualified employees;
- volatility in demand for electricity;
- market prices of commodity inputs for ongoing capital expenditures or key operational needs;
- capital market conditions, including the availability of capital or credit, changes in interest rates and certain economic indices, and decisions regarding capital structure;
- stock price performance of PPL;
- defaults by counterparties or suppliers for energy, capacity, coal, natural gas or key commodities, goods or services;
- volatility in the fair value of debt and equity securities and its impact on the value of assets in defined benefit plans, and the potential cash funding requirements if fair value declines;
- interest rates and their effect on pension and retiree medical liabilities and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial markets and economic conditions;
- new accounting requirements or new interpretations or applications of existing requirements;
- changes in securities and credit ratings;
- changes in foreign currency exchange rates for British pound sterling;
- the effect of changes in RPI on WPD's revenues and index linked debt;
- current and future environmental conditions, regulations and other requirements and the related costs of compliance, including environmental capital expenditures, emission allowance costs and other expenses;
- changes in political, regulatory or economic conditions in states, regions or countries where the Registrants or their subsidiaries conduct business;
- the effect of the June 23, 2016 referendum in the U.K. to withdraw from the European Union;
- receipt of necessary governmental permits, approvals and rate relief;
- new state, federal or foreign legislation or regulatory developments;
- the outcome of any rate cases or other cost recovery or revenue filings by PPL Electric, LG&E, KU or WPD;
- the achievement of performance targets set by Ofgem;
- the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures; and
- business dispositions or acquisitions and our ability to realize expected benefits from such business transactions.

Any such forward-looking statements should be considered in light of such important factors and in conjunction with other documents of the Registrants on file with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for the Registrants to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and the Registrants undertake no obligation to update the information contained in such statement to reflect subsequent developments or information.

PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Operating Revenues	**$ 1,785**	$ 1,781	**$ 3,796**	$ 4,011
Operating Expenses				
Operation				
Fuel	**183**	214	**380**	467
Energy purchases	**147**	170	**380**	499
Other operation and maintenance	**425**	467	**875**	923
Depreciation	**231**	216	**460**	432
Taxes, other than income	**74**	76	**153**	162
Total Operating Expenses	**1,060**	1,143	**2,248**	2,483
Operating Income	**725**	638	**1,548**	1,528
Other Income (Expense) - net	**174**	(102)	**235**	(14)
Interest Expense	**224**	215	**448**	424
Income from Continuing Operations Before Income Taxes	**675**	321	**1,335**	1,090
Income Taxes	**192**	71	**371**	288
Income from Continuing Operations After Income Taxes	**483**	250	**964**	802
Income (Loss) from Discontinued Operations (net of income taxes) (Note 8)	**—**	(1,007)	**—**	(912)
Net Income (Loss)	**$ 483**	$ (757)	**$ 964**	$ (110)
Earnings Per Share of Common Stock:				
Income from Continuing Operations After Income Taxes:				
Basic	**$ 0.71**	$ 0.37	**$ 1.42**	$ 1.20
Diluted	**$ 0.71**	$ 0.37	**$ 1.41**	$ 1.19
Net Income (Loss):				
Basic	**$ 0.71**	$ (1.13)	**$ 1.42**	$ (0.17)
Diluted	**$ 0.71**	$ (1.13)	**$ 1.41**	$ (0.17)
Dividends Declared Per Share of Common Stock	**$ 0.38**	$ 0.3725	**$ 0.76**	$ 0.7450
Weighted-Average Shares of Common Stock Outstanding (in thousands)				
Basic	**677,145**	668,415	**676,293**	667,698
Diluted	**680,729**	671,286	**679,773**	670,013

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income (loss)	**$ 483**	$ (757)	**$ 964**	$ (110)
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, $6, ($2), $1	**268**	(83)	**(196)**	(149)
Available-for-sale securities, net of tax of $0, ($3), $0, ($9)	**—**	2	**—**	7
Qualifying derivatives, net of tax of $22, ($11), $7, ($7)	**(85)**	21	**(5)**	27
Defined benefit plans:				
Prior service costs, net of tax of $0, $4, $0, $4	**—**	(6)	**—**	(6)
Net actuarial gain (loss), net of tax of ($1), ($36), ($1), ($36)	**2**	53	**2**	52
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Available-for-sale securities, net of tax of $0, $1, $0, $2	**—**	(1)	**—**	(2)
Qualifying derivatives, net of tax of ($21), ($24), ($2), ($20)	**85**	27	**7**	10
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $0, $1	**(1)**	—	**(1)**	(1)
Defined benefit plans:				
Prior service costs, net of tax of $0, $0, $0, $0	**1**	—	**1**	—
Net actuarial loss, net of tax of ($8), ($12), ($17), ($25)	**32**	38	**63**	76
Total other comprehensive income (loss)	**302**	51	**(129)**	14
Comprehensive income (loss)	**$ 785**	$ (706)	**$ 835**	$ (96)

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Cash Flows from Operating Activities		
Net income (loss)	**$ 964**	$ (110)
(Income) Loss from discontinued operations (net of income taxes)	**—**	912
Income from continuing operations (net of income taxes)	**964**	802
Adjustments to reconcile Income from continuing operations (net of taxes) to net cash provided by operating activities - continuing operations		
Depreciation	**460**	432
Amortization	**37**	27
Defined benefit plans - expense (income)	**(24)**	32
Deferred income taxes and investment tax credits	**320**	256
Unrealized (gains) losses on derivatives, and other hedging activities	**(192)**	62
Stock-based compensation expense	**18**	38
Other	**(11)**	11
Change in current assets and current liabilities		
Accounts receivable	**16**	(74)
Accounts payable	**(39)**	(83)
Unbilled revenues	**(2)**	79
Prepayments	**(66)**	(61)
Counterparty collateral	**76**	—
Taxes payable	**22**	(129)
Accrued interest	**(85)**	(87)
Other current liabilities	**(47)**	(91)
Other	**—**	13
Other operating activities		
Defined benefit plans - funding	**(224)**	(289)
Other assets	**2**	(29)
Other liabilities	**(55)**	61
Net cash provided by operating activities - continuing operations	**1,170**	970
Net cash provided by operating activities - discontinued operations	**—**	343
Net cash provided by operating activities	**1,170**	1,313
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(1,346)**	(1,679)
Expenditures for intangible assets	**(14)**	(24)
Proceeds from the sale of other investments	**—**	135
Other investing activities	**13**	(7)
Net cash provided by (used in) investing activities - continuing operations	**(1,347)**	(1,575)
Net cash provided by (used in) investing activities - discontinued operations	**—**	(149)
Net cash provided by (used in) investing activities	**(1,347)**	(1,724)
Cash Flows from Financing Activities		
Issuance of long-term debt	**1,020**	88
Retirement of long-term debt	**(684)**	—
Settlement of cross-currency swaps	**46**	—
Issuance of common stock	**76**	83
Payment of common stock dividends	**(513)**	(500)
Net increase (decrease) in short-term debt	**(66)**	276
Other financing activities	**(31)**	(18)
Net cash provided by (used in) financing activities - continuing operations	**(152)**	(71)
Net cash provided by (used in) financing activities - discontinued operations	**—**	(546)
Net cash distributions to parent from discontinued operations	**—**	132
Net cash provided by (used in) financing activities	**(152)**	(485)
Effect of Exchange Rates on Cash and Cash Equivalents	**(15)**	(9)

Net (Increase) Decrease in Cash and Cash Equivalents included in Discontinued Operations	—	352
Net Increase (Decrease) in Cash and Cash Equivalents	**(344)**	(553)
Cash and Cash Equivalents at Beginning of Period	**836**	1,399
Cash and Cash Equivalents at End of Period	**$ 492**	$ 846

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars, shares in thousands)

	June 30, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 492**	$ 836
Accounts receivable (less reserve: 2016, $48; 2015, $41)		
Customer	**667**	673
Other	**44**	59
Unbilled revenues	**447**	453
Fuel, materials and supplies	**336**	357
Prepayments	**131**	66
Price risk management assets	**200**	139
Other current assets	**43**	63
Total Current Assets	**2,360**	2,646
Property, Plant and Equipment		
Regulated utility plant	**35,226**	34,399
Less: accumulated depreciation - regulated utility plant	**5,966**	5,683
Regulated utility plant, net	**29,260**	28,716
Non-regulated property, plant and equipment	**491**	516
Less: accumulated depreciation - non-regulated property, plant and equipment	**157**	165
Non-regulated property, plant and equipment, net	**334**	351
Construction work in progress	**1,200**	1,315
Property, Plant and Equipment, net	**30,794**	30,382
Other Noncurrent Assets		
Regulatory assets	**1,762**	1,733
Goodwill	**3,455**	3,550
Other intangibles	**708**	679
Price risk management assets	**285**	156
Other noncurrent assets	**164**	155
Total Other Noncurrent Assets	**6,374**	6,273
Total Assets	**$ 39,528**	$ 39,301

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, shares in thousands)

	June 30, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 856**	$ 916
Long-term debt due within one year	**219**	485
Accounts payable	**726**	812
Taxes	**106**	85
Interest	**211**	303
Dividends	**258**	255
Customer deposits	**326**	326
Regulatory liabilities	**99**	145
Other current liabilities	**607**	549
Total Current Liabilities	**3,408**	3,876
Long-term Debt	**18,949**	18,563
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**3,749**	3,440
Investment tax credits	**134**	128
Accrued pension obligations	**1,074**	1,405
Asset retirement obligations	**513**	536
Regulatory liabilities	**935**	945
Other deferred credits and noncurrent liabilities	**441**	489
Total Deferred Credits and Other Noncurrent Liabilities	**6,846**	6,943
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
Common stock - $0.01 par value (a)	**7**	7
Additional paid-in capital	**9,766**	9,687
Earnings reinvested	**3,409**	2,953
Accumulated other comprehensive loss	**(2,857)**	(2,728)
Total Equity	**10,325**	9,919
Total Liabilities and Equity	**$ 39,528**	$ 39,301

(a) 780,000 shares authorized; 677,549 and 673,857 shares issued and outstanding at June 30, 2016 and December 31, 2015.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Total
December 31, 2015	673,857	$ 7	$ 9,687	$ 2,953	$ (2,728)	$ 9,919
Common stock issued	3,692		109			109
Stock-based compensation			(30)			(30)
Net income				964		964
Dividends and dividend equivalents				(515)		(515)
Other comprehensive income (loss)					(129)	(129)
Adoption of stock-based compensation guidance cumulative effect adjustment (Note 2)				7		7
June 30, 2016	677,549	$ 7	$ 9,766	$ 3,409	$ (2,857)	$ 10,325
December 31, 2014	665,849	$ 7	$ 9,433	$ 6,462	$ (2,274)	$ 13,628
Common stock issued	3,665		111			111
Stock-based compensation			20			20
Net income (loss)				(110)		(110)
Dividends and dividend equivalents				(498)		(498)
Distribution of PPL Energy Supply (Note 8)				(3,200)	(24)	(3,224)
Other comprehensive income (loss)					14	14
June 30, 2015	669,514	$ 7	$ 9,564	$ 2,654	$ (2,284)	$ 9,941

(a) Shares in thousands. Each share entitles the holder to one vote on any question presented at any shareowners' meeting.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Operating Revenues	**$ 495**	$ 476	**$ 1,080**	$ 1,106
Operating Expenses				
Operation				
Energy purchases	**118**	138	**285**	365
Energy purchases from affiliate	**—**	5	**—**	14
Other operation and maintenance	**137**	140	**287**	273
Depreciation	**62**	52	**121**	103
Taxes, other than income	**24**	25	**53**	60
Total Operating Expenses	**341**	360	**746**	815
Operating Income	**154**	116	**334**	291
Other Income (Expense) - net	**5**	2	**8**	4
Interest Expense	**32**	33	**65**	64
Income Before Income Taxes	**127**	85	**277**	231
Income Taxes	**48**	36	**104**	95
Net Income (a)	**$ 79**	$ 49	**$ 173**	$ 136

(a) Net income equals comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Cash Flows from Operating Activities		
Net income	**$ 173**	$ 136
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**121**	103
Amortization	**15**	14
Defined benefit plans - expense	**7**	8
Deferred income taxes and investment tax credits	**107**	39
Other	**(10)**	(6)
Change in current assets and current liabilities		
Accounts receivable	**(6)**	(24)
Accounts payable	**(26)**	(93)
Unbilled revenue	**3**	25
Prepayments	**3**	(80)
Regulatory assets and liabilities	**(40)**	36
Taxes payable	**(16)**	(55)
Other	**(6)**	(14)
Other operating activities		
Defined benefit plans - funding	**—**	(33)
Other assets	**11**	(2)
Other liabilities	**(8)**	22
Net cash provided by operating activities	**328**	76
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(424)**	(480)
Other investing activities	**(3)**	(3)
Net cash provided by (used in) investing activities	**(427)**	(483)
Cash Flows from Financing Activities		
Issuance of long-term debt	**224**	—
Retirement of long-term debt	**(224)**	—
Contributions from parent	**200**	160
Payment of common stock dividends to parent	**(117)**	(107)
Net increase (decrease) in short-term debt	**6**	168
Other financing activities	**(2)**	—
Net cash provided by (used in) financing activities	**87**	221
Net Increase (Decrease) in Cash and Cash Equivalents	**(12)**	(186)
Cash and Cash Equivalents at Beginning of Period	**47**	214
Cash and Cash Equivalents at End of Period	**$ 35**	$ 28

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, shares in thousands)

	June 30, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 35**	$ 47
Accounts receivable (less reserve: 2016, $23; 2015, $16)		
Customer	**286**	286
Other	**13**	10
Accounts receivable from affiliates	**3**	—
Unbilled revenues	**88**	91
Materials and supplies	**30**	34
Prepayments	**63**	66
Other current assets	**18**	21
Total Current Assets	**536**	555
Property, Plant and Equipment		
Regulated utility plant	**9,110**	8,734
Less: accumulated depreciation - regulated utility plant	**2,656**	2,573
Regulated utility plant, net	**6,454**	6,161
Construction work in progress	**577**	530
Property, Plant and Equipment, net	**7,031**	6,691
Other Noncurrent Assets		
Regulatory assets	**995**	1,006
Intangibles	**246**	244
Other noncurrent assets	**17**	15
Total Other Noncurrent Assets	**1,258**	1,265
Total Assets	**$ 8,825**	$ 8,511

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars, shares in thousands)

	June 30, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 6**	$ —
Accounts payable	**295**	288
Accounts payable to affiliates	**35**	35
Taxes	**8**	24
Interest	**34**	37
Regulatory liabilities	**74**	113
Customer deposits	**22**	31
Other current liabilities	**77**	77
Total Current Liabilities	**551**	605
Long-term Debt	**2,830**	2,828
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,776**	1,663
Accrued pension obligations	**184**	183
Regulatory liabilities	**19**	22
Other deferred credits and noncurrent liabilities	**89**	91
Total Deferred Credits and Other Noncurrent Liabilities	**2,068**	1,959
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
Common stock - no par value (a)	**364**	364
Additional paid-in capital	**2,134**	1,934
Earnings reinvested	**878**	821
Total Equity	**3,376**	3,119
Total Liabilities and Equity	**$ 8,825**	$ 8,511

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at June 30, 2016 and December 31, 2015.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2015	66,368	$ 364	$ 1,934	$ 821	$ 3,119
Net income				173	173
Capital contributions from PPL			200		200
Dividends declared on common stock				(116)	(116)
June 30, 2016	66,368	$ 364	$ 2,134	$ 878	$ 3,376
December 31, 2014	66,368	$ 364	$ 1,603	$ 750	$ 2,717
Net income				136	136
Capital contributions from PPL (b)			207		207
Dividends declared on common stock				(107)	(107)
June 30, 2015	66,368	$ 364	$ 1,810	$ 779	$ 2,953

(a) Shares in thousands. All common shares of PPL Electric stock are owned by PPL.
(b) Includes non-cash contributions of $47 million.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Operating Revenues	**$ 721**	$ 714	**$ 1,547**	$ 1,613
Operating Expenses				
Operation				
Fuel	**182**	214	**380**	467
Energy purchases	**28**	28	**94**	120
Other operation and maintenance	**204**	214	**406**	423
Depreciation	**100**	94	**199**	189
Taxes, other than income	**15**	15	**30**	29
Total Operating Expenses	**529**	565	**1,109**	1,228
Operating Income	**192**	149	**438**	385
Other Income (Expense) - net	**(5)**	(1)	**(6)**	(2)
Interest Expense	**48**	42	**97**	84
Interest Expense with Affiliate	**4**	1	**8**	1
Income Before Income Taxes	**135**	105	**327**	298
Income Taxes	**51**	45	**123**	121
Net Income	**$ 84**	$ 60	**$ 204**	$ 177

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	**$ 84**	$ 60	**$ 204**	$ 177
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Defined benefit plans:				
Net actuarial gain (loss), net of tax of ($1), $5, ($1), $5	**1**	(8)	**1**	(8)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $0, $1	**(1)**	—	**(1)**	(1)
Defined benefit plans:				
Prior service costs, net of tax of $0, $0, $0, $0	**1**	1	**1**	1
Net actuarial loss, net of tax of ($1), ($1), ($1), ($1)	**1**	—	**2**	1
Total other comprehensive income (loss)	**2**	(7)	**3**	(7)
Comprehensive income (loss)	**$ 86**	$ 53	**$ 207**	$ 170

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Six Months Ended June 30,	
	2016	**2015**
Cash Flows from Operating Activities		
Net income	**$ 204**	$ 177
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**199**	189
Amortization	**15**	12
Defined benefit plans - expense	**13**	21
Deferred income taxes and investment tax credits	**121**	145
Other	**(1)**	23
Change in current assets and current liabilities		
Accounts receivable	**5**	13
Accounts payable	**28**	10
Unbilled revenues	**(14)**	12
Fuel, materials and supplies	**20**	54
Income tax receivable	**4**	136
Taxes payable	**(13)**	23
Accrued interest	**(1)**	—
Other	**(22)**	(30)
Other operating activities		
Defined benefit plans - funding	**(45)**	(63)
Expenditures for asset retirement obligations	**(8)**	(3)
Other assets	**1**	7
Other liabilities	**—**	(23)
Net cash provided by operating activities	**506**	703
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(439)**	(630)
Other investing activities	**—**	4
Net cash provided by (used in) investing activities	**(439)**	(626)
Cash Flows from Financing Activities		
Net increase (decrease) in notes payable with affiliate	**123**	18
Net increase (decrease) in short-term debt	**(126)**	(14)
Debt issuance and credit facility costs	**(1)**	—
Distributions to member	**(114)**	(109)
Contributions from member	**37**	20
Net cash provided by (used in) financing activities	**(81)**	(85)
Net Increase (Decrease) in Cash and Cash Equivalents	**(14)**	(8)
Cash and Cash Equivalents at Beginning of Period	**30**	21
Cash and Cash Equivalents at End of Period	**$ 16**	$ 13

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	June 30, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 16**	$ 30
Accounts receivable (less reserve: 2016, $24; 2015, $23)		
Customer	**201**	209
Other	**15**	17
Unbilled revenues	**161**	147
Fuel, materials and supplies	**279**	298
Prepayments	**30**	23
Regulatory assets	**22**	35
Other current assets	**1**	6
Total Current Assets	**725**	765
Property, Plant and Equipment		
Regulated utility plant	**12,414**	11,906
Less: accumulated depreciation - regulated utility plant	**1,301**	1,163
Regulated utility plant, net	**11,113**	10,743
Construction work in progress	**428**	660
Property, Plant and Equipment, net	**11,541**	11,403
Other Noncurrent Assets		
Regulatory assets	**767**	727
Goodwill	**996**	996
Other intangibles	**110**	123
Other noncurrent assets	**81**	76
Total Other Noncurrent Assets	**1,954**	1,922
Total Assets	**$ 14,220**	$ 14,090

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	June 30, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 139**	$ 265
Long-term debt due within one year	**219**	25
Notes payable with affiliate	**176**	54
Accounts payable	**236**	266
Accounts payable to affiliates	**5**	5
Customer deposits	**54**	52
Taxes	**33**	46
Price risk management liabilities	**6**	5
Regulatory liabilities	**25**	32
Interest	**31**	32
Asset retirement obligations	**76**	50
Other current liabilities	**104**	135
Total Current Liabilities	**1,104**	967
Long-term Debt		
Long-term debt	**4,470**	4,663
Long-term debt to affiliate	**400**	400
Total Long-term Debt	**4,870**	5,063
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,580**	1,463
Investment tax credits	**133**	128
Accrued pension obligations	**276**	296
Asset retirement obligations	**463**	485
Regulatory liabilities	**916**	923
Price risk management liabilities	**50**	42
Other deferred credits and noncurrent liabilities	**181**	206
Total Deferred Credits and Other Noncurrent Liabilities	**3,599**	3,543
Commitments and Contingent Liabilities (Notes 6 and 10)		
Member's equity	**4,647**	4,517
Total Liabilities and Equity	**$ 14,220**	$ 14,090

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Member's Equity
December 31, 2015	$ 4,517
Net income	204
Contributions from member	37
Distributions to member	(114)
Other comprehensive income (loss)	3
June 30, 2016	$ 4,647
December 31, 2014	$ 4,248
Net income	177
Contributions from member	20
Distributions to member	(109)
Other comprehensive income (loss)	(7)
June 30, 2015	$ 4,329

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED STATEMENTS OF INCOME
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Operating Revenues				
Retail and wholesale	**$ 317**	$ 323	**$ 692**	$ 740
Electric revenue from affiliate	**6**	8	**17**	30
Total Operating Revenues	**323**	331	**709**	770
Operating Expenses				
Operation				
Fuel	**69**	82	**147**	185
Energy purchases	**23**	23	**85**	111
Energy purchases from affiliate	**3**	5	**5**	8
Other operation and maintenance	**92**	103	**179**	199
Depreciation	**42**	40	**83**	82
Taxes, other than income	**7**	7	**15**	14
Total Operating Expenses	**236**	260	**514**	599
Operating Income	**87**	71	**195**	171
Other Income (Expense) - net	**(5)**	(1)	**(5)**	(2)
Interest Expense	**18**	13	**35**	26
Income Before Income Taxes	**64**	57	**155**	143
Income Taxes	**24**	22	**59**	55
Net Income (a)	**$ 40**	$ 35	**$ 96**	$ 88

(a) Net income equals comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF CASH FLOWS
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars)

	Six Months Ended June 30,	
	2016	**2015**
Cash Flows from Operating Activities		
Net income	**$ 96**	$ 88
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**83**	82
Amortization	**6**	6
Defined benefit plans - expense	**4**	8
Deferred income taxes and investment tax credits	**62**	58
Other	**—**	24
Change in current assets and current liabilities		
Accounts receivable	**(2)**	13
Accounts receivable from affiliates	**(7)**	7
Accounts payable	**20**	(12)
Accounts payable to affiliates	**8**	(4)
Unbilled revenues	**(1)**	9
Fuel, materials and supplies	**29**	51
Income tax receivable	**4**	74
Taxes payable	**—**	9
Other	**(6)**	(2)
Other operating activities		
Defined benefit plans - funding	**(16)**	(25)
Expenditures for asset retirement obligations	**(6)**	(3)
Other assets	**(4)**	12
Other liabilities	**3**	(6)
Net cash provided by operating activities	**273**	389
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(237)**	(349)
Net cash provided by (used in) investing activities	**(237)**	(349)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term debt	**(32)**	(5)
Debt issuance and credit facility costs	**(1)**	—
Payment of common stock dividends to parent	**(61)**	(58)
Contributions from parent	**47**	20
Net cash provided by (used in) financing activities	**(47)**	(43)
Net Increase (Decrease) in Cash and Cash Equivalents	**(11)**	(3)
Cash and Cash Equivalents at Beginning of Period	**19**	10
Cash and Cash Equivalents at End of Period	**$ 8**	$ 7

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars, shares in thousands)

	June 30, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 8**	$ 19
Accounts receivable (less reserve: 2016, $2; 2015, $1)		
Customer	**88**	92
Other	**10**	11
Accounts receivable from affiliates	**19**	12
Unbilled revenues	**68**	67
Fuel, materials and supplies	**122**	151
Prepayments	**14**	5
Regulatory assets	**8**	16
Other current assets	**—**	2
Total Current Assets	**337**	375
Property, Plant and Equipment		
Regulated utility plant	**5,207**	4,804
Less: accumulated depreciation - regulated utility plant	**434**	404
Regulated utility plant, net	**4,773**	4,400
Construction work in progress	**130**	390
Property, Plant and Equipment, net	**4,903**	4,790
Other Noncurrent Assets		
Regulatory assets	**440**	424
Goodwill	**389**	389
Other intangibles	**66**	73
Other noncurrent assets	**22**	17
Total Other Noncurrent Assets	**917**	903
Total Assets	**$ 6,157**	$ 6,068

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars, shares in thousands)

	June 30, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 110**	$ 142
Long-term debt due within one year	**219**	25
Accounts payable	**145**	157
Accounts payable to affiliates	**33**	25
Customer deposits	**26**	26
Taxes	**20**	20
Price risk management liabilities	**6**	5
Regulatory liabilities	**8**	13
Interest	**11**	11
Asset retirement obligations	**37**	25
Other current liabilities	**36**	39
Total Current Liabilities	**651**	488
Long-term Debt	**1,423**	1,617
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**888**	829
Investment tax credits	**37**	35
Accrued pension obligations	**48**	56
Asset retirement obligations	**136**	149
Regulatory liabilities	**427**	431
Price risk management liabilities	**50**	42
Other deferred credits and noncurrent liabilities	**85**	91
Total Deferred Credits and Other Noncurrent Liabilities	**1,671**	1,633
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	**424**	424
Additional paid-in capital	**1,658**	1,611
Earnings reinvested	**330**	295
Total Equity	**2,412**	2,330
Total Liabilities and Equity	**$ 6,157**	$ 6,068

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at June 30, 2016 and December 31, 2015.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF EQUITY
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2015	21,294	$ 424	$ 1,611	$ 295	$ 2,330
Net income				96	96
Capital contributions from LKE			47		47
Cash dividends declared on common stock				(61)	(61)
June 30, 2016	21,294	$ 424	$ 1,658	$ 330	$ 2,412
December 31, 2014	21,294	$ 424	$ 1,521	$ 229	$ 2,174
Net income				88	88
Capital contributions from LKE			20		20
Cash dividends declared on common stock				(58)	(58)
June 30, 2015	21,294	$ 424	$ 1,541	$ 259	$ 2,224

(a) Shares in thousands. All common shares of LG&E stock are owned by LKE.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED STATEMENTS OF INCOME
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Operating Revenues				
Retail and wholesale	**$ 404**	$ 391	**$ 855**	$ 873
Electric revenue from affiliate	**3**	5	**5**	8
Total Operating Revenues	**407**	396	**860**	881
Operating Expenses				
Operation				
Fuel	**113**	132	**233**	282
Energy purchases	**5**	5	**9**	9
Energy purchases from affiliate	**6**	8	**17**	30
Other operation and maintenance	**107**	109	**213**	213
Depreciation	**58**	54	**116**	107
Taxes, other than income	**8**	8	**15**	15
Total Operating Expenses	**297**	316	**603**	656
Operating Income	**110**	80	**257**	225
Other Income (Expense) - net	**1**	2	**(1)**	1
Interest Expense	**23**	19	**47**	38
Income Before Income Taxes	**88**	63	**209**	188
Income Taxes	**34**	24	**80**	71
Net Income (a)	**$ 54**	$ 39	**$ 129**	$ 117

(a) Net income approximates comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF CASH FLOWS
Kentucky Utilities Company

(Unaudited)
(Millions of Dollars)

	Six Months Ended June 30, 2016	2015
Cash Flows from Operating Activities		
Net income	**$ 129**	$ 117
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**116**	107
Amortization	**7**	4
Defined benefit plans - expense	**3**	6
Deferred income taxes and investment tax credits	**77**	84
Other	**(1)**	(1)
Change in current assets and current liabilities		
Accounts receivable	**11**	—
Accounts receivable from affiliates	**1**	—
Accounts payable	**11**	27
Accounts payable to affiliates	**12**	(11)
Unbilled revenues	**(13)**	3
Fuel, materials and supplies	**(9)**	3
Income tax receivable	**—**	60
Taxes payable	**(3)**	14
Accrued interest	**(1)**	—
Other	**(10)**	(9)
Other operating activities		
Defined benefit plans - funding	**(13)**	(19)
Expenditures for asset retirement obligations	**(2)**	—
Other assets	**(3)**	(1)
Other liabilities	**(1)**	(24)
Net cash provided by operating activities	**311**	360
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(201)**	(279)
Other investing activities	**—**	4
Net cash provided by (used in) investing activities	**(201)**	(275)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term debt	**(19)**	(9)
Debt issuance and credit facility costs	**(1)**	—
Payment of common stock dividends to parent	**(113)**	(81)
Contributions from parent	**20**	—
Net cash provided by (used in) financing activities	**(113)**	(90)
Net Increase (Decrease) in Cash and Cash Equivalents	**(3)**	(5)
Cash and Cash Equivalents at Beginning of Period	**11**	11
Cash and Cash Equivalents at End of Period	**$ 8**	$ 6

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars, shares in thousands)

	June 30, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 8**	$ 11
Accounts receivable (less reserve: 2016, $2; 2015, $2)		
Customer	**113**	117
Other	**4**	9
Accounts receivable from affiliates	**—**	1
Unbilled revenues	**93**	80
Fuel, materials and supplies	**157**	147
Prepayments	**16**	8
Regulatory assets	**14**	19
Other current assets	**1**	4
Total Current Assets	**406**	396
Property, Plant and Equipment		
Regulated utility plant	**7,203**	7,099
Less: accumulated depreciation - regulated utility plant	**867**	759
Regulated utility plant, net	**6,336**	6,340
Construction work in progress	**295**	267
Property, Plant and Equipment, net	**6,631**	6,607
Other Noncurrent Assets		
Regulatory assets	**327**	303
Goodwill	**607**	607
Other intangibles	**44**	50
Other noncurrent assets	**55**	48
Total Other Noncurrent Assets	**1,033**	1,008
Total Assets	**$ 8,070**	$ 8,011

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars, shares in thousands)

	June 30, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 29**	$ 48
Accounts payable	**73**	88
Accounts payable to affiliates	**52**	39
Customer deposits	**28**	26
Taxes	**17**	20
Regulatory liabilities	**17**	19
Interest	**15**	16
Asset retirement obligations	**39**	25
Other current liabilities	**33**	44
Total Current Liabilities	**303**	325
Long-term Debt	**2,327**	2,326
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,120**	1,046
Investment tax credits	**96**	93
Accrued pension obligations	**39**	46
Asset retirement obligations	**327**	336
Regulatory liabilities	**489**	492
Other deferred credits and noncurrent liabilities	**47**	60
Total Deferred Credits and Other Noncurrent Liabilities	**2,118**	2,073
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	**308**	308
Additional paid-in capital	**2,616**	2,596
Accumulated other comprehensive loss	**(1)**	—
Earnings reinvested	**399**	383
Total Equity	**3,322**	3,287
Total Liabilities and Equity	**$ 8,070**	$ 8,011

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at June 30, 2016 and December 31, 2015.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF EQUITY
Kentucky Utilities Company

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Total
December 31, 2015	37,818	$ 308	$ 2,596	$ 383	$ —	$ 3,287
Capital contributions from LKE			20			20
Net income				129		129
Cash dividends declared on common stock				(113)		(113)
Other comprehensive income (loss)					(1)	(1)
June 30, 2016	37,818	$ 308	$ 2,616	$ 399	$ (1)	$ 3,322
December 31, 2014	37,818	$ 308	$ 2,596	$ 302	$ —	$ 3,206
Net income				117		117
Cash dividends declared on common stock				(81)		(81)
Other comprehensive income (loss)					(1)	(1)
June 30, 2015	37,818	$ 308	$ 2,596	$ 338	$ (1)	$ 3,241

(a) Shares in thousands. All common shares of KU stock are owned by LKE.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

Combined Notes to Condensed Financial Statements (Unaudited)

1. Interim Financial Statements

(All Registrants)

Capitalized terms and abbreviations appearing in the unaudited combined notes to condensed financial statements are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure. Within combined disclosures, amounts are disclosed for any Registrant when significant.

The accompanying unaudited condensed financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnote disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation in accordance with GAAP are reflected in the condensed financial statements. All adjustments are of a normal recurring nature, except as otherwise disclosed. Each Registrant's Balance Sheet at December 31, 2015 is derived from that Registrant's 2015 audited Balance Sheet. The financial statements and notes thereto should be read in conjunction with the financial statements and notes contained in each Registrant's 2015 Form 10-K. The results of operations for the three and six months ended June 30, 2016 are not necessarily indicative of the results to be expected for the full year ending December 31, 2016 or other future periods, because results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

The classification of certain prior period amounts has been changed to conform to the presentation in the June 30, 2016 financial statements.

(PPL)

"Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income includes the activities of PPL Energy Supply, substantially representing PPL's former Supply segment, which was spun off and distributed to PPL shareowners on June 1, 2015. In addition, the Statement of Cash Flows for the six months ended June 30, 2015 separately reports the cash flows of the discontinued operations. See Note 8 for additional information.

2. Summary of Significant Accounting Policies

(All Registrants)

The following accounting policy disclosures represent updates to Note 1 to each indicated Registrant's 2015 Form 10-K and should be read in conjunction with those disclosures.

Accounts Receivable *(PPL and PPL Electric)*

In accordance with a PUC-approved purchase of accounts receivable program, PPL Electric purchases certain accounts receivable from alternative electricity suppliers at a discount, which reflects a provision for uncollectible accounts. The alternative electricity suppliers have no continuing involvement or interest in the purchased accounts receivable. The purchased accounts receivable are initially recorded at fair value using a market approach based on the purchase price paid and are classified as Level 2 in the fair value hierarchy. During the three and six months ended June 30, 2016, PPL Electric purchased $297 million and $679 million of accounts receivable from unaffiliated third parties. During the three and six months ended June 30, 2015, PPL Electric purchased $276 million and $607 million of accounts receivable from unaffiliated third parties and $53 million and $146 million from PPL EnergyPlus. As a result of the June 1, 2015 spinoff of PPL Energy Supply and creation of Talen Energy, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are included as purchases from an unaffiliated third party.

Discount Rate Change for U.K. Pension Plans *(PPL)*

In selecting the discount rate for its U.K. pension plans, WPD historically used a single weighted-average discount rate in the calculation of net periodic defined benefit cost. Effective January 1, 2016, WPD began using individual spot rates to measure service cost and interest cost to calculate net periodic defined benefit cost. For the three and six months ended June 30, 2016, this change in discount rate resulted in lower net periodic defined benefit costs recognized on the Statements of Income of $11 million ($9 million after-tax or $0.02 per share) and $22 million ($18 million after-tax or $0.03 per share).

Foreign Currency Translation and Transactions *(PPL)*

WPD's functional currency is the GBP, which is the local currency in the U.K. As such, assets and liabilities are translated to U.S. dollars at the exchange rates on the date of consolidation and related revenues and expenses are generally translated at average exchange rates prevailing during the period included in PPL's results of operations. Adjustments resulting from foreign currency translation are recorded in AOCI.

PPL consolidates WPD on a one-month lag. Therefore, the impact of the decrease in the GBP to U.S. dollar exchange rate that occurred subsequent to the U.K.'s vote on June 23, 2016 to withdraw from the European Union is not reflected in PPL's June 30, 2016 financial statements. Using the June 30, 2016 GBP to U.S. dollar exchange rate of $1.34 as opposed to the May 31, 2016 exchange rate of $1.46 would have resulted in an additional foreign currency translation loss of $499 million recorded in AOCI, primarily reflecting a $991 million decrease in PP&E and a $228 million decrease in goodwill, partially offset by a decrease of $606 million in long-term debt.

Certain financial information provided for future periods in PPL’s 2015 Form 10-K is also impacted by the decrease in the GBP to U.S. dollar exchange rate.

New Accounting Guidance Adopted *(All Registrants)*

Accounting for Stock-Based Compensation

Effective January 1, 2016, the Registrants adopted accounting guidance to simplify the accounting for share-based payment transactions. The guidance requires excess tax benefits and tax deficiencies to be recorded as income tax benefit or expense on the statement of income, eliminates the requirement that excess tax benefits be realized before companies can recognize them and changes the threshold for statutory income tax withholding requirements to qualify for equity classification to the maximum statutory tax rates in the applicable jurisdictions. This guidance also changes the classification of excess tax benefits to an operating activity and employee taxes paid when shares are withheld to satisfy the employer's statutory income tax withholding obligation to a financing activity on the statement of cash flows and allows entities to make a policy election to either estimate forfeitures or recognize them when they occur. The adoption of this guidance had the following impacts:

- Using the required prospective method of transition, for the three and six months ended June 30, 2016, PPL recorded tax benefits of $3 million and $11 million ($0.02 per share) and PPL Electric recorded tax benefits of $2 million and $7 million related to excess tax benefits for awards that were exercised and vested for the periods ending June 30, 2016. These amounts were recorded to Income taxes on the Statements of Income and Deferred income taxes on the Balance Sheets. The impact on LKE was not significant.

- PPL elected to use the prospective method of transition for classifying excess tax benefits as an Operating activity on the Statement of Cash Flows. The amounts classified as Financing activities in the prior periods were not significant.

- Upon adoption, using the required modified retrospective method of transition, PPL recorded a cumulative effect adjustment of $7 million to increase Earnings reinvested and decrease Deferred income taxes on the Balance Sheet related to prior period unrecognized excess tax benefits.

- PPL has historically presented employee taxes paid for net settled awards as a Financing activity on the Statement of Cash Flows. Therefore, there is no transition impact for this requirement.

- PPL has elected to recognize forfeitures when they occur. Due to past experience of insignificant forfeitures, there is no transition impact of this policy election.

3. Segment and Related Information

(PPL)

See Note 2 in PPL's 2015 Form 10-K for a discussion of reportable segments and related information.

Financial data for the segments and reconciliation to PPL's consolidated results for the periods ended June 30 are:

	Three Months		Six Months	
	2016	2015	2016	2015
Income Statement Data				
Revenues from external customers				
U.K. Regulated	$ 563	$ 587	$ 1,158	$ 1,284
Kentucky Regulated	721	714	1,547	1,613
Pennsylvania Regulated	495	476	1,080	1,106
Corporate and Other	6	4	11	8
Total	$ 1,785	$ 1,781	$ 3,796	$ 4,011
Net Income (loss)				
U.K. Regulated (a)	$ 345	$ 190	$ 634	$ 565
Kentucky Regulated	76	47	188	156
Pennsylvania Regulated	78	49	172	136
Corporate and Other (b)	(16)	(36)	(30)	(55)
Discontinued Operations (c)	—	(1,007)	—	(912)
Total	$ 483	$ (757)	$ 964	$ (110)

	June 30, 2016	December 31, 2015
Balance Sheet Data		
Assets		
U.K. Regulated (d)	$ 16,371	$ 16,669
Kentucky Regulated	13,886	13,756
Pennsylvania Regulated	8,825	8,511
Corporate and Other (e)	446	365
Total assets	$ 39,528	$ 39,301

(a) Includes unrealized gains and losses from hedging foreign-currency related economic activity. See Note 14 for additional information.
(b) 2015 includes transition costs to prepare the Talen Energy organization for the June 1, 2015 spinoff and reconfigure the remaining PPL Services functions. See Note 8 for additional information.
(c) See Note 8 for additional information.
(d) Includes $12.1 billion and $12.2 billion of net PP&E as of June 30, 2016 and December 31, 2015. WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP.
(e) Primarily consists of unallocated items, including cash, PP&E and the elimination of inter-segment transactions.

4. Earnings Per Share

(PPL)

Basic EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding during the applicable period. Diluted EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding, increased by incremental shares that would be outstanding if potentially dilutive non-participating securities were converted to common shares as calculated using the Treasury Stock Method. Incremental non-participating securities that have a dilutive impact are detailed in the table below.

Reconciliations of the amounts of income and shares of PPL common stock (in thousands) for the periods ended June 30 used in the EPS calculation are:

	Three Months		Six Months	
	2016	2015	2016	2015
Income (Numerator)				
Income from continuing operations after income taxes	$ 483	$ 250	$ 964	$ 802
Less amounts allocated to participating securities	1	1	3	2
Income from continuing operations after income taxes available to PPL common shareowners - Basic and Diluted	$ 482	$ 249	$ 961	$ 800
Income (loss) from discontinued operations (net of income taxes) available to PPL common shareowners - Basic and Diluted	$ —	$ (1,007)	$ —	$ (912)
Net income (loss)	$ 483	$ (757)	$ 964	$ (110)
Less amounts allocated to participating securities	1	1	3	2
Net income (loss) available to PPL common shareowners - Basic and Diluted	$ 482	$ (758)	$ 961	$ (112)
Shares of Common Stock (Denominator)				
Weighted-average shares - Basic EPS	677,145	668,415	676,293	667,698
Add incremental non-participating securities:				
Share-based payment awards	3,584	2,871	3,480	2,315
Weighted-average shares - Diluted EPS	680,729	671,286	679,773	670,013
Basic EPS				
Available to PPL common shareowners:				
Income from continuing operations after income taxes	$ 0.71	$ 0.37	$ 1.42	$ 1.20
Income (loss) from discontinued operations (net of income taxes)	—	(1.50)	—	(1.37)
Net Income (loss)	$ 0.71	$ (1.13)	$ 1.42	$ (0.17)
Diluted EPS				
Available to PPL common shareowners:				
Income from continuing operations after income taxes	$ 0.71	$ 0.37	$ 1.41	$ 1.19
Income (loss) from discontinued operations (net of income taxes)	—	(1.50)	—	(1.36)
Net Income (loss)	$ 0.71	$ (1.13)	$ 1.41	$ (0.17)

For the periods ended June 30, PPL issued common stock related to stock-based compensation plans and the DRIP as follows (in thousands):

	Three Months		Six Months	
	2016	2015	2016	2015
Stock-based compensation plans (a)	795	992	2,920	2,437
DRIP	370	424	772	843

(a) Includes stock options exercised, vesting of performance units, vesting of restricted stock and restricted stock units and conversion of stock units granted to directors.

For the periods ended June 30, the following shares (in thousands) were excluded from the computations of diluted EPS because the effect would have been antidilutive.

	Three Months		Six Months	
	2016	2015	2016	2015
Stock options	696	348	696	1,085
Performance units	78	—	39	73

5. Income Taxes

Reconciliations of income taxes for the periods ended June 30 are as follows.

(PPL)

	Three Months		Six Months	
	2016	2015	2016	2015
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 35%	$ 236	$ 112	$ 467	$ 382
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	9	9	22	29
Valuation allowance adjustments	3	5	9	8
Impact of lower U.K. income tax rates	(45)	(36)	(99)	(98)
Federal and state tax reserve adjustments (a)	—	(12)	—	(12)
Interest benefit on U.K. financing entities	(4)	(3)	(9)	(11)
Stock-based compensation (b)	(3)	—	(11)	—
Other	(4)	(4)	(8)	(10)
Total increase (decrease)	(44)	(41)	(96)	(94)
Total income taxes	$ 192	$ 71	$ 371	$ 288

(a) During the three and six months ended June 30, 2015, PPL recorded a tax benefit to adjust the settled refund amount approved by Joint Committee of Taxation for the open audit years 1998 - 2011.
(b) During the three and six months ended June 30, 2016, PPL recorded lower income tax expense related to the application of new stock-based compensation accounting guidance. See Note 2 for additional information.

(PPL Electric)

	Three Months		Six Months	
	2016	2015	2016	2015
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 44	$ 30	$ 97	$ 81
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	8	4	18	14
Federal and state tax reserve adjustments	—	2	—	2
Depreciation not normalized	(2)	(1)	(3)	(2)
Stock-based compensation (a)	(2)	—	(7)	—
Other	—	1	(1)	—
Total increase (decrease)	4	6	7	14
Total income taxes	$ 48	$ 36	$ 104	$ 95

(a) During the three and six months ended June 30, 2016, PPL Electric recorded lower income tax expense related to the application of new stock-based compensation accounting guidance. See Note 2 for additional information.

(LKE)

	Three Months		Six Months	
	2016	2015	2016	2015
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 47	$ 37	$ 114	$ 104
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	5	4	12	11
Valuation allowance adjustments (a)	—	5	—	8
Stock-based compensation	—	—	(1)	—
Other	(1)	(1)	(2)	(2)
Total increase (decrease)	4	8	9	17
Total income taxes	$ 51	$ 45	$ 123	$ 121

(a) Represents a valuation allowance against tax credits expiring in 2016 and 2017 that are more likely than not to expire before being utilized.

(LG&E)

	Three Months		Six Months	
	2016	2015	2016	2015
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 22	$ 20	$ 54	$ 50
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	2	2	6	5
Other	—	—	(1)	—
Total increase (decrease)	2	2	5	5
Total income taxes	$ 24	$ 22	$ 59	$ 55

(KU)

	Three Months		Six Months	
	2016	2015	2016	2015
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 31	$ 22	$ 73	$ 66
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	3	2	7	7
Other	—	—	—	(2)
Total increase (decrease)	3	2	7	5
Total income taxes	$ 34	$ 24	$ 80	$ 71

Other *(PPL)*

In February 2015, PPL and the IRS Appeals Division reached a settlement on the amount of PPL's refund from its open audits for the years 1998 - 2011. In April 2015, PPL was notified that the Joint Committee on Taxation approved PPL's settlement. In the second quarter of 2015, PPL recorded a tax benefit of $23 million, which included an estimate of interest on the refund. Of this amount, $11 million was reflected in continuing operations. PPL finalized the settlement of interest in the second quarter of 2016 and recorded an additional $3 million tax benefit.

6. Utility Rate Regulation

(All Registrants)

The following table provides information about the regulatory assets and liabilities of cost-based rate-regulated utility operations.

	PPL		PPL Electric	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Current Regulatory Assets:				
Environmental cost recovery	$ 6	$ 24	$ —	$ —
Generation formula rate	13	7	—	—
Transmission service charge	10	10	10	10
Other	5	7	2	3
Total current regulatory assets (a)	$ 34	$ 48	$ 12	$ 13

	PPL		PPL Electric	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Noncurrent Regulatory Assets:				
Defined benefit plans	$ 800	$ 809	$ 460	$ 469
Taxes recoverable through future rates	331	326	331	326
Storm costs	79	93	23	30
Unamortized loss on debt	66	68	41	42
Interest rate swaps	148	141	—	—
Accumulated cost of removal of utility plant	139	137	139	137
AROs	187	143	—	—
Other	12	16	1	2
Total noncurrent regulatory assets	$ 1,762	$ 1,733	$ 995	$ 1,006
Current Regulatory Liabilities:				
Generation supply charge	$ 26	$ 41	$ 26	$ 41
Demand side management	10	8	—	—
Gas supply clause	—	6	—	—
Universal service rider	6	5	6	5
Transmission formula rate	27	48	27	48
Fuel adjustment clause	10	14	—	—
Storm damage expense	14	16	14	16
Other	6	7	1	3
Total current regulatory liabilities	$ 99	$ 145	$ 74	$ 113
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 695	$ 691	$ —	$ —
Coal contracts (b)	8	17	—	—
Power purchase agreement - OVEC (b)	79	83	—	—
Net deferred tax assets	24	23	—	—
Act 129 compliance rider	19	22	19	22
Defined benefit plans	27	24	—	—
Interest rate swaps	80	82	—	—
Other	3	3	—	—
Total noncurrent regulatory liabilities	$ 935	$ 945	$ 19	$ 22

	LKE		LG&E		KU	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Current Regulatory Assets:						
Environmental cost recovery	$ 6	$ 24	$ 6	$ 13	$ —	$ 11
Generation formula rate	13	7	—	—	13	7
Other	3	4	2	3	1	1
Total current regulatory assets	$ 22	$ 35	$ 8	$ 16	$ 14	$ 19

	LKE		LG&E		KU	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Noncurrent Regulatory Assets:						
Defined benefit plans	$ 340	$ 340	$ 215	$ 215	$ 125	$ 125
Storm costs	56	63	31	35	25	28
Unamortized loss on debt	25	26	16	17	9	9
Interest rate swaps	148	141	106	98	42	43
AROs	187	143	70	57	117	86
Plant retirement costs	5	6	—	—	5	6
Other	6	8	2	2	4	6
Total noncurrent regulatory assets	$ 767	$ 727	$ 440	$ 424	$ 327	$ 303
Current Regulatory Liabilities:						
Demand side management	$ 10	$ 8	$ 5	$ 4	$ 5	$ 4
Gas supply clause	—	6	—	6	—	—
Fuel adjustment clause	10	14	2	2	8	12
Other	5	4	1	1	4	3
Total current regulatory liabilities	$ 25	$ 32	$ 8	$ 13	$ 17	$ 19
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal of utility plant	$ 695	$ 691	$ 304	$ 301	$ 391	$ 390
Coal contracts (b)	8	17	3	7	5	10
Power purchase agreement - OVEC (b)	79	83	54	57	25	26
Net deferred tax assets	24	23	23	23	1	—
Defined benefit plans	27	24	—	—	27	24
Interest rate swaps	80	82	40	41	40	41
Other	3	3	3	2	—	1
Total noncurrent regulatory liabilities	$ 916	$ 923	$ 427	$ 431	$ 489	$ 492

(a) These amounts are included in "Other current assets" on the Balance Sheets.
(b) These liabilities were recorded as offsets to certain intangible assets that were recorded at fair value upon the acquisition of LKE by PPL.

Regulatory Matters

U.K. Activities *(PPL)*

Ofgem Review of Line Loss Calculation

In 2014, Ofgem issued its final decision on the DPCR4 line loss incentives and penalties mechanism. WPD began refunding its liability for over-recovery of line losses to customers on April 1, 2015 and will continue through March 31, 2019. The liability at June 30, 2016 was $39 million.

Kentucky Activities

CPCN and ECR Filings (PPL, LKE, LG&E and KU)

On January 29, 2016, LG&E and KU submitted applications to the KPSC for CPCNs and for ECR rate treatment regarding upcoming environmental construction projects relating to the EPA's regulations addressing the handling of coal combustion by-products and MATS. The construction projects are expected to begin in 2016 and continue through 2023 and are estimated to cost approximately $316 million at LG&E and $678 million at KU. On June 13, 2016, LG&E and KU filed a unanimous settlement agreement with intervenors in the proceedings. The proposed settlement provided for recovery of the costs incurred by LG&E and KU for the projects requested in the original applications, with adjustments for amortization or depreciation methods and periods for CCR impoundment projects. The proposed settlement also included the parties' support for LG&E's

and KU's requested 10% authorized return on equity. On August 8, 2016, the KPSC issued an order approving the majority of the settlement's terms and provisions, but establishing a 9.8% authorized return on equity for these projects. Recovery of costs will commence with bills rendered on and after August 31, 2016.

Gas Franchise (LKE and LG&E)

LG&E's existing gas franchise agreement for the Louisville/Jefferson County service area expired on March 31, 2016. Pursuant to Kentucky law, upon expiration of a franchise, LG&E retains a revocable license to own and operate its facilities and to provide service. LG&E submitted a bid for a new franchise agreement on June 9, 2016 and is awaiting action from the Louisville/Jefferson County Metro Council. On July 28, 2016, Metro Council introduced an ordinance to award the bid to LG&E and assigned the ordinance to committee for review and recommendation. In the interim, LG&E continues to provide gas service to customers in this service area at existing rates, but without collecting or remitting a franchise fee. LG&E cannot predict the outcome of this matter but does not anticipate that it will have a material effect on its financial condition or results of operation.

Pennsylvania Activities *(PPL and PPL Electric)*

Act 129

Act 129 requires Pennsylvania Electric Distribution Companies (EDCs) to meet specified goals for reduction in customer electricity usage and peak demand by specified dates. EDCs not meeting the requirements of Act 129 are subject to significant penalties. In November 2015, PPL Electric filed with the PUC its Act 129 Phase III Energy Efficiency and Conservation Plan for the period June 1, 2016 through May 31, 2021. In January 2016, PPL Electric and the other parties reached a settlement of all major issues in the case and filed that settlement with the Administrative Law Judge. In June 2016, the PUC issued a final order approving PPL Electric's Phase III Plan as modified by the settlement, allowing PPL Electric to recover a maximum $313 million in program cost over the five-year period June 1, 2016 through May 31, 2021 through the Act 129 compliance rider.

Act 129 also requires Default Service Providers (DSP) to provide electricity generation supply service to customers pursuant to a PUC-approved default service procurement plan through auctions, requests for proposal and bilateral contracts at the sole discretion of the DSP. Act 129 requires a mix of spot market purchases, short-term contracts and long-term contracts (4 to 20 years), with long-term contracts limited to 25% of load unless otherwise approved by the PUC. A DSP is able to recover the costs associated with its default service procurement plan.

PPL Electric has received PUC approval of biannual DSP procurement plans for all periods required under Act 129. In January 2016, PPL Electric filed a Petition for Approval of a new DSP procurement plan with the PUC for the period June 1, 2017 through May 31, 2021. The parties have reached a settlement on all but one issue in the proceeding. A partial settlement agreement and briefs on the litigated issue were submitted to the Administrative Law Judge in July 2016. This proceeding remains pending before the PUC. PPL Electric cannot predict the outcome of this proceeding.

7. Financing Activities

Credit Arrangements and Short-term Debt

(All Registrants)

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. For reporting purposes, on a consolidated basis, the credit facilities and commercial paper programs of PPL Electric, LKE, LG&E and KU also apply to PPL and the credit facilities and commercial paper programs of LG&E and KU also apply to LKE. The amounts borrowed below are recorded as "Short-term debt" on the Balance Sheets. The following credit facilities were in place at:

	June 30, 2016					December 31, 2015	
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued
PPL							
U.K.							
WPD plc							
Syndicated Credit Facility	Jan 2021	£ 210	£ 138	£ —	£ 72	£ 133	£ —
WPD (South West)							
Syndicated Credit Facility	July 2020	245	100	—	145	—	—
WPD (East Midlands)							
Syndicated Credit Facility	July 2020	300	31	—	269	—	—
WPD (West Midlands)							
Syndicated Credit Facility	July 2020	300	—	—	300	—	—
Uncommitted Credit Facilities		40	—	4	36	—	4
Total U.K. Credit Facilities (a)		£ 1,095	£ 269	£ 4	£ 822	£ 133	£ 4
U.S.							
PPL Capital Funding							
Syndicated Credit Facility	Jan 2021	$ 700	$ —	$ 320	$ 380	$ —	$ 151
Syndicated Credit Facility	Nov 2018	300	—	—	300	—	300
Bilateral Credit Facility	Mar 2017	150	—	17	133	—	20
Total PPL Capital Funding Credit Facilities		$ 1,150	$ —	$ 337	$ 813	$ —	$ 471
PPL Electric							
Syndicated Credit Facility	Jan 2021	$ 400	$ —	$ 7	$ 393	$ —	$ 1
LKE							
Syndicated Credit Facility (b)	Oct 2018	$ 75	$ —	$ —	$ 75	$ 75	$ —
LG&E							
Syndicated Credit Facility	Dec 2020	$ 500	$ —	$ 110	$ 390	$ —	$ 142
KU							
Syndicated Credit Facility	Dec 2020	$ 400	$ —	$ 29	$ 371	$ —	$ 48
Letter of Credit Facility	Oct 2017	198	—	198	—	—	198
Total KU Credit Facilities		$ 598	$ —	$ 227	$ 371	$ —	$ 246

(a) WPD plc's amounts borrowed at June 30, 2016 and December 31, 2015 were USD-denominated borrowings of $200 million for both periods, which bore interest at 1.27% and 1.83%. The unused capacity reflects the amount borrowed in GBP of £138 million as of the date borrowed. WPD (South West) amount borrowed at June 30, 2016 was a GBP-denominated borrowing which equated to $146 million and bore interest at 0.92%. WPD (East Midlands) amount borrowed at June 30, 2016 was a GBP-denominated borrowing which equated to $45 million and bore interest at 0.92%. At June 30, 2016, the unused capacity under the U.K. credit facilities was approximately $1.2 billion.
(b) LKE's interest rate on outstanding borrowings at December 31, 2015 was 1.68%.

In July 2016, the expiration dates for the WPD (South West), WPD (East Midlands) and WPD (West Midlands) syndicated credit facilities were extended to July 2021.

PPL, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's Syndicated Credit Facility. The following commercial paper programs were in place at:

	June 30, 2016				December 31, 2015	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Capital Funding	0.84%	$ 1,000	$ 320	$ 680	0.78%	$ 451
PPL Electric	0.75%	400	6	394		—
LG&E	0.70%	350	110	240	0.71%	142
KU	0.70%	350	29	321	0.72%	48
Total		$ 2,100	$ 465	$ 1,635		$ 641

(LKE)

See Note 11 for discussion of intercompany borrowings.

Long-term Debt

(PPL)

In May 2016, PPL Capital Funding issued $650 million of 3.10% Senior Notes due 2026. PPL Capital Funding received proceeds of $645 million, net of a discount and underwriting fees, which will be used to invest in or make loans to subsidiaries of PPL, to repay short-term debt and for general corporate purposes.

In May 2016, WPD (East Midlands) borrowed £100 million at 0.4975% under a new ten-year index linked term loan agreement, which will be used for general corporate purposes.

In May 2016, WPD plc repaid the entire $460 million principal amount of its 3.90% Senior Notes upon maturity.

(PPL and PPL Electric)

In March 2016, the LCIDA issued $116 million of Pollution Control Revenue Refunding Bonds, Series 2016A due 2029 and $108 million of Pollution Control Revenue Refunding Bonds, Series 2016B due 2027 on behalf of PPL Electric. The bonds were issued bearing interest at an initial term rate of 0.90% through their mandatory purchase dates of September 1, 2017 and August 15, 2017. The proceeds of the bonds were used to redeem $116 million of 4.70% Pollution Control Revenue Refunding Bonds, 2005 Series A due 2029 and $108 million of 4.75% Pollution Control Revenue Refunding Bonds, 2005 Series B due 2027 previously issued by the LCIDA on behalf of PPL Electric.

In connection with the issuance of each of these new series of LCIDA bonds, PPL Electric entered into a loan agreement with the LCIDA pursuant to which the LCIDA has loaned to PPL Electric the proceeds of the LCIDA bonds on payment terms that correspond to the LCIDA bonds. In order to secure its obligations under the loan agreement, PPL Electric issued $224 million of First Mortgage Bonds under its 2001 Mortgage Indenture, which also have payment terms that correspond to the LCIDA bonds.

(PPL)

ATM Program

In February 2015, PPL filed a registration statement with the SEC and entered into two separate equity distribution agreements, pursuant to which PPL may sell, from time to time, up to an aggregate of $500 million of its common stock. For the three and six months ended June 30, 2016, PPL did not issue any shares under the agreements. For the three and six months ended June 30, 2015, PPL issued 421,700 shares of common stock under the program at an average price of $33.73 per share, receiving net proceeds of $14 million.

Distributions

In May 2016, PPL declared a quarterly common stock dividend, payable July 1, 2016, of 38 cents per share (equivalent to $1.52 per annum). Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors.

8. Acquisitions, Development and Divestitures

(All Registrants)

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with, modify or terminate the projects. Any resulting transactions may impact future financial results. See Note 8 in the Registrants' 2015 Form 10-K for additional information.

(PPL)

Discontinued Operations

Spinoff of PPL Energy Supply

In June 2015, PPL completed the spinoff of PPL Energy Supply which combined its competitive power generation businesses with those of Riverstone to form a new, stand-alone, publicly traded company named Talen Energy.

Following completion of the spinoff, PPL shareowners owned 65% of Talen Energy and affiliates of Riverstone owned 35%. The spinoff had no effect on the number of PPL common shares owned by PPL shareowners or the number of shares of PPL common stock outstanding. The transaction is intended to be tax-free to PPL and its shareowners for U.S. federal income tax purposes.

PPL has no continuing ownership interest in or control of Talen Energy and Talen Energy Supply (formerly PPL Energy Supply). See Note 8 in PPL's 2015 Form 10-K for additional information.

Loss on Spinoff

In June 2015, in conjunction with the accounting for the spinoff, PPL evaluated whether the fair value of the Supply segment's net assets was less than the carrying value as of the June 1, 2015 spinoff date.

PPL considered several valuation methodologies to derive a fair value estimate of its Supply segment at the spinoff date. These methodologies included considering the closing "when-issued" Talen Energy market value on June 1, 2015 (the spinoff date), adjusted for the proportional share of the equity value attributable to the Supply segment, as well as, the valuation methods consistently used in PPL's goodwill impairment assessments - an income approach using a discounted cash flow analysis of the Supply segment and an alternative market approach considering market multiples of comparable companies.

Although the market value of Talen Energy approach utilized the most observable inputs of the three approaches, PPL considered certain limitations of the "when-issued" trading market for the spinoff transaction including the short trading duration, lack of liquidity in the market and anticipated initial Talen stock ownership base selling pressure, among other factors, and concluded that these factors limit this input being solely determinative of the fair value of the Supply segment. As such, PPL also considered the other valuation approaches in estimating the overall fair value, but ultimately assigned the highest weighting to the Talen Energy market value approach.

The following table summarizes PPL's fair value analysis:

Approach	Weighting	Weighted Fair Value (in billions)
Talen Energy Market Value	50%	$ 1.4
Income/Discounted Cash Flow	30%	1.1
Alternative Market (Comparable Company)	20%	0.7
Estimated Fair Value		$ 3.2

A key assumption included in the fair value estimate is the application of a control premium of 25% in the two market approaches. PPL concluded it was appropriate to apply a control premium in these approaches as the goodwill impairment testing guidance was followed in determining the estimated fair value of the Supply segment which had historically been a reporting unit for PPL. This guidance provides that the market price of an individual security (and thus the market capitalization of a reporting unit with publicly traded equity securities) may not be representative of the fair value of the reporting unit. This guidance also indicates that substantial value may arise to a controlling shareholder from the ability to take advantage of synergies and other benefits that arise from control over another entity, and that the market price of a company's individual share of stock does not reflect this additional value to a controlling shareholder. Therefore, the quoted market price need not be the sole measurement basis for determining the fair value, and including a control premium is appropriate in measuring the fair value of a reporting unit.

In determining the control premium, PPL reviewed premiums received during the last five years in market sales transactions obtained from observable independent power producer and hybrid utility transactions greater than $1 billion. Premiums for these transactions ranged from 5% to 42% with a median of approximately 25%. Given these metrics, PPL concluded a control premium of 25% to be reasonable for both of the market valuation approaches used.

Assumptions used in the discounted cash flow analysis included forward energy prices, forecasted generation, and forecasted operation and maintenance expenditures that were consistent with assumptions used in the Energy Supply portion of the Talen Energy business planning process at that time and a market participant discount rate.

Using these methodologies and weightings, PPL determined the estimated fair value of the Supply segment (classified as Level 3) was below its carrying value of $4.1 billion and recorded a loss on the spinoff of $879 million for the three and six months ended June 30, 2015, which is reflected in discontinued operations and is nondeductible for tax purposes. This amount served to reduce the basis of the net assets accounted for as a dividend at the June 1, 2015 spinoff date.

Costs of Spinoff

Employee-related costs incurred in the three and six months ended June 30, 2015 primarily included accelerated stock-based compensation and pro-rated performance-based cash incentive and stock-based compensation awards, primarily for PPL Energy Supply employees and for PPL Services employees who became PPL Energy Supply employees in connection with the transaction. PPL Energy Supply recognized $24 million of these costs at the spinoff closing date which are reflected in discontinued operations.

PPL also recorded $36 million and $42 million of third-party costs related to this transaction during the three and six months ended June 30, 2015. Of these costs, $29 million and $31 million were primarily for bank advisory, legal and accounting fees to facilitate the transaction, and are reflected in discontinued operations. An additional $7 million and $11 million of consulting and other costs were incurred to prepare the new Talen Energy organization for the spinoff and reconfigure the remaining PPL service functions. These costs are primarily recorded in "Other operation and maintenance" on the Statement of Income.

At the close of the transaction, $72 million ($42 million after-tax) of cash flow hedges, primarily unamortized losses on PPL interest rate swaps recorded in AOCI and designated as cash flow hedges of PPL Energy Supply's future interest payments, were reclassified into earnings and reflected in discontinued operations for the three and six months ended June 30, 2015.

Continuing Involvement (PPL and PPL Electric)

As a result of the spinoff, PPL and PPL Energy Supply entered into a Transition Services Agreement (TSA) that terminates no later than two years after the spinoff. Pursuant to the TSA, PPL is providing Talen Energy certain information technology, financial and accounting, human resource and other specified services. For the three and six months ended June 30, 2016, the amounts PPL billed Talen Energy for these services were $10 million and $20 million. For the period June 1, 2015 to June 30, 2015, the amounts PPL billed Talen Energy for these services were not significant. In general, the fees for the transition services allow the provider to recover its cost of the services, including overheads, but without margin or profit.

Additionally, prior to the spinoff, through the annual competitive solicitation process, PPL EnergyPlus was awarded supply contracts for a portion of the PLR generation supply for PPL Electric, which were retained by Talen Energy Marketing as part of the spinoff. PPL Electric's supply contracts with Talen Energy Marketing extend through November 2016. Energy purchases from PPL EnergyPlus were previously included in PPL Electric's Statements of Income as "Energy purchases from affiliate" but were eliminated in PPL's Consolidated Statements of Income.

For the three and six months ended June 30, 2016, PPL Electric's energy purchases from Talen Energy Marketing were $29 million and $83 million. For the period June 1, 2015 to June 30, 2015, PPL Electric's energy purchases from Talen Energy Marketing were not significant. These energy purchases are no longer considered affiliate transactions.

Summarized Results of Discontinued Operations (PPL)

The operations of the Supply segment prior to the spinoff on June 1, 2015 are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income. Following are the components of Discontinued Operations in the Statement of Income for the periods ended June 30, 2015:

	Three Months	Six Months
Operating revenues	$ 483	$ 1,427
Operating expenses	561	1,328
Other Income (Expense) - net	(29)	(22)
Interest expense (a)	112	150
Income (loss) before income taxes	(219)	(73)
Income tax expense (benefit)	(91)	(40)
Loss on spinoff	(879)	(879)
Income (Loss) from Discontinued Operations (net of income taxes)	$ (1,007)	$ (912)

(a) Includes interest associated with the Supply Segment with no additional allocation as the Supply segment was sufficiently capitalized.

Development

Regional Transmission Line Expansion Plan *(PPL and PPL Electric)*

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 that includes three new substations and upgrades to adjacent facilities). The FERC granted the incentive for inclusion in rate base of all prudently incurred construction work in progress costs but denied the requested incentive for a 100 basis point adder to the return on equity.

In December 2012, PPL Electric submitted an application to the PUC requesting permission to site and construct the project. In January 2014, the PUC issued a final order approving the application. The line was energized in April 2016, completing the approximately $350 million project which includes additional substation security enhancements. Costs related to the project were capitalized and are included on the Balance Sheets, primarily in "Regulated utility plant."

9. Defined Benefits

(PPL, LKE and LG&E)

Certain net periodic defined benefit costs are applied to accounts that are further distributed among capital, expense and regulatory assets, including certain costs allocated to applicable subsidiaries for plans sponsored by PPL Services and LKE. Following are the net periodic defined benefit costs (credits) of the plans sponsored by PPL and its subsidiaries, LKE and its subsidiaries and LG&E for the periods ended June 30:

	Pension Benefits							
	Three Months				Six Months			
	U.S.		U.K.		U.S.		U.K.	
	2016	2015	2016 (b)	2015	2016	2015	2016 (b)	2015
PPL								
Service cost	$ 16	$ 26	$ 18	$ 19	$ 33	$ 56	$ 36	$ 39
Interest cost	44	52	62	77	87	110	124	156
Expected return on plan assets	(58)	(69)	(132)	(129)	(114)	(145)	(265)	(260)
Amortization of:								
Prior service cost	3	2			4	4		
Actuarial loss	10	22	36	40	25	47	73	79
Net periodic defined benefit costs (credits) (a)	$ 15	$ 33	$ (16)	$ 7	$ 35	$ 72	$ (32)	$ 14
LKE								
Service cost	$ 6	$ 6			$ 12	$ 13		
Interest cost	18	17			35	34		
Expected return on plan assets	(24)	(22)			(45)	(44)		
Amortization of:								
Prior service cost	3	2			4	4		
Actuarial loss	5	9			10	17		
Net periodic defined benefit costs	$ 8	$ 12			$ 16	$ 24		
LG&E								
Service cost	$ 1	$ 1			$ 1	$ 1		
Interest cost	4	4			7	7		
Expected return on plan assets	(5)	(5)			(10)	(10)		
Amortization of:								
Prior service cost	1	—			2	1		
Actuarial loss	1	3			3	6		
Net periodic defined benefit costs	$ 2	$ 3			$ 3	$ 5		

(a) For the three and six months ended June 30, 2015, the total net periodic defined benefit cost includes $7 million and $18 million reflected in discontinued operations related to costs allocated from PPL's plans to PPL Energy Supply prior to the spinoff.
(b) See Note 2 for a discussion of changes to the discount rate used for the U.K. Pension Plans.

	Other Postretirement Benefits			
	Three Months		Six Months	
	2016	2015	2016	2015
PPL				
Service cost	$ 2	$ 3	$ 4	$ 7
Interest cost	7	7	13	14
Expected return on plan assets	(6)	(7)	(11)	(14)
Net periodic defined benefit costs	$ 3	$ 3	$ 6	$ 7
LKE				
Service cost	$ 1	$ 2	$ 2	$ 3
Interest cost	3	3	5	5
Expected return on plan assets	(1)	(2)	(3)	(3)
Amortization of prior service cost	—	—	1	1
Net periodic defined benefit costs	$ 3	$ 3	$ 5	$ 6

(PPL Electric, LG&E and KU)

In addition to the specific plans it sponsors, LG&E is allocated costs of defined benefit plans sponsored by LKE. PPL Electric and KU do not directly sponsor any defined benefit plans. PPL Electric is allocated costs of defined benefit plans sponsored by PPL Services and KU is allocated costs of defined benefit plans sponsored by LKE. These allocations are based on participation in those plans, which management believes are reasonable. For the periods ended June 30, PPL Services allocated the following net periodic defined benefit costs to PPL Electric, and LKE allocated the following net periodic defined benefit costs to LG&E and KU:

	Three Months		Six Months	
	2016	2015	2016	2015
PPL Electric	$ 5	$ 8	$ 11	$ 16
LG&E	3	4	5	7
KU	3	4	6	9

10. Commitments and Contingencies

Legal Matters

(All Registrants)

PPL and its subsidiaries are involved in legal proceedings, claims and litigation in the ordinary course of business. PPL and its subsidiaries cannot predict the outcome of such matters, or whether such matters may result in material liabilities, unless otherwise noted.

WKE Indemnification *(PPL and LKE)*

See footnote (e) to the table in "Guarantees and Other Assurances" below for information on an LKE indemnity relating to its former WKE lease, including related legal proceedings.

(PPL, LKE, LG&E and KU)

Cane Run Environmental Claims

In December 2013, six residents, on behalf of themselves and others similarly situated, filed a class action complaint against LG&E and PPL in the U.S. District Court for the Western District of Kentucky alleging violations of the Clean Air Act and RCRA. In addition, these plaintiffs assert common law claims of nuisance, trespass and negligence. These plaintiffs seek injunctive relief and civil penalties, plus costs and attorney fees, for the alleged statutory violations. Under the common law claims, these plaintiffs seek monetary compensation and punitive damages for property damage and diminished property values for a class consisting of residents within four miles of the Cane Run plant. In their individual capacities, these plaintiffs seek compensation for alleged adverse health effects. In response to a motion to dismiss filed by PPL and LG&E, in July 2014, the court dismissed the plaintiffs' RCRA claims and all but one Clean Air Act claim, but declined to dismiss their common law tort claims. Upon motion of LG&E and PPL, the district court certified for appellate review the issue of whether the state common law claims are preempted by federal statute. In December 2014, the U.S. Court of Appeals for the Sixth Circuit issued an order granting appellate review regarding the above matter. Oral argument before the Sixth Circuit was held in August 2015. In November 2015, the Sixth Circuit issued an opinion affirming the District Court's ruling that plaintiffs' state law claims are not preempted by the Clean Air Act and remanding the matter to the District Court for further proceedings. The District Court has issued an order setting a discovery schedule through the second quarter of 2017. PPL, LKE and LG&E cannot predict the outcome of this matter. LG&E retired one coal-fired unit at the Cane Run plant in March 2015 and the remaining two coal-fired units at the plant in June 2015.

Mill Creek Environmental Claims

In May 2014, the Sierra Club filed a citizen suit against LG&E in the U.S. District Court for the Western District of Kentucky for alleged violations of the Clean Water Act. The Sierra Club alleges that various discharges at the Mill Creek plant constitute violations of the plant's water discharge permit. The Sierra Club seeks civil penalties, injunctive relief, costs and attorney's fees. In August 2015, the Court denied cross-motions for summary judgment filed by both parties and directed the parties to proceed with discovery. The parties have conducted discovery and settlement discussions in the matter. PPL, LKE and LG&E cannot predict the ultimate outcome of this matter, but believe the plant is operating in compliance with the permits and does not presently expect the matter to have a material effect on operations or result in significant losses beyond the amounts already recorded.

E.W. Brown Environmental Claims

In October 2015, KU received a notice of intent from Earthjustice and the Sierra Club informing certain federal and state agencies of the Sierra Club's intent to file a citizen suit, following expiration of the mandatory 60-day notification period, for alleged violations of the Clean Water Act. The claimant alleges discharges at the E.W. Brown plant in violation of applicable rules and the plant's water discharge permit. The claimant asserts that, unless the alleged discharges are promptly brought into compliance, it intends to seek civil penalties, injunctive relief and attorney's fees. In November 2015, the claimants submitted an amended notice of intent to add the Kentucky Waterways Alliance as a claimant. PPL, LKE and KU cannot predict the outcome of this matter or the potential impact on the operations of the E. W. Brown plant, including increased capital or operating costs, if any.

Trimble County Unit 2 Air Permit

The Sierra Club and other environmental groups petitioned the Kentucky Environmental and Public Protection Cabinet to overturn the air permit issued for the Trimble County Unit 2 baseload coal-fired generating unit, but the agency upheld the permit in an order issued in September 2007. In response to subsequent petitions by environmental groups, the EPA ordered certain non-material changes to the permit which, in January 2010, were incorporated into a final revised permit issued by the Kentucky Division for Air Quality. In March 2010, the environmental groups petitioned the EPA to object to the revised state permit. Until the EPA issues a final ruling on the pending petition and all available appeals are exhausted, PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact on the operations of the Trimble County plant, including increased capital or operating costs, if any.

Trimble County Water Discharge Permit

In May 2010, the Kentucky Waterways Alliance and other environmental groups filed a petition with the Kentucky Energy and Environment Cabinet (KEEC) challenging the Kentucky Pollutant Discharge Elimination System permit issued in April 2010, which covers water discharges from the Trimble County plant. In November 2010, the KEEC issued a final order upholding the permit, which was subsequently appealed by the environmental groups. In September 2013, the Franklin Circuit Court reversed the KEEC order upholding the permit and remanded the permit to the agency for further proceedings. LG&E and the KEEC appealed the order to the Kentucky Court of Appeals. In July 2015, the Court of Appeals upheld the lower court ruling. On February 10, 2016, the Kentucky Supreme Court issued an order granting discretionary review. PPL, LKE, LG&E and KU are unable to predict the outcome of this matter or the potential impact on the operations of the Trimble County plant, including increased capital or operating costs, if any.

Regulatory Issues *(All Registrants)*

See Note 6 for information on regulatory matters related to utility rate regulation.

Electricity - Reliability Standards

The NERC is responsible for establishing and enforcing mandatory reliability standards (Reliability Standards) regarding the bulk electric system in North America. The FERC oversees this process and independently enforces the Reliability Standards.

The Reliability Standards have the force and effect of law and apply to certain users of the bulk electric system, including electric utility companies, generators and marketers. Under the Federal Power Act, the FERC may assess civil penalties for certain violations.

LG&E, KU and PPL Electric monitor their compliance with the Reliability Standards and continue to self-report or self-log potential violations of applicable reliability requirements and submit accompanying mitigation plans, as required. The resolution of a small number of potential violations is pending. Penalties incurred to date have not been significant. Any Regional Reliability Entity (including RFC or SERC) determination concerning the resolution of violations of the Reliability Standards remains subject to the approval of the NERC and the FERC.

In the course of implementing their programs to ensure compliance with the Reliability Standards by those PPL affiliates subject to the standards, certain other instances of potential non-compliance may be identified from time to time. The Registrants cannot predict the outcome of these matters, and cannot estimate a range of reasonably possible losses, if any.

Environmental Matters

(All Registrants)

Due to the environmental issues discussed below or other environmental matters, it may be necessary for the Registrants to modify, curtail, replace or cease operation of certain facilities or performance of certain operations to comply with statutes, regulations and other requirements of regulatory bodies or courts. In addition, legal challenges to new environmental permits or rules add to the uncertainty of estimating the future cost of these permits and rules.

WPD's distribution businesses are subject to certain statutory and regulatory environmental requirements. In connection with the matters discussed below, it may be necessary for WPD to incur significant compliance costs, which costs may be recoverable through rates subject to the approval of Ofgem. PPL believes that WPD has taken and continues to take measures to comply with all applicable environmental laws and regulations.

LG&E and KU are entitled to recover, through the ECR mechanism, certain costs of complying with the Clean Air Act, as amended, and those federal, state, or local environmental requirements applicable to coal combustion wastes and by-products from facilities that generate electricity from coal in accordance with approved compliance plans. Costs not covered by the ECR mechanism for LG&E and KU and all such costs for PPL Electric are subject to rate recovery before the companies' respective state regulatory authorities, or the FERC, if applicable. Because neither WPD nor PPL Electric owns any generating plants, their exposure to related environmental compliance costs is reduced. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

Air

(PPL, LKE, LG&E and KU)

The Clean Air Act, which regulates air pollutants from mobile and stationary sources in the United States, has a significant impact on the operation of fossil fuel plants. The Clean Air Act requires the EPA periodically to review and establish concentration levels in the ambient air for six criteria pollutants to protect public health and welfare. These concentration levels are known as NAAQS. The six criteria pollutants are carbon monoxide, lead, nitrogen dioxide, ozone, particulate matter and sulfur dioxide.

Federal environmental regulation of these criteria pollutants require states to adopt implementation plans, known as state implementation plans, for certain pollutants, which detail how the state will attain the standards that are mandated by the relevant law or regulation. Each state identifies the areas within its boundaries that meet the NAAQS (attainment areas) and those that do not (non-attainment areas), and must develop a state implementation plan both to bring non-attainment areas into compliance with the NAAQS and to maintain good air quality in attainment areas. In addition, for attainment of ozone and fine particulates standards, states in the eastern portion of the country, including Kentucky, are subject to a regional program developed by the EPA known as the Cross-State Air Pollution Rule. The NAAQS, future revisions to the NAAQS and state implementation plans, or future revisions to regional programs, may require installation of additional pollution controls, the costs of which PPL, LKE, LG&E and KU believe are subject to cost recovery.

Although PPL, LKE, LG&E and KU do not anticipate significant costs to comply with these programs, changes in market or operating conditions could result in different costs than anticipated.

National Ambient Air Quality Standards (NAAQS)

Under the Clean Air Act, the EPA is required to reassess the NAAQS for certain air pollutants on a five-year schedule. In 2008, the EPA revised the NAAQS for ozone and proposed to further strengthen the standard in November 2014. The EPA released a new ozone standard on October 1, 2015. The states and EPA will determine attainment with the new ozone standard through review of relevant ambient air monitoring data, with attainment or nonattainment designations scheduled no later than October 2017. States are also obligated to address interstate transport issues associated with new ozone standards through the establishment of "good neighbor" state implementation plans for those states that are found to contribute significantly to another state's non-attainment. States that are not in the ozone transport region, including Kentucky, are working together to evaluate further nitrogen oxide reductions from fossil-fueled plants with SCRs. The nature and timing of any additional reductions resulting from these evaluations cannot be predicted at this time.

In 2010, the EPA finalized revised NAAQS for sulfur dioxide and required states to identify areas that meet those standards and areas that are in "non-attainment". In July 2013, the EPA finalized non-attainment designations for parts of the country, including part of Jefferson County in Kentucky. Attainment must be achieved by 2018. PPL, LKE, LG&E and KU anticipate that certain previously required compliance measures, such as upgraded or new sulfur dioxide Scrubbers at certain plants and the retirement of coal-fired generating units at LG&E's Cane Run plant and KU's Green River plant, will help to achieve compliance with the new sulfur dioxide and ozone standards. If additional reductions are required, the costs could be significant.

Mercury and Air Toxics Standards (MATS)

In February 2012, the EPA finalized the MATS rule requiring reductions of mercury and other hazardous air pollutants from fossil-fuel fired power plants, with an effective date of April 16, 2012. The MATS rule was challenged by industry groups and states and was upheld by the U.S. Court of Appeals for the D. C. Circuit Court (D.C. Circuit Court) in April 2014. A group of states subsequently petitioned the U.S. Supreme Court (Supreme Court) to review this decision and, in June 2015, the Supreme Court held that the EPA failed to properly consider costs when deciding to regulate hazardous air emissions from power plants under MATS. The Supreme Court remanded the matter to the D.C. Circuit Court, which in December 2015 remanded the rule to the EPA without vacating it. The EPA has proposed a supplemental finding regarding costs of the rule and has announced that it intends to make a final determination in 2016. The EPA's MATS rule remains in effect during the pendency of the ongoing proceedings.

LG&E and KU have installed significant controls in response to the MATS rule and in conjunction with compliance with other environmental requirements, including fabric-filter baghouses, upgraded Scrubbers or chemical additive systems for which appropriate KPSC authorization and/or ECR treatment has been received. LG&E and KU have received KPSC approval for a compliance plan providing for installation of additional MATS-related controls; however, the estimated cost of these controls is not expected to be significant for either LG&E or KU. PPL, LKE, LG&E and KU cannot predict the outcome of the MATS rule or its potential impact, if any, on plant operations, rate treatment or future capital or operating needs. See Note 6 for additional information.

New Source Review (NSR)

The NSR litigation brought by the EPA, states and environmental groups against coal-fired generating plants in past years continues to proceed through the courts. Although none of this litigation directly involves PPL, LKE, LG&E or KU, it can influence the permitting of large capital projects at LG&E's and KU's power plants, the costs of which cannot presently be determined but could be significant.

Climate Change

There is continuing world-wide attention focused on issues related to climate change. Most recently, on June 29, 2016, the President announced that the United States, Canada and Mexico have established the North American Climate, Clean Energy, and Environment Partnership Plan which specifies actions to promote clean energy, address climate change and protect the environment. The plan includes a goal to provide 50% of the energy used in North America from clean energy sources by 2025. The plan does not impose any nation-specific requirements.

In December 2015, 195 nations, including the U.S., signed the Paris Agreement on Climate which establishes a comprehensive framework for the reduction of greenhouse gas (GHG) emissions from both developed and developing nations. Although the agreement does not establish binding reduction requirements, it requires each nation to prepare, communicate and maintain GHG reduction commitments. Reductions can currently be achieved in a variety of ways, including energy conservation, power plant efficiency improvements, reduced utilization of coal-fired generation or replacing coal-fired generation with natural gas or renewable generation. Based on EPA's Clean Power Plan described below, the U.S. has committed to an initial reduction target of 26% to 28% below 2005 levels by 2025.

The UK has enacted binding carbon reduction requirements that are applicable to WPD. Under the UK law, WPD must purchase carbon allowances to offset emissions associated with WPD’s operations. The cost of these allowances is included in WPD’s current operating expenses. WPD expects these expenses to decrease as a result of energy efficiency measures and the removal of 18 fuel sources previously included in the allowance requirements.

The EPA's Rules under Section 111 of the Clean Air Act

As further described below, the EPA finalized rules imposing GHG emission standards for both new and existing power plants in the United States. The EPA has also issued a proposed federal implementation plan that would apply to any states that fail to submit an acceptable state implementation plan under these rules. The EPA's authority to promulgate these regulations under Section 111 of the Clean Air Act has been challenged in the D.C. Circuit Court by several states and industry groups. On February 9, 2016, the Supreme Court stayed the rule for existing plants (the Clean Power Plan) pending the D.C. Circuit Court's review and subsequent review by the Supreme Court if a writ of certiorari is filed and granted.

The EPA's rule for new power plants imposes separate emission standards for coal and natural gas units based on the application of different technologies. The coal standard is based on the application of partial carbon capture and sequestration technology, but because this technology is not presently commercially available, the rule effectively precludes the construction of new coal-fired plants. The standard for NGCC power plants is the same as the EPA proposed in 2012 and is not continuously achievable. The preclusion of new coal-fired plants and the compliance difficulties posed for new natural gas-fired plants could have a significant industry-wide impact.

The EPA's Clean Power Plan

The EPA's rule for existing power plants, referred to as the Clean Power Plan, was published in the Federal Register in October 2015. The Clean Power Plan contains state-specific rate-based and mass-based reduction goals and guidelines for the development, submission and implementation of state implementation plans to achieve the state goals. State-specific goals were calculated from 2012 data by applying the EPA's broad interpretation and definition of the BSER, resulting in the most stringent targets to be met in 2030, with interim targets to be met beginning in 2022. The EPA believes it has offered some flexibility to the states as to how their compliance plans can be crafted, including the option to use a rate-based approach (limit emissions per megawatt hour) or a mass-based approach (limit total tons of emissions per year), and the option to demonstrate compliance through emissions trading and multi-state collaborations. Under the rate-based approach, Kentucky would need to make a 41% reduction from its 2012 emissions rate and under a mass-based approach it would need to make a 36% reduction. These reductions are significantly greater than initially proposed and present significant challenges to the state. If the Clean Power Plan is ultimately upheld and Kentucky fails to develop an approvable implementation plan by the applicable deadline, the EPA would impose a federal implementation plan that could be more stringent than what the state plan might provide. Depending on the provisions of the Kentucky implementation plan, LG&E and KU may need to modify their current portfolio of generating assets during the next decade and/or participate in an allowance trading program.

LG&E and KU are participating in the ongoing regulatory processes at the state and federal level. Various states, industry groups and individual companies including LKE have filed petitions for reconsideration with EPA and petitions for review with the D.C. Circuit Court challenging the Clean Power Plan. On February 9, 2016, the Supreme Court stayed the rule pending the D.C. Circuit Court's review. PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact, if any, on plant operations, or future capital or operating costs. PPL, LKE, LG&E and KU believe that the costs, which could be significant, would be subject to cost recovery.

In April 2014, the Kentucky General Assembly passed legislation limiting the measures that the Kentucky Energy and Environment Cabinet may consider in setting performance standards to comply with the EPA's regulations governing GHG emissions from existing sources. The legislation provides that such state GHG performance standards shall be based on emission reductions, efficiency measures and other improvements available at each power plant, rather than renewable energy, end-use energy efficiency, fuel switching and re-dispatch. These statutory restrictions may make it more difficult for Kentucky to achieve the GHG reduction levels that the EPA has established for Kentucky.

Sulfuric Acid Mist Emissions (PPL, LKE and LG&E)

On June 30, 2016, the EPA issued a notice of violation under the Clean Air Act alleging that LG&E violated applicable rules relating to sulfuric acid mist emissions at its Mill Creek plant. The notice alleges failure to install proper controls, failure to operate the facility consistent with good air pollution control practice, and causing emissions exceeding applicable requirements or constituting a nuisance or endangerment. LG&E believes it has complied with applicable regulations during the relevant time period. Discussions between the EPA and LG&E are ongoing. PPL, LKE and LG&E are unable to predict the outcome of this matter or the potential impact on operations of the Mill Creek plant, including increased capital or operating costs, and potential civil penalties or remedial measures, if any.

Water/Waste

(PPL, LKE, LG&E and KU)

Coal Combustion Residuals (CCRs)

On April 17, 2015, the EPA published its final rule regulating CCRs. CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. The rule became effective on October 19, 2015. It imposes extensive new requirements, including location restrictions, design and operating standards, groundwater monitoring and corrective action requirements, and closure and post-closure care requirements on CCR impoundments and landfills that are located on active power plants in the United States and not closed. Under the rule, the EPA will regulate CCRs as non-hazardous under Subtitle D of RCRA and allow beneficial use of CCRs, with some restrictions. The rule's requirements for covered CCR impoundments and landfills include implementation of groundwater monitoring and commencement or completion of closure activities generally between three and ten years from certain triggering events. This self-implementing rule requires posting of compliance documentation on a publicly accessible website and is enforceable solely through citizen suits. LG&E and KU are also subject to state rules applicable to CCR management which may potentially be modified to reflect some or all requirements of the federal rule. Industry groups, environmental groups, individual companies and others have filed legal challenges to the final rule which are pending before the D.C. Circuit Court of Appeals.

LG&E and KU have received KPSC approval for a compliance plan providing for construction of additional landfill capacity at the Brown Station, closure of impoundments at the Mill Creek, Trimble County, Brown, and Ghent stations, and construction of process water management facilities at those plants. In addition to the foregoing measures required for compliance with federal CCR rule requirements, LG&E and KU are also proposing to close impoundments at the retired Green River, Pineville and Tyrone plants to comply with applicable state law requirements. PPL, LKE, LG&E, and KU estimate the cost of these CCR compliance measures at $311 million for LG&E and $661 million for KU. See Note 6 for additional information.

In connection with the final CCR rule, LG&E and KU recorded increases to existing AROs during 2015. See Note 16 for additional information. Further changes to AROs, current capital plans or operating costs may be required as estimates are refined based on closure developments, groundwater monitoring results, and regulatory or legal proceedings. Costs relating to this rule are subject to rate recovery.

Clean Water Act

Regulations under the federal Clean Water Act dictate permitting and mitigation requirements for facilities and construction projects in the United States. Many of those requirements relate to power plant operations, including requirements related to the treatment of pollutants in effluents prior to discharge, the temperature of effluent discharges and the location, design and construction of cooling water intake structures at generating facilities, standards intended to protect aquatic organisms by reducing capture in the screens attached to cooling water intake structures (impingement) at generating facilities and the water volume brought into the facilities (entrainment). The requirements could impose significant costs for LG&E and KU which are subject to rate recovery.

Effluent Limitations Guidelines (ELGs)

On September 30, 2015, the EPA released its final effluent limitations guidelines for wastewater discharge permits for new and existing steam electric generating facilities. The rule provides strict technology-based discharge limitations for control of pollutants in scrubber wastewater, fly ash and bottom ash transport water, mercury control wastewater, gasification wastewater and combustion residual leachate. The new guidelines require deployment of additional control technologies providing physical, chemical and biological treatment of wastewaters. The guidelines also mandate operational changes including "no discharge" requirements for fly ash and bottom ash transport waters and mercury control wastewaters. The implementation date for individual generating stations will be determined by the states on a case-by-case basis according to criteria provided by the EPA, but the requirements of the rule must be fully implemented no later than 2023. It has not been decided how Kentucky intends to integrate the ELGs into its routine permit renewal process. Industry groups, environmental groups, individual companies and others have filed legal challenges to the final rule which have been consolidated before the United States Fifth Circuit Court of Appeals. LG&E and KU are developing compliance strategies and schedules. PPL, LKE, LG&E and KU are unable to fully estimate compliance costs or timing at this time, although certain preliminary estimates are included in current capital forecasts for applicable periods. Costs to comply with ELGs or other discharge limits, which are expected to be significant, are subject to rate recovery.

Clean Water Act Section 316(b)

The EPA's final 316(b) rule for existing facilities became effective in October 2014, and regulates cooling water intake structures and their impact on aquatic organisms. States are allowed broad discretion to make site-specific determinations under the rule. The rule requires existing facilities to choose between several options to reduce the impact to aquatic organisms that become trapped against water intake screens (impingement) and to determine the intake structure's impact on aquatic organisms pulled through a plant's cooling water system (entrainment). Plants equipped with closed-cycle cooling, an acceptable option, would likely not incur substantial costs. Once-through systems would likely require additional technology to comply with the rule. Based on studies conducted by LG&E and KU to date, all plants will incur only insignificant operational costs. In addition, LG&E's Mill Creek Unit 1 is expected to incur capital costs. PPL, LKE, LG&E and KU are evaluating compliance strategies but do not presently expect the compliance costs, which are subject to rate recovery, to be significant.

(All Registrants)

Waters of the United States (WOTUS)

The U.S. Court of Appeals for the Sixth Circuit has issued a stay of EPA's rule on the definition of WOTUS pending the court's review of the rule. The effect of the stay is that the WOTUS rule is not in effect anywhere in the United States. The ultimate outcome of the court's review of the rule remains uncertain. Because of the strict permitting programs already in place in Kentucky and Pennsylvania, the Registrants do not expect the rule to have a significant impact on their operations.

Other Issues

The EPA is reassessing its polychlorinated biphenyls (PCB) regulations under the Toxic Substance Control Act, which was significantly updated on June 22, 2016. In 2010, the EPA had issued an Advanced Notice of Proposed Rulemaking for changes to these regulations. The rulemaking, which could lead to a phase-out in the United States of all or some equipment containing PCBs, is not likely to be affected by the revisions to the Toxic Substances Control Act. The EPA has postponed the release of revisions to its proposed rulemaking. The Registrants cannot predict at this time the outcome of the proposed EPA rulemaking and what impact, if any, it would have on their facilities, but the costs could be significant.

Superfund and Other Remediation *(All Registrants)*

PPL Electric is potentially responsible for costs at several sites listed by the EPA under the federal Superfund program, including the Columbia Gas Plant site, the Metal Bank site and the Brodhead site. Clean-up actions have been or are being undertaken at all of these sites, the costs of which have not been significant to PPL Electric. Should the EPA require different or additional measures in the future, however, or should PPL Electric's share of costs at multi-party sites increase substantially more than expected, the costs could be significant.

PPL Electric, LG&E and KU are investigating, responding to agency inquiries, remediating, or have completed the remediation of, several sites that were not addressed under a regulatory program such as Superfund, but for which PPL Electric, LG&E and KU may be liable for remediation. These include a number of former coal gas manufacturing plants in Pennsylvania and Kentucky previously owned or operated or currently owned by predecessors or affiliates of PPL Electric, LG&E and KU. To date, the costs of these sites have not been significant.

There are additional sites, formerly owned or operated by PPL Electric, LG&E and KU predecessors or affiliates. LG&E and KU lack information on the condition of such additional sites and are therefore unable to estimate any potential liability they may have or a range of reasonably possible losses, if any, related to these sites. At June 30, 2016 and December 31, 2015, PPL Electric had a recorded liability of $10 million representing its best estimate of the probable loss incurred to remediate additional sites previously owned or operated by PPL Electric predecessors or affiliates. Depending on the outcome of investigations at sites where investigations have not begun or been completed, or developments at sites for which information is incomplete, the costs of remediation and other liabilities could be significant and may be as much as approximately $30 million.

The EPA is evaluating the risks associated with polycyclic aromatic hydrocarbons and naphthalene, chemical by-products of coal gas manufacturing. As a result of the EPA's evaluation, individual states may establish stricter standards for water quality and soil cleanup. This could require several PPL subsidiaries to take more extensive assessment and remedial actions at former coal gas manufacturing plants. PPL, PPL Electric, LKE, LG&E and KU cannot estimate a range of reasonably possible losses, if any, related to these matters.

From time to time, PPL's subsidiaries in the United States undertake remedial action in response to notices of violations, spills or other releases at various on-site and off-site locations, negotiate with the EPA and state and local agencies regarding actions necessary for compliance with applicable requirements, negotiate with property owners and other third parties alleging impacts from PPL's operations and undertake similar actions necessary to resolve environmental matters that arise in the course of normal operations. Based on analyses to date, resolution of these environmental matters is not expected to have a significant adverse impact on the operations of PPL Electric, LG&E and KU.

Future cleanup or remediation work at sites under review, or at sites not yet identified, may result in significant additional costs for PPL, PPL Electric, LKE, LG&E and KU. Insurance policies maintained by LKE, LG&E and KU may be applicable to certain of the costs or other obligations related to these matters but the amount of insurance coverage or reimbursement cannot be estimated or assured.

European Union Creosote Ban *(PPL)*

In 2011, the European Commission amended the European Union Biocides Directive to ban the use of creosote in contact with soil. Creosote is a wood preservative used to extend the life of wooden poles that support power lines. Although European Union member countries were required to pass implementing laws by 2012, the U.K. has not passed an implementing law and there are no legal penalties for failing to do so. The recent U.K. referendum in favor of the U.K.'s departure from the European Union further reduces the likelihood that the U.K. would pass implementing law. In the unlikely event that the U.K. were to ban the use of creosote, WPD's creosote-treated wood poles would need to be replaced with an acceptable alternative at the time of routine replacement. WPD has 1.4 million wood poles in its system. There are currently no alternative wood preservatives available that are acceptable to the industry and/or regulators.

Other

Guarantees and Other Assurances

(All Registrants)

In the normal course of business, the Registrants enter into agreements that provide financial performance assurance to third parties on behalf of certain subsidiaries. Such agreements include, for example, guarantees, stand-by letters of credit issued by financial institutions and surety bonds issued by insurance companies. These agreements are entered into primarily to support or enhance the creditworthiness attributed to a subsidiary on a stand-alone basis or to facilitate the commercial activities in which these subsidiaries engage.

(PPL)

PPL fully and unconditionally guarantees all of the debt securities of PPL Capital Funding.

(All Registrants)

The table below details guarantees provided as of June 30, 2016. "Exposure" represents the estimated maximum potential amount of future payments that could be required to be made under the guarantee. The probability of expected payment/performance under each of these guarantees is remote except for "WPD guarantee of pension and other obligations of unconsolidated entities" and "Indemnification of lease termination and other divestitures." The total recorded liability at June 30, 2016, was $22 million for PPL and $17 million for LKE. The total recorded liability at December 31, 2015, was $25 million for PPL and $18 million for LKE. For reporting purposes, on a consolidated basis, all guarantees of PPL Electric, LKE, LG&E and KU also apply to PPL, and all guarantees of LG&E and KU also apply to LKE.

	Exposure at June 30, 2016		Expiration Date
PPL			
Indemnifications related to the WPD Midlands acquisition		(a)	
WPD indemnifications for entities in liquidation and sales of assets	$ 10	(b)	2019
WPD guarantee of pension and other obligations of unconsolidated entities	105	(c)	
PPL Electric			
Guarantee of inventory value	21	(d)	2018
LKE			
Indemnification of lease termination and other divestitures	301	(e)	2021 - 2023
LG&E and KU			
LG&E and KU guarantee of shortfall related to OVEC		(f)	

(a) Indemnifications related to certain liabilities, including a specific unresolved tax issue and those relating to properties and assets owned by the seller that were transferred to WPD Midlands in connection with the acquisition. A cross indemnity has been received from the seller on the tax issue. The maximum exposure and expiration of these indemnifications cannot be estimated because the maximum potential liability is not capped and the expiration date is not specified in the transaction documents.

(b) Indemnification to the liquidators and certain others for existing liabilities or expenses or liabilities arising during the liquidation process. The indemnifications are limited to distributions made from the subsidiary to its parent either prior or subsequent to liquidation or are not explicitly stated in the agreements. The indemnifications generally expire two to seven years subsequent to the date of dissolution of the entities. The exposure noted only includes those cases where the agreements provide for specific limits.
In connection with their sales of various businesses, WPD and its affiliates have provided the purchasers with indemnifications that are standard for such transactions, including indemnifications for certain pre-existing liabilities and environmental and tax matters or have agreed to continue their obligations under existing third-party guarantees, either for a set period of time following the transactions or upon the condition that the purchasers make reasonable efforts to terminate the guarantees. Additionally, WPD and its affiliates remain secondarily responsible for lease payments under certain leases that they have assigned to third parties.

(c) Relates to certain obligations of discontinued or modified electric associations that were guaranteed at the time of privatization by the participating members. Costs are allocated to the members and can be reallocated if an existing member becomes insolvent. At June 30, 2016, WPD has recorded an estimated discounted liability for which the expected payment/performance is probable. Neither the expiration date nor the maximum amount of potential payments for certain obligations is explicitly stated in the related agreements, and as a result, the exposure has been estimated.

(d) A third party logistics firm provides inventory procurement and fulfillment services. The logistics firm has title to the inventory, however, upon termination of the contracts, PPL Electric has guaranteed to purchase any remaining inventory that has not been used or sold.

(e) LKE provides certain indemnifications covering the due and punctual payment, performance and discharge by each party of its respective obligations. The most comprehensive of these guarantees is the LKE guarantee covering operational, regulatory and environmental commitments and indemnifications made by WKE under a 2009 Transaction Termination Agreement. This guarantee has a term of 12 years ending July 2021, and a maximum exposure of $200 million, exclusive of certain items such as government fines and penalties that fall outside the cap. Another WKE-related LKE guarantee covers other indemnifications related to the purchase price of excess power, has a term expiring in 2023, and a maximum exposure of $100 million. In May 2012, LKE's indemnitee received an unfavorable arbitration panel's decision interpreting this matter. In October 2014, LKE's indemnitee filed a motion for discretionary review with the Kentucky Supreme Court seeking to overturn the arbitration decision, and such motion was denied by the court in September 2015. In September 2015, a counterparty issued a demand letter to LKE's indemnitee. In February 2016, the counterparty filed a complaint in Henderson, Kentucky Circuit Court, seeking an award of damages in the matter. LKE does not believe appropriate contractual, legal or commercial grounds exist for the claim made and has disputed the demands. LKE believes its indemnification obligations in the WKE matter remain subject to various uncertainties, including additional legal and contractual developments, as well as future prices, availability and demand for the subject excess power. The parties are conducting certain settlement discussions, however, the ultimate outcomes of the WKE termination-related indemnifications cannot be predicted at this time. Additionally, LKE has indemnified various third parties related to historical obligations for other divested subsidiaries and affiliates. The indemnifications vary by entity and the maximum exposures range from being capped at the sale price to no specified maximum; LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. LKE cannot predict the ultimate outcomes of the indemnification circumstances, but does not expect such outcomes to result in significant losses above the amounts recorded.

(f) Pursuant to the OVEC power purchase contract, LG&E and KU are obligated to pay for their share of OVEC's excess debt service, post-retirement and decommissioning costs, as well as any shortfall from amounts included within a demand charge designed and expected to cover these costs over the term of the contract. LKE's proportionate share of OVEC's outstanding debt was $125 million at June 30, 2016, consisting of LG&E's share of $87 million and KU's share of $38 million. The maximum exposure and the expiration date of these potential obligations are not presently determinable. See "Energy Purchase Commitments" and "Guarantees and Other Assurances" in Note 13 in PPL's, LKE's, LG&E's and KU's 2015 Form 10-K for additional information on the OVEC power purchase contract.

The Registrants provide other miscellaneous guarantees through contracts entered into in the normal course of business. These guarantees are primarily in the form of indemnification or warranties related to services or equipment and vary in duration. The amounts of these guarantees often are not explicitly stated, and the overall maximum amount of the obligation under such guarantees cannot be reasonably estimated. Historically, no significant payments have been made with respect to these types of guarantees and the probability of payment/performance under these guarantees is remote.

PPL, on behalf of itself and certain of its subsidiaries, maintains insurance that covers liability assumed under contract for bodily injury and property damage. The coverage provides maximum aggregate coverage of $225 million. This insurance may be applicable to obligations under certain of these contractual arrangements.

11. Related Party Transactions

Support Costs *(PPL Electric, LKE, LG&E and KU)*

PPL Services and LKS provide their respective PPL and LKE subsidiaries and each other with administrative, management and support services. PPL EU Services provides the majority of financial, supply chain, human resources and facilities management services primarily to PPL Electric. PPL Services provides certain corporate functions to PPL Electric. For all service companies, the costs of these services are charged to the respective recipients as direct support costs. General costs that cannot be directly attributed to a specific entity are allocated and charged to the respective recipients as indirect support costs. PPL Services and PPL EU Services use a three-factor methodology that includes the applicable recipients' invested capital, operation and maintenance expenses and number of employees to allocate indirect costs. LKS bases its indirect allocations on the subsidiaries' number of employees, total assets, revenues, number of customers and/or other statistical information. PPL Services, PPL EU Services and LKS charged the following amounts for the periods ended June 30, including amounts applied to accounts that are further distributed between capital and expense on the books of the recipients, based on methods that are believed to be reasonable.

	Three Months		Six Months	
	2016	2015	2016	2015
PPL Electric from PPL Services	$ 28	$ 25	$ 65	$ 55
LKE from PPL Services	4	4	9	8
PPL Electric from PPL EU Services	16	17	33	32
LG&E from LKS	41	53	88	104
KU from LKS	49	58	105	114

In addition to the charges for services noted above, LKS makes payments on behalf of LG&E and KU for fuel purchases and other costs for products or services provided by third parties. LG&E and KU also provide services to each other and to LKS. Billings between LG&E and KU relate to labor and overheads associated with union and hourly employees performing work for the other company, charges related to jointly-owned generating units and other miscellaneous charges. Tax settlements between LKE and LG&E and LKE and KU are reimbursed through LKS.

Intercompany Borrowings *(LKE)*

LKE maintains a $225 million revolving line of credit with a PPL Energy Funding subsidiary whereby LKE can borrow funds on a short-term basis at market-based rates. At June 30, 2016 and December 31, 2015, $176 million and $54 million were outstanding and were reflected in "Notes payable with affiliate" on the Balance Sheets. The interest rate on borrowings is equal to one-month LIBOR plus a spread. The interest rates on the outstanding borrowing at June 30, 2016 and December 31, 2015 were 1.97% and 1.74%.

LKE has a $400 million ten-year note with a PPL affiliate with an interest rate of 3.5%. At June 30, 2016 and December 31, 2015, the note was reflected in "Long-term debt to affiliate" on the Balance Sheets.

Other *(PPL Electric, LG&E and KU)*

See Note 9 for discussions regarding intercompany allocations associated with defined benefits.

12. Other Income (Expense) - net

(PPL)

"Other Income (Expense) - net" for the three and six months ended June 30, 2016 and 2015 consisted primarily of gains (losses) on foreign currency contracts to economically hedge PPL's translation risk related to its GBP denominated earnings in the U.K. See Note 14 for additional information on these derivatives.

13. Fair Value Measurements

(All Registrants)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models) and/or a cost approach (generally, replacement cost) are used to measure the fair value of an asset or liability, as appropriate. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk. The fair value of a group of financial assets and liabilities is measured on a net basis. Transfers between levels are recognized at end-of-reporting-period values. During the three and six months ended June 30, 2016 and 2015, there were no transfers between Level 1 and Level 2. See Note 1 in each Registrant's 2015 Form 10-K for information on the levels in the fair value hierarchy.

Recurring Fair Value Measurements

The assets and liabilities measured at fair value were:

	June 30, 2016				December 31, 2015			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	$ 492	$ 492	$ —	$ —	$ 836	$ 836	$ —	$ —
Restricted cash and cash equivalents (a)	33	33	—	—	33	33	—	—
Price risk management assets (b):								
Foreign currency contracts	393	—	393	—	209	—	209	—
Cross-currency swaps	92	—	92	—	86	—	86	—
Total price risk management assets	485	—	485	—	295	—	295	—
Auction rate securities (c)	2	—	—	2	2	—	—	2
Total assets	$ 1,012	$ 525	$ 485	$ 2	$ 1,166	$ 869	$ 295	$ 2
Liabilities								
Price risk management liabilities (b):								
Interest rate swaps	$ 56	$ —	$ 56	$ —	$ 71	$ —	$ 71	$ —
Foreign currency contracts	—	—	—	—	1	—	1	—
Total price risk management liabilities	$ 56	$ —	$ 56	$ —	$ 72	$ —	$ 72	$ —
PPL Electric								
Assets								
Cash and cash equivalents	$ 35	$ 35	$ —	$ —	$ 47	$ 47	$ —	$ —
Restricted cash and cash equivalents (a)	2	2	—	—	2	2	—	—
Total assets	$ 37	$ 37	$ —	$ —	$ 49	$ 49	$ —	$ —
LKE								
Assets								
Cash and cash equivalents	$ 16	$ 16	$ —	$ —	$ 30	$ 30	$ —	$ —
Cash collateral posted to counterparties (d)	9	9	—	—	9	9	—	—
Total assets	$ 25	$ 25	$ —	$ —	$ 39	$ 39	$ —	$ —

	June 30, 2016				December 31, 2015			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 56	$ —	$ 56	$ —	$ 47	$ —	$ 47	$ —
Total price risk management liabilities	$ 56	$ —	$ 56	$ —	$ 47	$ —	$ 47	$ —
LG&E								
Assets								
Cash and cash equivalents	$ 8	$ 8	$ —	$ —	$ 19	$ 19	$ —	$ —
Cash collateral posted to counterparties (d)	9	9	—	—	9	9	—	—
Total assets	$ 17	$ 17	$ —	$ —	$ 28	$ 28	$ —	$ —
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 56	$ —	$ 56	$ —	$ 47	$ —	$ 47	$ —
Total price risk management liabilities	$ 56	$ —	$ 56	$ —	$ 47	$ —	$ 47	$ —
KU								
Assets								
Cash and cash equivalents	$ 8	$ 8	$ —	$ —	$ 11	$ 11	$ —	$ —
Total assets	$ 8	$ 8	$ —	$ —	$ 11	$ 11	$ —	$ —

(a) Current portion is included in "Other current assets" and long-term portion is included in "Other noncurrent assets" on the Balance Sheets.
(b) Current portion is included in "Price risk management assets" and "Other current liabilities" and noncurrent portion is included in "Price risk management assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.
(c) Included in "Other noncurrent assets" on the Balance Sheets.
(d) Included in "Other noncurrent assets" on the Balance Sheets. Represents cash collateral posted to offset the exposure with counterparties related to certain interest rate swaps under master netting arrangements that are not offset.

Price Risk Management Assets/Liabilities - Interest Rate Swaps/Foreign Currency Contracts/Cross-Currency Swaps *(PPL, LKE, LG&E and KU)*

To manage interest rate risk, PPL, LKE, LG&E and KU use interest rate contracts such as forward-starting swaps, floating-to-fixed swaps and fixed-to-floating swaps. To manage foreign currency risk, PPL uses foreign currency contracts such as forwards, options and cross-currency swaps that contain characteristics of both interest rate and foreign currency contracts. An income approach is used to measure the fair value of these contracts, utilizing readily observable inputs, such as forward interest rates (e.g., LIBOR and government security rates) and forward foreign currency exchange rates (e.g., GBP), as well as inputs that may not be observable, such as credit valuation adjustments. In certain cases, market information cannot practicably be obtained to value credit risk and therefore internal models are relied upon. These models use projected probabilities of default and estimated recovery rates based on historical observances. When the credit valuation adjustment is significant to the overall valuation, the contracts are classified as Level 3.

Nonrecurring Fair Value Measurements

See Note 8 for information regarding the estimated fair value of the Supply segment's net assets as of the June 1, 2015 spinoff date.

Financial Instruments Not Recorded at Fair Value *(All Registrants)*

The carrying amounts of long-term debt on the Balance Sheets and their estimated fair values are set forth below. The fair values were estimated using an income approach by discounting future cash flows at estimated current cost of funding rates, which incorporate the credit risk of the Registrants. Long-term debt is classified as Level 2. The effect of third-party credit enhancements is not included in the fair value measurement.

	June 30, 2016		December 31, 2015	
	Carrying Amount (a)	Fair Value	Carrying Amount (a)	Fair Value
PPL	$ 19,168	$ 22,669	$ 19,048	$ 21,218
PPL Electric	2,830	3,359	2,828	3,088
LKE	5,089	5,773	5,088	5,384
LG&E	1,642	1,832	1,642	1,704
KU	2,327	2,666	2,326	2,467

(a) Amounts are net of debt issuance costs.

The carrying value of short-term debt (including notes between affiliates), when outstanding, approximates fair value due to the variable interest rates associated with the short-term debt and is classified as Level 2.

14. Derivative Instruments and Hedging Activities

Risk Management Objectives

(All Registrants)

PPL has a risk management policy approved by the Board of Directors to manage market risk associated with commodities, interest rates on debt issuances and foreign exchange (including price, liquidity and volumetric risk) and credit risk (including non-performance risk and payment default risk). The Risk Management Committee, comprised of senior management and chaired by the Director - Risk Management, oversees the risk management function. Key risk control activities designed to ensure compliance with the risk policy and detailed programs include, but are not limited to, credit review and approval, validation of transactions, verification of risk and transaction limits, value-at-risk analyses (VaR, a statistical model that attempts to estimate the value of potential loss over a given holding period under normal market conditions at a given confidence level) and the coordination and reporting of the Enterprise Risk Management program.

Market Risk

Market risk includes the potential loss that may be incurred as a result of price changes associated with a particular financial or commodity instrument as well as market liquidity and volumetric risks. Forward contracts, futures contracts, options, swaps and structured transactions are utilized as part of risk management strategies to minimize unanticipated fluctuations in earnings caused by changes in commodity prices, interest rates and foreign currency exchange rates. Many of the contracts meet the definition of a derivative. All derivatives are recognized on the Balance Sheets at their fair value, unless NPNS is elected.

The following summarizes the market risks that affect PPL and its subsidiaries.

Interest rate risk

- PPL and its subsidiaries are exposed to interest rate risk associated with forecasted fixed-rate and existing floating-rate debt issuances. PPL and WPD hold over-the-counter cross currency swaps to limit exposure to market fluctuations on interest and principal payments from changes in foreign currency exchange rates and interest rates. LKE and LG&E utilize over-the-counter interest rate swaps to limit exposure to market fluctuations on floating-rate debt. PPL, LKE, LG&E and KU utilize forward starting interest rate swaps to hedge changes in benchmark interest rates, when appropriate, in connection with future debt issuances.
- PPL and its subsidiaries are exposed to interest rate risk associated with debt securities and derivatives held by defined benefit plans. This risk is significantly mitigated to the extent that the plans are sponsored at, or sponsored on behalf of, the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place.

Foreign currency risk

- PPL is exposed to foreign currency exchange risk primarily associated with its investments in and earnings of U.K. affiliates.

Commodity price risk

PPL is exposed to commodity price risk through its domestic subsidiaries as described below.

- PPL Electric is exposed to commodity price risk from its obligation as PLR; however, its PUC-approved cost recovery mechanism substantially eliminates its exposure to this risk. PPL Electric also mitigates its exposure to commodity price risk by entering into full-requirement supply agreements to serve its PLR customers. These supply agreements transfer the commodity price risk associated with the PLR obligation to the energy suppliers.
- LG&E's and KU's rates include certain mechanisms for fuel and fuel-related expenses. In addition, LG&E's rates include a mechanism for natural gas supply expenses. These mechanisms generally provide for timely recovery of market price fluctuations associated with these expenses.

Volumetric risk

PPL is exposed to volumetric risk through its subsidiaries as described below.

- WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K. Under the RIIO - ED1 price control period, recovery of such exposure occurs on a two year lag. See Note 1 in PPL's 2015 Form 10-K for additional information on revenue recognition under RIIO - ED1.
- PPL Electric, LG&E and KU are exposed to volumetric risk on retail sales, mainly due to weather and other economic conditions for which there is limited mitigation between rate cases.

Equity securities price risk

- PPL and its subsidiaries are exposed to equity securities price risk associated with defined benefit plans. This risk is significantly mitigated at the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place.
- PPL is exposed to equity securities price risk from future stock sales and/or purchases.

Credit Risk

Credit risk is the potential loss that may be incurred due to a counterparty's non-performance.

PPL is exposed to credit risk from "in-the-money" interest rate and foreign currency derivatives with financial institutions, as well as additional credit risk through certain of its subsidiaries, as discussed below.

In the event a supplier of LKE (through its subsidiaries LG&E and KU) or PPL Electric defaults on its obligation, those entities would be required to seek replacement power or replacement fuel in the market. In general, subject to regulatory review or other processes, appropriate incremental costs incurred by these entities would be recoverable from customers through applicable rate mechanisms, thus mitigating the financial risk for these entities.

PPL and its subsidiaries have credit policies in place to manage credit risk, including the use of an established credit approval process, daily monitoring of counterparty positions and the use of master netting agreements or provisions. These agreements generally include credit mitigation provisions, such as margin, prepayment or collateral requirements. PPL and its subsidiaries may request additional credit assurance, in certain circumstances, in the event that the counterparties' credit ratings fall below investment grade, their tangible net worth falls below specified percentages or their exposures exceed an established credit limit.

Master Netting Arrangements

Net derivative positions on the balance sheets are not offset against the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) under master netting arrangements.

PPL had an obligation to return $76 million of cash collateral under master netting arrangements at June 30, 2016 and no obligation to return cash collateral under master netting arrangements at December 31, 2015.

LKE, LG&E and KU had no obligation to return cash collateral under master netting arrangements at June 30, 2016 and December 31, 2015.

PPL, LKE and LG&E posted $9 million of cash collateral under master netting arrangements at June 30, 2016 and December 31, 2015.

KU did not post any cash collateral under master netting arrangements at June 30, 2016 and December 31, 2015.

See "Offsetting Derivative Instruments" below for a summary of derivative positions presented in the balance sheets where a right of setoff exists under these arrangements.

Interest Rate Risk

(All Registrants)

PPL and its subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. Various financial derivative instruments are utilized to adjust the mix of fixed and floating interest rates in their debt portfolio, adjust the duration of the debt portfolio and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under PPL's risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolio due to changes in benchmark interest rates. In addition, the interest rate risk of certain subsidiaries is potentially mitigated as a result of the existing regulatory framework or the timing of rate cases.

Cash Flow Hedges

(PPL)

Interest rate risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financings. Financial interest rate swap contracts that qualify as cash flow hedges may be entered into to hedge floating interest rate risk associated with both existing and anticipated debt issuances. PPL held no such contracts at June 30, 2016.

At June 30, 2016, PPL held an aggregate notional value in cross-currency interest rate swap contracts of $802 million that range in maturity from 2017 through 2028 to hedge the interest payments and principal of WPD's U.S. dollar-denominated senior notes. In May 2016, $460 million of WPD's U.S. dollar-denominated senior notes were repaid upon maturity and $460 million notional value of cross-currency interest rate swap contracts matured. PPL recorded a $46 million gain upon settlement of the cross-currency interest rate swap contracts, which largely offset a loss recorded on the revaluation of U.S. dollar-denominated senior notes.

For the three and six months ended June 30, 2016, PPL had an insignificant amount of ineffectiveness associated with interest rate derivatives.

Cash flow hedges are discontinued if it is no longer probable that the original forecasted transaction will occur by the end of the originally specified time period and any amounts previously recorded in AOCI are reclassified into earnings once it is determined that the hedged transaction is not probable of occurring.

PPL had no cash flow hedges reclassified into earnings associated with discontinued cash flow hedges for the three and six months ended June 30, 2016. As a result of the June 1, 2015 spinoff of PPL Energy Supply, all PPL cash flow hedges associated with PPL Energy Supply were ineffective and discontinued and therefore, reclassified into earnings and reflected in discontinued operations for the three and six months ended June 30, 2015. See Note 8 for additional information.

At June 30, 2016, the accumulated net unrecognized after-tax gains (losses) on qualifying derivatives that are expected to be reclassified into earnings during the next 12 months were insignificant. Amounts are reclassified as the hedged interest expense is recorded.

Economic Activity *(PPL, LKE and LG&E)*

LG&E enters into interest rate swap contracts that economically hedge interest payments on variable rate debt. Because realized gains and losses from the swaps, including a terminated swap contract, are recoverable through regulated rates, any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities until they are realized as interest expense. Realized gains and losses are recognized in "Interest Expense" on the Statements of Income at the time the underlying hedged interest expense is recorded. At June 30, 2016, LG&E held contracts with a notional amount of $179 million that range in maturity through 2033.

Foreign Currency Risk

(PPL)

PPL is exposed to foreign currency risk, primarily through investments in and earnings of U.K. affiliates. PPL has adopted a foreign currency risk management program designed to hedge certain foreign currency exposures, including firm commitments, recognized assets or liabilities, anticipated transactions and net investments. In addition, PPL enters into financial instruments to protect against foreign currency translation risk of expected GBP earnings.

Net Investment Hedges

PPL enters into foreign currency contracts on behalf of a subsidiary to protect the value of a portion of its net investment in WPD. There were no such contracts outstanding at June 30, 2016.

At June 30, 2016, PPL had $22 million of accumulated net investment hedge after tax gains (losses) that were included in the foreign currency translation adjustment component of AOCI, compared to $19 million at December 31, 2015.

Economic Activity

PPL enters into foreign currency contracts on behalf of a subsidiary to economically hedge GBP-denominated anticipated earnings. At June 30, 2016, the total exposure hedged by PPL was approximately £1.7 billion (approximately $2.7 billion based on contracted rates). These contracts had termination dates ranging from July 2016 through November 2018.

At June 30, 2016, foreign currency hedges related to 2017 and 2018 anticipated earnings were valued at $296 million and were included in current and noncurrent "Price risk management assets" on the Balance Sheet. The notional amount of these hedges was approximately £1.3 billion (approximately $2.0 billion based on contracted rates) with termination dates from January 2017 through November 2018. In the third quarter of 2016, PPL settled the 2017 and 2018 hedges, resulting in approximately $310 million of cash received, and entered into new hedges at current market rates. The settlement will not have a material effect on earnings as the hedge values were previously marked to fair value and recognized in "Other Income (Expense) - net" on the Statement of Income each period.

Accounting and Reporting

(All Registrants)

All derivative instruments are recorded at fair value on the Balance Sheet as an asset or liability unless NPNS is elected. NPNS contracts for PPL and PPL Electric include certain full-requirement purchase contracts and other physical purchase contracts. Changes in the fair value of derivatives not designated as NPNS are recognized in earnings unless specific hedge accounting criteria are met and designated as such, except for the changes in fair values of LG&E's and KU's interest rate swaps that are recognized as regulatory assets or regulatory liabilities. See Note 6 for amounts recorded in regulatory assets and regulatory liabilities at June 30, 2016 and December 31, 2015.

See Notes 1 and 17 in each Registrant's 2015 Form 10-K for additional information on accounting policies related to derivative instruments.

(PPL)

The following table presents the fair value and location of derivative instruments recorded on the Balance Sheets, excluding derivative instruments of discontinued operations.

	June 30, 2016				December 31, 2015			
	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments		Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current:								
Price Risk Management								
Assets/Liabilities (a):								
Interest rate swaps (b)	$ —	$ —	$ —	$ 6	$ —	$ 24	$ —	$ 5
Cross-currency swaps (b)	3	—	—	—	35	—	—	—
Foreign currency contracts	—	—	197	—	10	—	94	1
Total current	3	—	197	6	45	24	94	6
Noncurrent:								
Price Risk Management								
Assets/Liabilities (a):								
Interest rate swaps (b)	—	—	—	50	—	—	—	42
Cross-currency swaps (b)	89	—	—	—	51	—	—	—
Foreign currency contracts	—	—	196	—	—	—	105	—
Total noncurrent	89	—	196	50	51	—	105	42
Total derivatives	$ 92	$ —	$ 393	$ 56	$ 96	$ 24	$ 199	$ 48

(a) Current portion is included in "Price risk management assets" and "Other current liabilities" and noncurrent portion is included in "Price risk management assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.
(b) Excludes accrued interest, if applicable.

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities for the periods ended June 30, 2016.

	Derivative Gain (Loss) Recognized in OCI (Effective Portion)			Three Months		Six Months	
Derivative Relationships	Three Months	Six Months	Location of Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Cash Flow Hedges:							
Interest rate swaps	$ (3)	$ (21)	Interest expense	$ (2)	$ —	$ (3)	$ —
Cross-currency swaps	(104)	9	Interest expense	(1)	—	—	—
			Other income (expense) - net	(103)	—	(6)	—
Total	$ (107)	$ (12)		$ (106)	$ —	$ (9)	$ —
Net Investment Hedges:							
Foreign currency contracts	$ 1	$ 4					

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Six Months
Foreign currency contracts	Other income (expense) - net	$ 171	$ 231
Interest rate swaps	Interest expense	(2)	(4)
	Total	$ 169	$ 227

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ (3)	$ (9)

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities for the periods ended June 30, 2015.

	Derivative Gain (Loss) Recognized in OCI (Effective Portion)			Three Months		Six Months	
Derivative Relationships	Three Months	Six Months	Location of Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Cash Flow Hedges:							
Interest rate swaps	$ 17	$ (2)	Interest expense	$ (3)	$ —	$ (7)	$ —
			Discontinued operations	—	(77)	—	(77)
Cross-currency swaps	15	36	Interest expense	1	—	2	—
			Other income (expense) - net	15	—	32	—
Commodity contracts	—	—	Discontinued operations	6	7	13	7
Total	$ 32	$ 34		$ 19	$ (70)	$ 40	$ (70)
Net Investment Hedges:							
Foreign currency contracts	$ (17)	$ (1)					

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Six Months
Foreign currency contracts	Other income (expense) - net	$ (102)	$ (14)
Interest rate swaps	Interest expense	(2)	(4)
	Total	$ (104)	$ (18)

Derivatives Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ 76	$ 20

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ 7	$ 3

(LKE)

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets for the periods ended June 30, 2015. All derivative instruments designated as cash flow hedges were terminated in 2015 and there is no activity in the current period.

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ 76	$ 20

(LG&E)

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets for the periods ended June 30, 2015. All derivative instruments designated as cash flow hedges were terminated in 2015 and there is no activity in the current period.

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ 38	$ 10

(KU)

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets for the periods ended June 30, 2015. All derivative instruments designated as cash flow hedges were terminated in 2015 and there is no activity in the current period.

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ 38	$ 10

(LKE and LG&E)

The following table presents the fair value and the location on the Balance Sheets of derivatives not designated as hedging instruments.

	June 30, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps	$ —	$ 6	$ —	$ 5
Total current	—	6	—	5
Noncurrent:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps	—	50	—	42
Total noncurrent	—	50	—	42
Total derivatives	$ —	$ 56	$ —	$ 47

(a) Represents the location on the Balance Sheets.

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets for the periods ended June 30, 2016.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months	Six Months
Interest rate swaps	Interest expense	$ (2)	$ (4)

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ (3)	$ (9)

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets for the periods ended June 30, 2015.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months	Six Months
Interest rate swaps	Interest expense	$ (2)	$ (4)

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ 7	$ 3

(PPL, LKE, LG&E and KU)

Offsetting Derivative Instruments

PPL, LKE, LG&E and KU or certain of their subsidiaries have master netting arrangements in place and also enter into agreements pursuant to which they purchase or sell certain energy and other products. Under the agreements, upon termination of the agreement as a result of a default or other termination event, the non-defaulting party typically would have a right to set off amounts owed under the agreement against any other obligations arising between the two parties (whether under the agreement or not), whether matured or contingent and irrespective of the currency, place of payment or place of booking of the obligation.

PPL, LKE, LG&E and KU have elected not to offset derivative assets and liabilities and not to offset net derivative positions against the right to reclaim cash collateral pledged (an asset) or the obligation to return cash collateral received (a liability) under derivatives agreements. The table below summarizes the derivative positions presented in the balance sheets where a right of setoff exists under these arrangements and related cash collateral received or pledged.

	Assets				Liabilities			
		Eligible for Offset				Eligible for Offset		
	Gross	Derivative Instruments	Cash Collateral Received	Net	Gross	Derivative Instruments	Cash Collateral Pledged	Net
June 30, 2016								
Treasury Derivatives								
PPL	$ 485	$ —	$ 76	$ 409	$ 56	$ —	$ 9	$ 47
LKE	—	—	—	—	56	—	9	47
LG&E	—	—	—	—	56	—	9	47
December 31, 2015								
Treasury Derivatives								
PPL	$ 295	$ 25	$ —	$ 270	$ 72	$ 25	$ 9	$ 38
LKE	—	—	—	—	47	—	9	38
LG&E	—	—	—	—	47	—	9	38

Credit Risk-Related Contingent Features

Certain derivative contracts contain credit risk-related contingent features which, when in a net liability position, would permit the counterparties to require the transfer of additional collateral upon a decrease in the credit ratings of PPL, LKE, LG&E and

KU or certain of their subsidiaries. Most of these features would require the transfer of additional collateral or permit the counterparty to terminate the contract if the applicable credit rating were to fall below investment grade. Some of these features also would allow the counterparty to require additional collateral upon each downgrade in credit rating at levels that remain above investment grade. In either case, if the applicable credit rating were to fall below investment grade, and assuming no assignment to an investment grade affiliate were allowed, most of these credit contingent features require either immediate payment of the net liability as a termination payment or immediate and ongoing full collateralization on derivative instruments in net liability positions.

Additionally, certain derivative contracts contain credit risk-related contingent features that require adequate assurance of performance be provided if the other party has reasonable concerns regarding the performance of PPL's, LKE's, LG&E's, and KU's obligations under the contracts. A counterparty demanding adequate assurance could require a transfer of additional collateral or other security, including letters of credit, cash and guarantees from a creditworthy entity. This would typically involve negotiations among the parties. However, amounts disclosed below represent assumed immediate payment or immediate and ongoing full collateralization for derivative instruments in net liability positions with "adequate assurance" features.

(PPL, LKE and LG&E)

At June 30, 2016, derivative contracts in a net liability position that contain credit risk-related contingent features, collateral posted on those positions and the related effect of a decrease in credit ratings below investment grade are summarized as follows:

	PPL	LKE	LG&E
Aggregate fair value of derivative instruments in a net liability position with credit risk-related contingent features	$ 31	$ 31	$ 31
Aggregate fair value of collateral posted on these derivative instruments	8	8	8
Aggregate fair value of additional collateral requirements in the event of a credit downgrade below investment grade (a)	23	23	23

(a) Includes the effect of net receivables and payables already recorded on the Balance Sheet.

15. Goodwill and Other Intangible Assets

(PPL)

The change in the carrying amount of goodwill for the six months ended June 30, 2016 was due to the effect of foreign currency exchange rates on the U.K. Regulated segment.

The change in the other intangible assets for the six months ended June 30, 2016 was primarily due to an increase in the gross carrying amount of indefinite lived intangibles at WPD attributable to new easements of $47 million.

16. Asset Retirement Obligations

(PPL, LKE, LG&E and KU)

The changes in the carrying amounts of AROs were as follows.

	PPL	LKE	LG&E	KU
Balance at December 31, 2015	$ 586	$ 535	$ 175	$ 360
Accretion	13	12	4	8
Effect of foreign currency exchange rates	(2)	—	—	—
Obligations settled	(8)	(8)	(6)	(2)
Balance at June 30, 2016	$ 589	$ 539	$ 173	$ 366

LKE's, LG&E's and KU's ARO liabilities are primarily related to CCR closure costs. See Note 10 for information on the final CCR rule and Note 6 for information on the rate recovery applications with the KPSC. LG&E's and KU's accretion and ARO-related depreciation expense are recorded as a regulatory asset, such that there is no net earnings impact.

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17. Accumulated Other Comprehensive Income (Loss)

(PPL and LKE)

The after-tax changes in AOCI by component for the periods ended June 30 were as follows.

	Foreign currency translation adjustments	Unrealized gains (losses)		Equity investees' AOCI	Defined benefit plans		Total
		Available-for-sale securities	Qualifying derivatives		Prior service costs	Actuarial gain (loss)	
PPL							
March 31, 2016	$ (984)	$ —	$ (5)	$ —	$ (6)	$ (2,164)	$ (3,159)
Amounts arising during the period	268	—	(85)	—	—	2	185
Reclassifications from AOCI	—	—	85	(1)	1	32	117
Net OCI during the period	268	—	—	(1)	1	34	302
June 30, 2016	$ (716)	$ —	$ (5)	$ (1)	$ (5)	$ (2,130)	$ (2,857)
December 31, 2015	$ (520)	$ —	$ (7)	$ —	$ (6)	$ (2,195)	$ (2,728)
Amounts arising during the period	(196)	—	(5)	—	—	2	(199)
Reclassifications from AOCI	—	—	7	(1)	1	63	70
Net OCI during the period	(196)	—	2	(1)	1	65	(129)
June 30, 2016	$ (716)	$ —	$ (5)	$ (1)	$ (5)	$ (2,130)	$ (2,857)
March 31, 2015	$ (352)	$ 206	$ 9	$ —	$ 3	$ (2,177)	$ (2,311)
Amounts arising during the period	(83)	2	21	—	(6)	53	(13)
Reclassifications from AOCI	—	(1)	27	—	—	38	64
Net OCI during the period	(83)	1	48	—	(6)	91	51
Distribution of PPL Energy Supply (Note 8)	—	(207)	(55)	—	—	238	(24)
June 30, 2015	$ (435)	$ —	$ 2	$ —	$ (3)	$ (1,848)	$ (2,284)
December 31, 2014	$ (286)	$ 202	$ 20	$ 1	$ 3	$ (2,214)	$ (2,274)
Amounts arising during the period	(149)	7	27	—	(6)	52	(69)
Reclassifications from AOCI	—	(2)	10	(1)	—	76	83
Net OCI during the period	(149)	5	37	(1)	(6)	128	14
Distribution of PPL Energy Supply (Note 8)	—	(207)	(55)	—	—	238	(24)
June 30, 2015	$ (435)	$ —	$ 2	$ —	$ (3)	$ (1,848)	$ (2,284)
LKE							
March 31, 2016				$ —	$ (10)	$ (35)	$ (45)
Amounts arising during the period				—	—	1	1
Reclassifications from AOCI				(1)	1	1	1
Net OCI during the period				(1)	1	2	2
June 30, 2016				$ (1)	$ (9)	$ (33)	$ (43)
December 31, 2015				$ —	$ (10)	$ (36)	$ (46)
Amounts arising during the period				—	—	1	1
Reclassifications from AOCI				(1)	1	2	2
Net OCI during the period				(1)	1	3	3
June 30, 2016				$ (1)	$ (9)	$ (33)	$ (43)

	Foreign currency translation adjustments	Unrealized gains (losses) Available-for-sale securities	Unrealized gains (losses) Qualifying derivatives	Equity investees' AOCI	Defined benefit plans Prior service costs	Defined benefit plans Actuarial gain (loss)	Total
March 31, 2015				$ (1)	$ (8)	$ (36)	$ (45)
Amounts arising during the period				—	—	(8)	(8)
Reclassifications from AOCI				—	1	—	1
Net OCI during the period				—	1	(8)	(7)
June 30, 2015				$ (1)	$ (7)	$ (44)	$ (52)
December 31, 2014				$ —	$ (8)	$ (37)	$ (45)
Amounts arising during the period				—	—	(8)	(8)
Reclassifications from AOCI				(1)	1	1	1
Net OCI during the period				(1)	1	(7)	(7)
June 30, 2015				$ (1)	$ (7)	$ (44)	$ (52)

(PPL)

The following table presents the gains (losses) and related income taxes for reclassifications from AOCI for the periods ended June 30. The defined benefit plan components of AOCI are not reflected in their entirety in the Statement of Income during the periods; rather, they are included in the computation of net periodic defined benefit costs (credits) and subject to capitalization. See Note 9 for additional information.

Details about AOCI	Three Months 2016	Three Months 2015	Six Months 2016	Six Months 2015	Affected Line Item on the Statements of Income
Available-for-sale securities	$ —	$ 2	$ —	$ 4	Other Income (Expense) - net
Total Pre-tax	—	2	—	4	
Income Taxes	—	(1)	—	(2)	
Total After-tax	—	1	—	2	
Qualifying derivatives					
Interest rate swaps	(2)	(3)	(3)	(7)	Interest Expense
	—	(77)	—	(77)	Discontinued operations
Cross-currency swaps	(103)	15	(6)	32	Other Income (Expense) - net
	(1)	1	—	2	Interest Expense
Commodity contracts	—	13	—	20	Discontinued operations
Total Pre-tax	(106)	(51)	(9)	(30)	
Income Taxes	21	24	2	20	
Total After-tax	(85)	(27)	(7)	(10)	
Equity investees' AOCI	1	—	1	2	Other Income (Expense) - net
Total Pre-tax	1	—	1	2	
Income Taxes	—	—	—	(1)	
Total After-tax	1	—	1	1	
Defined benefit plans					
Prior service costs	(1)	—	(1)	—	
Net actuarial loss	(40)	(50)	(80)	(101)	
Total Pre-tax	(41)	(50)	(81)	(101)	
Income Taxes	8	12	17	25	
Total After-tax	(33)	(38)	(64)	(76)	
Total reclassifications during the period	$ (117)	$ (64)	$ (70)	$ (83)	

18. New Accounting Guidance Pending Adoption

(All Registrants)

Accounting for Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued accounting guidance that establishes a comprehensive new model for the recognition of revenue from contracts with customers. This model is based on the core principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

For public business entities, this guidance can be applied using either a full retrospective or modified retrospective transition method, beginning in annual reporting periods after December 15, 2017 and interim periods within those years. Public business entities may early adopt this guidance in annual reporting periods beginning after December 15, 2016. The Registrants expect to adopt this guidance effective January 1, 2018.

The Registrants continue to assess the impact of adopting this guidance, as well as the transition method they will use, and are monitoring the development of industry specific application guidance which could impact those assessments.

Accounting for Leases

In February 2016, the FASB issued accounting guidance for leases. This new guidance requires lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). For income statement purposes, the FASB retained a dual model for lessees, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines.

Lessor accounting under the new guidance is similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard. Similar to current practice, lessors will classify leases as operating, direct financing, or sales-type.

The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented.

The Registrants are currently assessing the impact of adopting this guidance.

Accounting for Financial Instrument Credit Losses

In June 2016, the FASB issued accounting guidance that requires the use of a current expected credit loss (CECL) model for the measurement of credit losses on financial instruments within the scope of this guidance, which includes accounts receivable. The CECL model requires an entity to measure credit losses using historical information, current information and reasonable and supportable forecasts of future events, rather than the incurred loss impairment model required under current GAAP.

For public business entities, this guidance will be applied using a modified retrospective approach and is effective for fiscal years beginning after December 15, 2019, and interim periods within those years. All entities may early adopt this guidance beginning after December 15, 2018, including interim periods within those years.

The Registrants are currently assessing the impact of adopting this guidance and the period that they will adopt this guidance.

Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations

(All Registrants)

This "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" is separately filed by PPL Corporation, PPL Electric, LKE, LG&E and KU. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure for each Registrant's related activities and disclosures. Within combined disclosures, amounts are disclosed for any Registrant when significant.

The following should be read in conjunction with the Registrants' Condensed Consolidated Financial Statements and the accompanying Notes and with the Registrants' 2015 Form 10-K. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted.

"Management's Discussion and Analysis of Financial Condition and Results of Operations" includes the following information:

- "Overview" provides a description of each Registrant's business strategy and a discussion of important financial and operational developments.

- "Results of Operations" for all registrants includes a "Statement of Income Analysis" which discusses significant changes in principal line items on the Statements of Income, comparing the three and six months ended June 30, 2016 with the same periods in 2015. For PPL, it also provides a detailed analysis of earnings by segment and a description of key factors expected to impact future earnings. The segment earnings discussion includes financial information prepared in accordance with GAAP as well as non-GAAP financial measures including "Earnings from Ongoing Operations" and "Margins". This discussion provides explanations of the non-GAAP financial measures and a reconciliation of the non-GAAP financial measures to the most comparable GAAP measure. For PPL Electric, LKE, LG&E and KU, a summary of earnings is also provided.

- "Financial Condition - Liquidity and Capital Resources" provides an analysis of the Registrants' liquidity positions and credit profiles. This section also includes a discussion of rating agency actions.

- "Financial Condition - Risk Management" provides an explanation of the Registrants' risk management programs relating to market and credit risk.

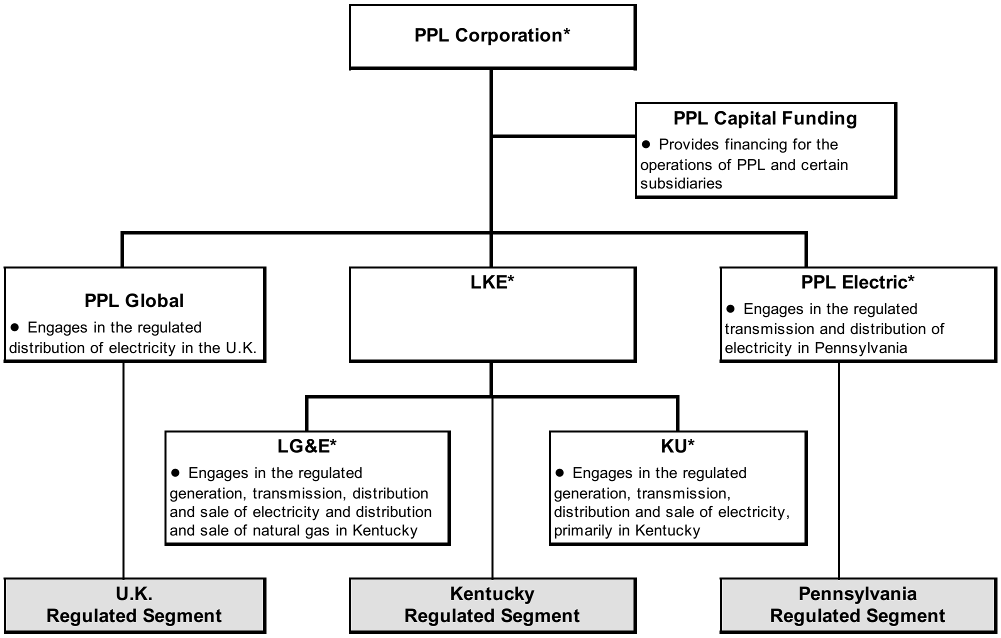
Overview

Introduction

(PPL)

PPL, headquartered in Allentown, Pennsylvania, is a utility holding company. PPL, through its regulated utility subsidiaries, delivers electricity to customers in the U.K., Pennsylvania, Kentucky, Virginia and Tennessee; delivers natural gas to customers in Kentucky; and generates electricity from power plants in Kentucky. In June 2015, PPL completed the spinoff of PPL Energy Supply which combined its competitive power generation businesses with those of Riverstone to form a new, stand-alone, publicly traded company named Talen Energy. See Note 8 in PPL's 2015 Form 10-K for additional information.

PPL's principal subsidiaries are shown below (* denotes SEC registrant).



PPL's reportable segments' results primarily represent the results of PPL Global, LKE and PPL Electric, except that the reportable segments are also allocated certain corporate level financing and other costs that are not included in the results of PPL Global, LKE and PPL Electric. PPL Global is not a registrant, however PPL Global's unaudited annual consolidated financial statements are furnished on a Form 8-K with the SEC.

In addition to PPL, the other Registrants included in this filing are as follows.

(PPL Electric)

PPL Electric, headquartered in Allentown, Pennsylvania, is a direct wholly owned subsidiary of PPL and a regulated public utility that is an electricity transmission and distribution service provider in eastern and central Pennsylvania. PPL Electric is subject to regulation as a public utility by the PUC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act. PPL Electric delivers electricity in its Pennsylvania service area and provides electricity supply to retail customers in that area as a PLR under the Customer Choice Act.

(LKE)

LKE, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of PPL and a holding company that owns regulated utility operations through its subsidiaries, LG&E and KU, which constitute substantially all of LKE's assets. LG&E and KU are engaged in the generation, transmission, distribution and sale of electricity. LG&E also engages in the distribution and sale of natural gas. LG&E and KU maintain separate corporate identities and serve customers in Kentucky under their respective names. KU also serves customers in Virginia under the Old Dominion Power name and in Tennessee under the KU name.

(LG&E)

LG&E, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity and distribution and sale of natural gas in Kentucky. LG&E is subject to regulation as a public utility by the KPSC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act.

(KU)

KU, headquartered in Lexington, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity in Kentucky, Virginia and Tennessee. KU is subject to regulation as a public utility by the KPSC, the VSCC and the Tennessee Regulatory Authority, and certain of its transmission and wholesale power activities are subject to the jurisdiction of the FERC under the Federal Power Act. KU serves its Virginia customers under the Old Dominion Power name and its Kentucky and Tennessee customers under the KU name.

Business Strategy

(All Registrants)

Following the June 1, 2015 spinoff of PPL Energy Supply, PPL completed its strategic transformation to a fully regulated business model consisting of seven diverse, high-performing utilities. These utilities are located in the U.K., Pennsylvania and Kentucky and each jurisdiction has different regulatory structures and customer classes. The Company believes this diverse portfolio provides strong earnings and dividend growth potential that will create significant value for its shareowners and positions PPL well for continued growth and success.

PPL's businesses of WPD, PPL Electric, LG&E and KU plan to achieve growth by providing efficient, reliable and safe operations and strong customer service, maintaining constructive regulatory relationships and achieving timely recovery of costs. These businesses are expected to achieve strong, long-term growth in rate base and RAV, as applicable, driven by planned significant capital expenditures to maintain existing assets and improve system reliability and, for LKE, LG&E and KU, to comply with federal and state environmental regulations related to coal-fired electricity generation facilities. Additionally, significant transmission rate base growth is expected through 2020 at PPL Electric.

For the U.S. businesses, our strategy is to recover capital project costs efficiently through various rate-making mechanisms, including periodic base rate case proceedings using forward test years, annual FERC formula rate mechanisms and other regulatory agency-approved recovery mechanisms designed to limit regulatory lag. In Kentucky, the KPSC has adopted a series of regulatory mechanisms (ECR, DSM, GLT, fuel adjustment clause, gas supply clause and recovery on construction work-in-progress) that reduce regulatory lag and provide timely recovery of and return on, as appropriate, prudently incurred costs. In addition, the KPSC requires a utility to obtain a CPCN prior to constructing a facility, unless the construction is an ordinary extension of existing facilities in the usual course of business or does not involve sufficient capital outlay to materially affect the utility's financial condition. Although such KPSC proceedings do not directly address cost recovery issues, the KPSC, in awarding a CPCN, concludes that the public convenience and necessity require the construction of the facility on the basis that the facility is the lowest reasonable cost alternative to address the need. In Pennsylvania, the FERC transmission formula rate, DSIC mechanism, Smart Meter Rider and other recovery mechanisms are in place to reduce regulatory lag and provide for timely recovery of and a return on prudently incurred costs.

Rate base growth in the domestic utilities is expected to result in strong earnings growth for the foreseeable future. Earnings from the U.K. Regulated segment are expected to decline from 2015 to 2016 during the transition to RIIO-ED1, as higher revenues resulting from the fast-track bonus are offset by higher levels of revenue profiling in the prior price control period (DPCR5) and a lower return on regulatory equity. In 2017, earnings are expected to decline mainly due to the unfavorable impact of lower GBP to U.S. dollar exchange rates. RAV growth is expected in the U.K. Regulated segment through the price control period and earnings are expected to grow after 2017 commensurate with RAV growth. See "Item 1. Business - Segment Information - U.K. Regulated Segment" of PPL's 2015 Form 10-K for additional information on RIIO-ED1.

To manage financing costs and access to credit markets, and to fund capital expenditures, a key objective of the Registrants is to maintain their investment grade credit ratings and adequate liquidity positions. In addition, the Registrants have financial and operational risk management programs that, among other things, are designed to monitor and manage exposure to earnings and cash flow volatility, as applicable, related to changes in interest rates, foreign currency exchange rates and counterparty credit quality. To manage these risks, PPL generally uses contracts such as forwards, options and swaps. See "Financial Condition - Risk Management" below for further information. Earnings generated by PPL's U.K. subsidiaries are subject to foreign currency translation risk. Due to the significant earnings contributed from WPD, PPL enters into foreign currency contracts to economically hedge the value of the GBP versus the U.S. dollar. As of June 30, 2016, PPL's exposure to changes in the value of the GBP versus the U.S. dollar related to budgeted earnings of the U.K. Regulated segment was hedged 87% for the remainder of 2016, and 89% and 41% for 2017 and 2018. See "Financial and Operational Developments - U.K. Membership in European Union" for a discussion of the subsequent settlement of certain of these hedges. The U.K. subsidiaries also have currency exposure to the U.S. dollar to the extent of their U.S. dollar denominated debt. To manage these risks, PPL generally uses contracts such as forwards, options and cross-currency swaps that contain characteristics of both interest rate and foreign currency exchange contracts.

As discussed above, a key component of this strategy is to maintain constructive relationships with regulators in all jurisdictions in which we operate (U.K., U.S. federal and state). This is supported by our strong culture of integrity and delivering on commitments to our customers, regulators and shareowners, and a commitment to continue to improve our customer service, reliability and efficiency of operations.

Financial and Operational Developments

(PPL)

U.K. Membership in European Union

Significant uncertainty exists concerning the effects of the June 23, 2016 referendum in favor of the U.K. withdrawal from the European Union, including whether formal withdrawal will occur and the nature and duration of negotiations between the U.K. and the European Union as to the terms of any withdrawal.

As of June 30, 2016, PPL was well-hedged against certain short-term fluctuations that may occur in the value of the GBP versus the U.S. dollar. As it relates to budgeted earnings, PPL's 2016 foreign currency exposure was 87% hedged for the remainder of the year at an average rate of $1.57 per GBP. In addition, at June 30, 2016, PPL's 2017 and 2018 foreign currency exposure was hedged 89% and 41% at an average rate of $1.58 and $1.56 per GBP. At June 30, 2016, hedges related to 2017 and 2018 anticipated earnings were valued at $296 million and were included in current and noncurrent "Price risk management assets" on the Balance Sheet. The notional amount of these hedges was approximately £1.3 billion (approximately $2.0 billion based on contracted rates) with termination dates from January 2017 through November 2018. In the third quarter of 2016, PPL settled the 2017 and 2018 hedges, resulting in approximately $310 million of cash received, and entered into new hedges at current market rates. The settlement will not have a material effect on earnings as the hedge values were previously marked to fair value and recognized in "Other Income (Expense) - net" on the Statement of Income each period. The settlement will be treated as a special item in the third quarter of 2016, as the hedges related to future earnings. The new hedges entered into include forward contracts for 2017 and a combination of forward contracts and zero cost collars for 2018. PPL is now 95% and 50% hedged for 2017 and 2018 at an average rate of $1.32 and $1.30 per GBP. These average rates are based on the forward contracts and the floors in the collars.

PPL cannot predict either the short-term impact to foreign exchange rates or long-term impact on PPL's financial condition that may be experienced as a result of any actions that may be taken by the U.K. government to withdraw from the European Union, although such impacts could be significant.

PPL consolidates WPD on a one-month lag. Therefore, the impact of the decrease in the GBP to U.S. dollar exchange rate that occurred subsequent to the U.K.'s vote on June 23, 2016 to withdraw from the European Union is not reflected in PPL's June 30, 2016 financial statements. Using the June 30, 2016 GBP to U.S. dollar exchange rate of $1.34 as opposed to the May 31, 2016 exchange rate of $1.46 would have resulted in an additional foreign currency translation loss of $499 million recorded in AOCI, primarily reflecting a $991 million decrease in PP&E and a $228 million decrease in goodwill, partially offset by a decrease of $606 million in long-term debt.

Regulatory Requirements

(PPL, LKE, LG&E and KU)

The businesses of LKE, LG&E and KU are subject to extensive federal, state and local environmental laws, rules and regulations, including those pertaining to CCRs, GHGs, ELGs, MATS and the Clean Power Plan. See Note 6, Note 10 and Note 16 to the Financial Statements for a discussion of the other significant environmental matters.

(All Registrants)

The Registrants cannot predict the impact that future regulatory requirements may have on their financial condition or results of operations.

(PPL)

Discontinued Operations

The operations of PPL's Supply segment prior to the June 1, 2015 spinoff are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the June 2015 Statement of Income.

See Note 8 to the Financial Statements for additional information related to the spinoff of PPL Energy Supply, including the components of Discontinued Operations.

U.K. Distribution Revenue Reduction

In December 2013, WPD and other U.K. DNOs announced agreements with the U.K. Department of Energy and Climate Change and Ofgem to a reduction of £5 per residential customer of electricity distribution revenues that otherwise would have been collected in the regulatory year beginning April 1, 2014. Full recovery of the revenue reduction in GBP, together with the associated carrying cost will occur in the regulatory year which began April 1, 2016. Under GAAP, WPD does not record a receivable for under-recovery of regulated income (which this reduction represents). As a result, revenues for the U.K. Regulated segment were adversely affected by $19 million ($15 million after-tax or $0.02 per share) in 2015 and $40 million ($31 million after-tax or $0.05 per share) in 2014. Revenues for the U.K. Regulated segment were positively affected by $10 million ($8 million after-tax or $0.01 per share) for the three and six months ended June 30, 2016. PPL projects revenues in 2016 will be positively affected by $40 million ($32 million after-tax or $0.05 per share) and revenues for 2017 will be positively affected by $17 million ($14 million after-tax or $0.02 per share).

Discount Rate Change for U.K. Pension Plans

In selecting the discount rate for its U.K. pension plans, WPD historically used a single weighted-average discount rate in the calculation of net periodic defined benefit cost. WPD began using individual spot rates to measure service cost and interest cost beginning with the calculation of 2016 net periodic defined benefit cost. For the three and six months ended June 30, 2016, this change in discount rate resulted in lower net periodic defined benefit costs recognized on PPL's Statement of Income of $11 million ($9 million after-tax or $0.02 per share) and $22 million ($18 million after-tax or $0.03 per share). Based on current estimates, PPL expects this change to reduce 2016 net periodic defined benefit costs recognized on PPL's Statement of Income by $44 million ($36 million after-tax or $0.05 per share). See "Application of Critical Accounting Policies-Defined Benefits" in PPL's 2015 Form 10-K for additional information.

Results of Operations

(PPL)

The "Statement of Income Analysis" discussion addresses significant changes in principal line items on PPL's Statements of Income, comparing the three and six months ended June 30, 2016 with the same periods in 2015. The discussion for PPL provides a review of results by reportable segment. The segment earnings discussion includes financial information prepared in accordance with GAAP as well as non-GAAP financial measures, including "Earnings from Ongoing Operations" and "Margins". This discussion provides explanations of the non-GAAP financial measures and a reconciliation of those measures to the most comparable GAAP measure. "Statement of Income Analysis and Segment Earnings" are presented separately for PPL.

Tables analyzing changes in amounts between periods within "Segment Earnings" are presented on a constant U.K. foreign currency exchange rate basis, where applicable, in order to isolate the impact of the change in the exchange rate on the item being explained. Results computed on a constant U.K. foreign currency exchange rate basis are calculated by translating current year results at the prior year weighted-average U.K. foreign currency exchange rate.

(PPL Electric, LKE, LG&E and KU)

A "Statement of Income Analysis, Earnings and Margins" is presented separately for PPL Electric, LKE, LG&E and KU.
The "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income comparing the three and six months ended June 30, 2016 with the same periods in 2015 and provides a summary of earnings. The "Margins" discussion includes a reconciliation of non-GAAP financial measures to "Operating Income."

(All Registrants)

The results for interim periods can be disproportionately influenced by numerous factors and developments and by seasonal variations. As such, the results of operations for interim periods do not necessarily indicate results or trends for the year or future periods.

PPL Statement of Income Analysis, Segment Earnings and Margins

Statement of Income Analysis

Net income for the periods ended June 30 includes the following results.

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating Revenues	$ 1,785	$ 1,781	$ 4	$ 3,796	$ 4,011	$ (215)
Operating Expenses						
Operation						
Fuel	183	214	(31)	380	467	(87)
Energy purchases	147	170	(23)	380	499	(119)
Other operation and maintenance	425	467	(42)	875	923	(48)
Depreciation	231	216	15	460	432	28
Taxes, other than income	74	76	(2)	153	162	(9)
Total Operating Expenses	1,060	1,143	(83)	2,248	2,483	(235)
Other Income (Expense) - net	174	(102)	276	235	(14)	249
Interest Expense	224	215	9	448	424	24
Income Taxes	192	71	121	371	288	83
Income from Continuing Operations After Income Taxes	483	250	233	964	802	162
Income (Loss) from Discontinued Operations (net of income taxes)	—	(1,007)	1,007	—	(912)	912
Net Income (Loss)	$ 483	$ (757)	$ 1,240	$ 964	$ (110)	$ 1,074

Operating Revenues

The increase (decrease) in operating revenues for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Domestic:		
PPL Electric Distribution price (a)	$ 24	$ 74
PPL Electric Distribution volume	—	(34)
PPL Electric PLR Revenue (b)	(27)	(104)
PPL Electric Transmission Formula Rate	20	35
LKE Base rates	32	68
LKE Volumes	(4)	(70)
LKE Fuel and other energy prices (b)	(28)	(74)
LKE ECR	11	22
Other	—	(6)
Total Domestic	28	(89)

	Three Months	Six Months
U.K.:		
Price	23	(30)
Volume	(5)	(21)
Foreign currency exchange rates	(29)	(62)
Other	(13)	(13)
Total U.K.	(24)	(126)
Total	$ 4	$ (215)

(a) Distribution rate case effective January 1, 2016, resulted in increases of $33 million and $80 million for the three and six months ended June 30, 2016.
(b) Decreases due to lower recoveries of fuel and energy purchases due to lower commodity costs at LKE and lower PLR energy purchases at PPL Electric as described below.

Fuel

Fuel decreased by $31 million for the three months ended June 30, 2016 compared with 2015, primarily due to a $28 million decrease in commodity costs.

Fuel decreased by $87 million for the six months ended June 30, 2016 compared with 2015, primarily due to a $61 million decrease in commodity costs and a $26 million decrease in volumes primarily due to milder weather in the first quarter of 2016.

Energy Purchases

Energy purchases decreased by $23 million for the three months ended June 30, 2016 compared with 2015, primarily due to lower PLR prices in 2016.

Energy purchases decreased by $119 million for the six months ended June 30, 2016 compared with 2015, primarily due to a $51 million decrease in PLR prices and a $40 million decrease in PLR volumes at PPL Electric and a $13 million decrease in natural gas prices and a $13 million decrease in natural gas volumes at LKE.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Domestic:		
LKE coal plant operations and maintenance (a)	$ (13)	$ (22)
PPL Electric Act 129 costs incurred	(3)	(7)
PPL Electric vegetation management	3	6
PPL Electric payroll-related costs	(9)	(12)
PPL Electric storm costs	3	6
Corporate costs previously included in discontinued operations (b)	—	9
Other	(1)	7
U.K.:		
Network maintenance	8	15
Pension expense (c)	(21)	(43)
Foreign currency exchange rates	(4)	(8)
Other	(5)	1
Total	$ (42)	$ (48)

(a) Represents the reduction of costs associated with the 2015 retirement of Cane Run units partially offset by Cane Run 7 operations.
(b) The increase was due to corporate costs allocated to PPL Energy Supply (and included in discontinued operations) prior to the spin. As a result of the spinoff on June 1, 2015, these corporate costs now remain in continuing operations.
(c) The decrease was primarily due to an increase in estimated returns on higher asset balances and lower interest cost due to a change in the discount rate methodology.

Depreciation

Depreciation increased by $15 million and $28 million for the three and six months ended June 30, 2016 compared with 2015, primarily due to additional assets placed into service, primarily at the domestic utilities and WPD (partially offset by the impact of foreign currency exchange rates), net of retirements.

Other Income (Expense) - net

Other income (expense) - net increased by $276 million and $249 million for the three and six months ended June 30, 2016 compared with 2015, primarily due to changes in realized and unrealized gains (losses) on foreign currency contracts to economically hedge GBP denominated earnings from WPD.

Interest Expense

The increase (decrease) in interest expense for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Long-term debt interest expense (a)	$ 18	$ 41
Foreign currency exchange rates	(6)	(11)
Other	(3)	(6)
Total	$ 9	$ 24

(a) The increase in both periods was primarily due to debt issuances at WPD in November 2015 and LG&E and KU in September 2015 as well as higher interest rates on bonds refinanced in September 2015 at LG&E and KU.

Income Taxes

The increase (decrease) in income taxes for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Change in pre-tax income at current period tax rates	$ 124	$ 78
Valuation allowances adjustments	(2)	1
Impact of U.K. income tax rates	(9)	(1)
Federal and state tax reserve adjustments (a)	12	12
Stock-based compensation (b)	(3)	(11)
Other	(1)	4
Total	$ 121	$ 83

(a) During the three and six months ended June 30, 2015, PPL recorded a tax benefit to adjust the settled refund amount approved by Joint Committee on Taxation for the open audit years 1998-2011.
(b) During the three and six months ended June 30, 2016, PPL recorded lower income tax expense related to the application of new stock-based compensation accounting guidance. See Note 2 to the Financial Statements for additional information.

See Note 5 to the Financial Statements for additional information.

Income (Loss) from Discontinued Operations (net of income taxes)

Income (Loss) from Discontinued Operations (net of income taxes) includes the results of operations of PPL Energy Supply, which was spun off from PPL on June 1, 2015 and substantially represents PPL's former Supply segment. See "Discontinued Operations" in Note 8 to the Financial Statements for additional information.

Segment Earnings

PPL's earnings by reportable segments for the periods ended June 30 were as follows:

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
U.K. Regulated	$ 345	$ 190	$ 155	$ 634	$ 565	$ 69
Kentucky Regulated	76	47	29	188	156	32
Pennsylvania Regulated	78	49	29	172	136	36
Corporate and Other (a)	(16)	(36)	20	(30)	(55)	25
Discontinued Operations (b)	—	(1,007)	1,007	—	(912)	912
Net Income (Loss)	$ 483	$ (757)	$ 1,240	$ 964	$ (110)	$ 1,074

(a) Primarily represents financing and certain other costs incurred at the corporate level that have not been allocated or assigned to the segments, which are presented to reconcile segment information to PPL's consolidated results. 2015 also includes certain costs related to the spinoff of PPL Energy Supply. See Note 8 to the Financial Statements for additional information.

(b) As a result of the spinoff of PPL Energy Supply, substantially representing PPL's former Supply segment, the earnings of the Supply segment prior to the spinoff are included in Discontinued Operations. The three and six months ended June 30, 2015 includes an $879 million charge reflecting the difference between PPL's recorded value for the Supply segment and its estimated fair value as of the spinoff date, determined in accordance with applicable accounting rules under GAAP. See Note 8 to the Financial Statements for additional information.

Earnings from Ongoing Operations

Management utilizes "Earnings from Ongoing Operations" as a non-GAAP financial measure that should not be considered as an alternative to net income, an indicator of operating performance determined in accordance with GAAP. PPL believes that Earnings from Ongoing Operations is useful and meaningful to investors because it provides management's view of PPL's earnings performance as another criterion in making investment decisions. In addition, PPL's management uses Earnings from Ongoing Operations in measuring achievement of certain corporate performance goals, including targets for certain executive incentive compensation. Other companies may use different measures to present financial performance.

Earnings from Ongoing Operations is adjusted for the impact of special items. Special items are presented in the financial tables on an after-tax basis with the related income taxes on special items separately disclosed. Income taxes on special items, when applicable, are calculated based on the effective tax rate of the entity where the activity is recorded. Special items include:

• Unrealized gains or losses on foreign currency-related economic hedges (as discussed below).
• Supply segment discontinued operations.
• Gains and losses on sales of assets not in the ordinary course of business.
• Impairment charges.
• Workforce reduction and other restructuring effects.
• Acquisition and divestiture-related adjustments.
• Other charges or credits that are, in management's view, non-recurring or otherwise not reflective of the company's ongoing operations.

Unrealized gains or losses on foreign currency economic hedges include the changes in fair value of foreign currency contracts used to hedge GBP-denominated anticipated earnings. The changes in fair value of these contracts are recognized immediately within GAAP earnings. Management believes that excluding these amounts from Earnings from Ongoing Operations until settlement of the contracts provides a better matching of the financial impacts of those contracts with the economic value of PPL's underlying hedged earnings. See Note 14 to the Financial Statements and "Risk Management" below for additional information on foreign currency-related economic activity.

PPL's Earnings from Ongoing Operations by reportable segment for the periods ended June 30 were as follows:

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
U.K. Regulated	$ 241	$ 243	$ (2)	$ 506	$ 579	$ (73)
Kentucky Regulated	76	59	17	188	168	20
Pennsylvania Regulated	78	49	29	172	136	36
Corporate and Other	(15)	(22)	7	(28)	(35)	7
Earnings from Ongoing Operations	$ 380	$ 329	$ 51	$ 838	$ 848	$ (10)

See "Reconciliation of Earnings from Ongoing Operations" below for a reconciliation of this non-GAAP financial measure to Net Income.

U.K. Regulated Segment

The U.K. Regulated segment consists of PPL Global, which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from GBP into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs and allocated financing costs. The U.K. Regulated segment represents 66% of PPL's Net Income for the six months ended June 30, 2016 and 41% of PPL's assets at June 30, 2016.

Net Income and Earnings from Ongoing Operations for the periods ended June 30 include the following results.

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating revenues	$ 563	$ 587	$ (24)	$ 1,158	$ 1,284	$ (126)
Other operation and maintenance	85	104	(19)	182	214	(32)
Depreciation	60	59	1	120	118	2
Taxes, other than income	35	37	(2)	70	73	(3)
Total operating expenses	180	200	(20)	372	405	(33)
Other Income (Expense) - net	172	(100)	272	233	(12)	245
Interest Expense	104	103	1	210	203	7
Income Taxes	106	(6)	112	175	99	76
Net Income	345	190	155	634	565	69
Less: Special Items	104	(53)	157	128	(14)	142
Earnings from Ongoing Operations	$ 241	$ 243	$ (2)	$ 506	$ 579	$ (73)

The following after-tax gains (losses), which management considers special items, impacted the U.K. Regulated segment's results and are excluded from Earnings from Ongoing Operations during the periods ended June 30.

	Income Statement Line Item	Three Months		Six Months	
		2016	2015	2016	2015
Foreign currency-related economic hedges, net of tax of ($56), $38, ($69), $18 (a)	Other Income (Expense)-net	$ 104	$ (71)	$ 128	$ (34)
WPD Midlands acquisition-related adjustment, net of tax of $0, $0, $0, ($1)	Other operation and maintenance	—	—	—	2
Settlement of certain income tax positions (b)	Income Taxes	—	18	—	18
Total special items		$ 104	$ (53)	$ 128	$ (14)

(a) Represents unrealized gains (losses) on contracts that economically hedge anticipated GBP-denominated earnings.
(b) Relates to the April 2015 settlement of the IRS audit for the tax years 1998-2011. See Note 5 to the Financial Statements for additional information.

The changes in the components of the U.K. Regulated segment's results between these periods are due to the factors set forth below, which reflect amounts classified as U.K. Gross Margins, the items that management considers special and the effects of movements in foreign currency exchange, including the effects of foreign currency hedge contracts, on separate lines and not in their respective Statement of Income line items.

	Three Months	Six Months
U.K.		
Gross margins	$ 14	$ (55)
Other operation and maintenance	11	23
Depreciation	(5)	(10)
Interest expense	(6)	(18)
Other	(3)	(2)
Income taxes	(5)	17
U.S.		
Interest expense and other	(3)	(2)
Income taxes	4	4
Foreign currency exchange, after-tax	(9)	(30)
Earnings from Ongoing Operations	(2)	(73)
Special items, after-tax	157	142
Net Income	$ 155	$ 69

U.K.

- See "Margins - Changes in Margins" for an explanation of U.K. Gross Margins.
- Lower other operation and maintenance for the three month period primarily due to $21 million from lower pension expense, partially offset by $8 million from higher network maintenance expense.
- Lower other operation and maintenance for the six month period primarily due to $43 million from lower pension expense, partially offset by $15 million from higher network maintenance expense.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations of LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain financing costs are allocated to the Kentucky Regulated segment. The Kentucky Regulated segment represents 20% of PPL's Net Income for the six months ended June 30, 2016 and 35% of PPL's assets at June 30, 2016.

Net Income and Earnings from Ongoing Operations for the periods ended June 30 include the following results.

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating revenues	$ 721	$ 714	$ 7	$ 1,547	$ 1,613	$ (66)
Fuel	182	214	(32)	380	467	(87)
Energy purchases	28	28	—	94	120	(26)
Other operation and maintenance	204	214	(10)	406	423	(17)
Depreciation	100	94	6	199	189	10
Taxes, other than income	15	15	—	30	29	1
Total operating expenses	529	565	(36)	1,109	1,228	(119)
Other Income (Expense) - net	(5)	(5)	—	(6)	(6)	—
Interest Expense	64	56	8	129	111	18
Income Taxes	47	41	6	115	112	3
Net Income	76	47	29	188	156	32
Less: Special Items	—	(12)	12	—	(12)	12
Earnings from Ongoing Operations	$ 76	$ 59	$ 17	$ 188	$ 168	$ 20

The following after-tax gains (losses), which management considers special items, impacted the Kentucky Regulated segment's results and are excluded from Earnings from Ongoing Operations during the periods ended June 30.

	Income Statement Line Item	Three Months		Six Months	
		2016	2015	2016	2015
Certain valuation allowances, net of tax of $0, $0, $0, $0 (a)	Income Taxes	$ —	$ (8)	$ —	$ (8)
LKE acquisition-related adjustment, net of tax of $0, $0, $0, $0 (b)	Other Income (Expense)-net	—	(4)	—	(4)
Total special items		$ —	$ (12)	$ —	$ (12)

(a) Recorded at LKE and represents a valuation allowance against tax credits expiring in 2016 and 2017 that are more likely than not to expire before being utilized.
(b) Recorded at PPL and allocated to the Kentucky Regulated segment. The amount represents a settlement between E.ON AG (a German corporation and the indirect parent of E.ON US Investments Corp., the former parent of LKE) and PPL for a tax matter.

The changes in the components of the Kentucky Regulated segment's results between these periods are due to the factors set forth below, which reflect amounts classified as Kentucky Gross Margins and the items that management considers special on separate lines and not in their respective Statement of Income line items.

	Three Months	Six Months
Kentucky Gross Margins	$ 33	$ 37
Other operation and maintenance	12	17
Depreciation	(2)	—
Taxes, other than income	—	(1)
Other income (expense) - net	(4)	(4)
Interest Expense	(8)	(18)
Income Taxes	(14)	(11)
Special items, after-tax	12	12
Net Income	$ 29	$ 32

- See "Margins - Changes in Margins" for an explanation of Kentucky Gross Margins.

- Lower other operation and maintenance for the three and six month periods primarily due to lower coal plant operations and maintenance expense as a result of units retired in 2015 at the Cane Run plant.

- Higher interest expense for the three and six month periods primarily due to the September 2015 issuance of $550 million of incremental First Mortgage Bonds by LG&E and KU, higher interest rates on the September 2015 issuance of $500 million of First Mortgage Bonds by LG&E and KU used to retire the same amount of First Mortgage Bonds in November 2015 and $400 million of notes refinanced by LKE in November 2015.

- Higher income taxes for the three and six month periods primarily due to higher pre-tax income.

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric. In addition, certain costs are allocated to the Pennsylvania Regulated segment. The Pennsylvania Regulated segment represents 18% of PPL's Net Income for the six months ended June 30, 2016 and 22% of PPL's assets at June 30, 2016.

Net Income and Earnings from Ongoing Operations for the periods ended June 30 include the following results.

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating revenues	$ 495	$ 476	$ 19	$ 1,080	$ 1,106	$ (26)
Energy purchases						
External	118	138	(20)	285	365	(80)
Intersegment	—	5	(5)	—	14	(14)
Other operation and maintenance	138	140	(2)	288	273	15
Depreciation	62	52	10	121	103	18
Taxes, other than income	24	25	(1)	53	60	(7)
Total operating expenses	342	360	(18)	747	815	(68)
Other Income (Expense) - net	5	2	3	8	4	4
Interest Expense	32	33	(1)	65	64	1
Income Taxes	48	36	12	104	95	9
Net Income	78	49	29	172	136	36
Less: Special Items (a)	—	—	—	—	—	—
Earnings from Ongoing Operations	$ 78	$ 49	$ 29	$ 172	$ 136	$ 36

(a) There are no items that management considers special for the periods presented.

The changes in the components of the Pennsylvania Regulated segment's results between these periods were due to the factors set forth below, which reflect amounts classified as Pennsylvania Gross Delivery Margins on a separate line and not in their respective Statement of Income line items.

	Three Months	Six Months
Pennsylvania Gross Delivery Margins	$ 44	$ 74
Other operation and maintenance	3	(15)
Depreciation	(10)	(18)
Taxes, other than income	—	1
Other Income (Expense) - net	3	4
Interest Expense	1	(1)
Income Taxes	(12)	(9)
Net Income	$ 29	$ 36

- See "Margins - Changes in Margins" for an explanation of Pennsylvania Gross Delivery Margins.
- Higher other operation and maintenance expense for the six month period primarily due to $9 million of higher corporate service costs allocated to PPL Electric, $6 million of higher vegetation management expenses, $5 million of higher costs for additional work done by outside vendors and $4 million of higher non-recoverable storm costs, partially offset by $12 million of lower payroll related costs.
- Higher depreciation expense for the three and six month periods primarily due to transmission and distribution additions placed into service related to the ongoing efforts to improve reliability and replace aging infrastructure, net of retirements.
- Higher income taxes for the three and six month periods primarily due to higher pre-tax income, partially offset by tax benefits related to the application of new stock based compensation accounting guidance.

Reconciliation of Earnings from Ongoing Operations

The following tables contain after-tax gains (losses), in total, which management considers special items, that are excluded from Earnings from Ongoing Operations and a reconciliation to PPL's "Net Income (Loss)" for the periods ended June 30.

	2016 Three Months					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income (Loss)	$ 345	$ 76	$ 78	$ (16)	$ —	$ 483
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges, net of tax of ($56)	104	—	—	—	—	104
Spinoff of the Supply segment, net of tax of $0	—	—	—	(1)	—	(1)
Total Special Items	104	—	—	(1)	—	103
Earnings from Ongoing Operations	$ 241	$ 76	$ 78	$ (15)	$ —	$ 380

	2015 Three Months					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income (Loss)	$ 190	$ 47	$ 49	$ (36)	$ (1,007)	$ (757)
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges, net of tax of $38	(71)	—	—	—	—	(71)
Spinoff of the Supply segment:						
Discontinued operations, net of tax of $91	—	—	—	—	(1,007)	(1,007)
Transition and transaction costs, net of tax of ($3)	—	—	—	(12)	—	(12)
Employee transitional services, net of tax of $1	—	—	—	(1)	—	(1)
Separation benefits, net of tax of $1	—	—	—	(1)	—	(1)
Other:						
Settlement of certain income tax positions	18	—	—	—	—	18
Certain valuation allowances, net of tax of $0	—	(8)	—	—	—	(8)
LKE acquisition-related adjustment, net of tax of $0	—	(4)	—	—	—	(4)
Total Special Items	(53)	(12)	—	(14)	(1,007)	(1,086)
Earnings from Ongoing Operations	$ 243	$ 59	$ 49	$ (22)	$ —	$ 329

	2016 Six Months					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income (Loss)	$ 634	$ 188	$ 172	$ (30)	$ —	$ 964
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges, net of tax of ($69)	128	—	—	—	—	128
Spinoff of the Supply segment, net of tax of $1	—	—	—	(2)	—	(2)
Total Special Items	128	—	—	(2)	—	126
Earnings from Ongoing Operations	$ 506	$ 188	$ 172	$ (28)	$ —	$ 838

	2015 Six Months					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income (Loss)	$ 565	$ 156	$ 136	$ (55)	$ (912)	$ (110)
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges, net of tax of $18	(34)	—	—	—	—	(34)
Spinoff of the Supply segment:						
Discontinued operations, net of tax of $40	—	—	—	—	(912)	(912)
Transition and transaction costs, net of tax of ($1)	—	—	—	(15)	—	(15)
Employee transitional services, net of tax of $2	—	—	—	(3)	—	(3)
Separation benefits, net of tax of $1	—	—	—	(2)	—	(2)
Other:						
WPD Midlands acquisition-related adjustment, net of tax of ($1)	2	—	—	—	—	2
Settlement of certain income tax positions	18	—	—	—	—	18
Certain valuation allowances, net of tax of $0	—	(8)	—	—	—	(8)
LKE acquisition-related adjustment, net of tax of $0	—	(4)	—	—	—	(4)
Total Special Items	(14)	(12)	—	(20)	(912)	(958)
Earnings from Ongoing Operations	$ 579	$ 168	$ 136	$ (35)	$ —	$ 848

Margins

Management also utilizes the following non-GAAP financial measures as indicators of performance for its businesses:

- "U.K. Gross Margins" is a single financial performance measure of the electricity distribution operations of the U.K. Regulated segment. In calculating this measure, direct costs such as connection charges from National Grid, which owns and manages the electricity transmission network in England and Wales, and Ofgem license fees (recorded in "Other operation and maintenance" on the Statements of Income) are deducted from operating revenues, as they are costs passed through to customers. As a result, this measure represents the net revenues from the delivery of electricity across WPD's distribution network in the U.K. and directly related activities.

- "Kentucky Gross Margins" is a single financial performance measure of the electricity generation, transmission and distribution operations of the Kentucky Regulated segment, LKE, LG&E and KU, as well as the Kentucky Regulated segment's, LKE's and LG&E's distribution and sale of natural gas. In calculating this measure, fuel, energy purchases and certain variable costs of production (recorded in "Other operation and maintenance" on the Statements of Income) are deducted from revenues. In addition, certain other expenses, recorded in "Other operation and maintenance", "Depreciation" and "Taxes, other than income" on the Statements of Income, associated with approved cost recovery mechanisms are offset against the recovery of those expenses, which are included in revenues. These mechanisms allow for direct recovery of these expenses and, in some cases, returns on capital investments and performance incentives. As a result, this measure represents the net revenues from electricity and gas operations.

- "Pennsylvania Gross Delivery Margins" is a single financial performance measure of the electricity transmission and distribution delivery operations of the Pennsylvania Regulated segment and PPL Electric. In calculating this measure, utility revenues and expenses associated with approved recovery mechanisms, including energy provided as a PLR, are offset with minimal impact on earnings. Costs associated with these mechanisms are recorded in "Energy purchases," "Other operation and maintenance," (which are primarily Act 129 and Universal Service program costs), and "Taxes, other than income," which is primarily gross receipts tax. This performance measure includes PLR energy purchases by PPL Electric from PPL EnergyPlus, which are reflected in "Energy purchases from affiliate" in the reconciliation tables. As a result of the June 2015 spinoff of PPL Energy Supply and the formation of Talen Energy, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are reflected in "Energy Purchases" in the reconciliation tables. This measure represents the net revenues from the Pennsylvania Regulated segment's and PPL Electric's electricity delivery operations.

These measures are not intended to replace "Operating Income," which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and report their results of operations.

Management believes these measures provide additional useful criteria to make investment decisions. These performance measures are used, in conjunction with other information, by senior management and PPL's Board of Directors to manage operations and analyze actual results compared with budget.

Changes in Margins

The following table shows Margins by PPL's reportable segment and by component, as applicable, for the periods ended June 30 as well as the change between periods. The factors that gave rise to the changes are described following the table.

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
U.K.						
U.K. Gross Margins	$ 534	$ 547	$ (13)	$ 1,090	$ 1,204	$ (114)
Impact of changes in foreign currency exchange rates			(27)			(59)
Change in U.K. Gross Margins excluding impact of foreign currency exchange rates			$ 14			$ (55)
Kentucky Regulated						
Kentucky Gross Margins						
LG&E	$ 209	$ 206	$ 3	$ 437	$ 436	$ 1
KU	262	232	30	559	523	36
LKE	$ 471	$ 438	$ 33	$ 996	$ 959	$ 37
Pennsylvania Regulated						
Pennsylvania Gross Delivery Margins						
Distribution	$ 216	$ 193	$ 23	$ 474	$ 435	$ 39
Transmission	111	90	21	218	183	35
Total	$ 327	$ 283	$ 44	$ 692	$ 618	$ 74

U.K. Gross Margins

U.K. Gross Margins, excluding the impact of changes in foreign currency exchange rates, increased for the three months ended June 30, 2016 compared with 2015 primarily due to $38 million from the April 1, 2016 price increase, which includes $10 million of the recovery of prior customer rebates, partially offset by $20 million from the impact of the April 1, 2015 price decrease resulting from the commencement of RIIO-ED1.

U.K. Gross Margins, excluding the impact of changes in foreign currency exchange rates, decreased for the six months ended June 30, 2016 compared with 2015 primarily due to $89 million from the April 1, 2015 price decrease resulting from the commencement of RIIO-ED1 and lower volumes of $21 million primarily due to milder weather, partially offset by $38 million from the April 1, 2016 price increase, which includes $10 million of the recovery of prior customer rebates, and $21 million of other revenue adjustments in 2016.

Kentucky Gross Margins

Kentucky Gross Margins increased for the three months ended June 30, 2016 compared with 2015 primarily due to higher base rates of $32 million ($1 million at LG&E and $31 million at KU) and returns on additional environmental capital investments of $6 million ($5 million at LG&E and $1 million at KU).

Kentucky Gross Margins increased for the six months ended June 30, 2016 compared with 2015 primarily due to higher base rates of $68 million ($4 million at LG&E and $64 million at KU) and returns on additional environmental capital investments of $10 million at LG&E. The increase in base rates was the result of new rates approved by the KPSC effective July 1, 2015. These increases were partially offset by lower sales volumes of $28 million ($9 million at LG&E and $19 million at KU) primarily driven by milder weather.

Pennsylvania Gross Delivery Margins

Distribution

Distribution margins increased for the three months ended June 30, 2016 compared with 2015 primarily due to $24 million of higher base rates, effective January 1, 2016 as a result of the 2015 rate case.

Distribution margins increased for the six months ended June 30, 2016 compared with 2015 primarily due to $63 million of higher base rates, effective January 1, 2016, partially offset by a $25 million unfavorable impact of milder weather.

Transmission

Transmission margins increased for the three and six month periods ended June 30, 2016 compared with 2015 primarily due to returns on additional capital investments focused on replacing aging infrastructure and improving reliability.

Reconciliation of Margins

The following table contains the components from the Statement of Income that are included in the non-GAAP financial measures and a reconciliation to PPL's "Operating Income" for the periods ended June 30.

	2016 Three Months					2015 Three Months				
	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 553 (c)	$ 721	$ 495	$ 16	$ 1,785	$ 575 (c)	$ 714	$ 476	$ 16	$ 1,781
Operating Expenses										
Fuel	—	182	—	1	183	—	214	—	—	214
Energy purchases	—	28	118	1	147	—	28	138	4	170
Energy purchases from affiliate	—	—	—	—	—	—	—	5	(5)	—
Other operation and maintenance	19	26	28	352	425	28	24	27	388	467
Depreciation	—	13	—	218	231	—	9	—	207	216
Taxes, other than income	—	1	22	51	74	—	1	23	52	76
Total Operating Expenses	19	250	168	623	1,060	28	276	193	646	1,143
Total	$ 534	$ 471	$ 327	$ (607)	$ 725	$ 547	$ 438	$ 283	$ (630)	$ 638

	2016 Six Months					2015 Six Months				
	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,137 (c)	$ 1,547	$ 1,080	$ 32	$ 3,796	$ 1,261 (c)	$ 1,613	$ 1,106	$ 31	$ 4,011
Operating Expenses										
Fuel	—	380	—	—	380	—	467	—	—	467
Energy purchases	—	94	285	1	380	—	120	365	14	499
Energy purchases from affiliate	—	—	—	—	—	—	—	14	(14)	—
Other operation and maintenance	47	49	53	726	875	57	49	53	764	923
Depreciation	—	26	—	434	460	—	16	—	416	432
Taxes, other than income	—	2	50	101	153	—	2	56	104	162
Total Operating Expenses	47	551	388	1,262	2,248	57	654	488	1,284	2,483
Total	$ 1,090	$ 996	$ 692	$ (1,230)	$ 1,548	$ 1,204	$ 959	$ 618	$ (1,253)	$ 1,528

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.
(c) Excludes ancillary revenues of $10 million and $21 million for the three and six months ended June 30, 2016 and $12 million and $23 million for the three and six months ended June 30, 2015.

2016 Outlook

(PPL)

Higher reported earnings are expected in 2016 compared with 2015, primarily attributable to the results of the 2015 spinoff of the Supply segment. Higher earnings from ongoing operations are expected in 2016 compared with 2015, primarily attributable to increases in the Pennsylvania Regulated and Kentucky Regulated segments. The following projections and factors underlying these projections are provided for PPL's segments and the Corporate and Other category and the related Registrants.

(PPL's U.K. Regulated Segment)

Lower reported earnings are expected in 2016 compared with 2015, primarily driven by tax gains recorded in 2015. Slightly lower earnings from ongoing operations are projected in 2016 compared with 2015. This is due to higher interest expense, depreciation, the unfavorable impact of lower GBP exchange rates and income taxes, partially offset by higher revenues and lower operation and maintenance expense, including pension expense.

(PPL's Kentucky Regulated Segment and LKE, LG&E and KU)

Higher reported earnings and earnings from ongoing operations are projected in 2016 compared with 2015, primarily driven by electric and gas base rate increases effective July 1, 2015, higher returns on additional environmental capital investments, and lower operation and maintenance expense, partially offset by higher depreciation and higher interest expense.

(PPL's Pennsylvania Regulated Segment and PPL Electric)

Higher reported earnings and earnings from ongoing operations are projected in 2016 compared with 2015, primarily driven by higher base electricity rates for distribution effective January 1, 2016, and higher transmission earnings, partially offset by higher depreciation and a benefit received in 2015 from the release of a gross receipts tax reserve.

(PPL's Corporate and Other Category)

Relatively flat costs are projected in 2016 compared with 2015.

(All Registrants)

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," the rest of this Item 2, Notes 6 and 10 to the Financial Statements and "Item 1A. Risk Factors" in this Form 10-Q (as applicable) and "Item 1. Business" and "Item 1A. Risk Factors" in the Registrants' 2015 Form 10-K for a discussion of the risks, uncertainties and factors that may impact future earnings.

PPL Electric: Statement of Income Analysis, Earnings and Margins

Statement of Income Analysis

Net income for the periods ended June 30 includes the following results.

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating Revenues	$ 495	$ 476	$ 19	$ 1,080	$ 1,106	$ (26)
Operating Expenses						
Operation						
Energy purchases	118	138	(20)	285	365	(80)
Energy purchases from affiliate	—	5	(5)	—	14	(14)
Other operation and maintenance	137	140	(3)	287	273	14
Depreciation	62	52	10	121	103	18
Taxes, other than income	24	25	(1)	53	60	(7)
Total Operating Expenses	341	360	(19)	746	815	(69)
Other Income (Expense) - net	5	2	3	8	4	4
Interest Expense	32	33	(1)	65	64	1
Income Taxes	48	36	12	104	95	9
Net Income	$ 79	$ 49	$ 30	$ 173	$ 136	$ 37

Operating Revenues

The increase (decrease) in operating revenues for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Distribution volume	$ —	$ (34)
Distribution price (a)	24	74
PLR (b)	(27)	(104)
Transmission Formula Rate	20	35
Other	2	3
Total	$ 19	$ (26)

(a) Distribution rate case effective January 1, 2016, resulted in increases of $33 million and $80 million for the three and six months ended June 30, 2016.
(b) Decreases due to lower recoveries of energy purchases as described below.

Energy Purchases

Energy purchases decreased by $20 million for the three months ended June 30, 2016 compared with 2015, primarily due to lower PLR prices in 2016.

Energy purchases decreased by $80 million for the six months ended June 30, 2016 compared with 2015 due to lower PLR prices of $51 million, lower PLR volumes of $26 million and lower capacity volumes of $3 million.

Energy Purchases from Affiliate

Energy purchases from affiliate decreased by $5 million and $14 million for the three and six months ended June 30, 2016 compared with 2015 as a result of the June 1, 2015 PPL Energy Supply spinoff.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Corporate service costs	$ —	$ 9
Contractor-related expenses	1	6
Vegetation management	3	6
Storm costs	3	6
Payroll-related costs	(9)	(12)
Act 129	(3)	(7)
Universal service programs	2	3
Other	—	3
Total	$ (3)	$ 14

Depreciation

Depreciation increased by $10 million and $18 million for the three and six months ended June 30, 2016 compared with 2015, primarily due to additional assets placed into service, related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure, net of retirements.

Taxes, Other Than Income

Taxes, other than income decreased by $7 million for the six months ended June 30, 2016 compared with 2015, primarily due to lower Pennsylvania gross receipts tax expense as a result of a decrease in retail electric revenues. This tax is included in "Pennsylvania Gross Delivery Margins."

Income Taxes

The increase (decrease) in income taxes for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Change in pre-tax income at current period tax rates	$ 18	$ 20
Stock-based compensation (a)	(2)	(7)
Federal and state tax reserve adjustments	(4)	(4)
Total	$ 12	$ 9

(a) During the three and six months ended June 30, 2016, PPL Electric recorded lower income tax expense related to the application of new stock-based compensation accounting guidance. See Note 2 to the Financial Statements for additional information.

See Note 5 to the Financial Statements for additional information.

Earnings

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Net Income	$ 79	$ 49	$ 173	$ 136
Special item, gains (losses), after-tax (a)	—	—	—	—

(a) There are no items management considers special for the periods presented.

Earnings increased for the three month period in 2016 compared with 2015 primarily due to higher base electricity rates for distribution effective January 1, 2016, and higher transmission margins from additional capital investments.

Earnings increased for the six month period in 2016 compared with 2015 primarily due to higher base electricity rates for distribution effective January 1, 2016, and higher transmission margins, partially offset by the unfavorable impact of milder weather, higher other operation and maintenance and higher depreciation.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Pennsylvania Gross Delivery Margins on a separate line and not in their respective Statement of Income line items.

	Three Months	Six Months
Pennsylvania Gross Delivery Margins	$ 44	$ 74
Other operation and maintenance	4	(14)
Depreciation	(10)	(18)
Taxes, other than income	—	1
Other Income (Expense) - net	3	4
Interest Expense	1	(1)
Income Taxes	(12)	(9)
Net Income	$ 30	$ 37

Margins

"Pennsylvania Gross Delivery Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for information on why management believes this measure is useful and for explanations of the underlying drivers of the changes between periods.

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended June 30.

	2016 Three Months			2015 Three Months		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 495	$ —	$ 495	$ 476	$ —	$ 476
Operating Expenses						
Energy purchases	118	—	118	138	—	138
Energy purchases from affiliate	—	—	—	5	—	5
Other operation and maintenance	28	109	137	27	113	140
Depreciation	—	62	62	—	52	52
Taxes, other than income	22	2	24	23	2	25
Total Operating Expenses	168	173	341	193	167	360
Total	$ 327	$ (173)	$ 154	$ 283	$ (167)	$ 116

	2016 Six Months			2015 Six Months		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,080	$ —	$ 1,080	$ 1,106	$ —	$ 1,106
Operating Expenses						
Energy purchases	285	—	285	365	—	365
Energy purchases from affiliate	—	—	—	14	—	14
Other operation and maintenance	53	234	287	53	220	273
Depreciation	—	121	121	—	103	103
Taxes, other than income	50	3	53	56	4	60
Total Operating Expenses	388	358	746	488	327	815
Total	$ 692	$ (358)	$ 334	$ 618	$ (327)	$ 291

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

LKE: Statement of Income Analysis, Earnings and Margins

Statement of Income Analysis

Net income for the periods ended June 30 includes the following results.

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating Revenues	$ 721	$ 714	$ 7	$ 1,547	$ 1,613	$ (66)
Operating Expenses						
Operation						
Fuel	182	214	(32)	380	467	(87)
Energy purchases	28	28	—	94	120	(26)
Other operation and maintenance	204	214	(10)	406	423	(17)
Depreciation	100	94	6	199	189	10
Taxes, other than income	15	15	—	30	29	1
Total Operating Expenses	529	565	(36)	1,109	1,228	(119)
Other Income (Expense) - net	(5)	(1)	(4)	(6)	(2)	(4)
Interest Expense	48	42	6	97	84	13
Interest Expense with Affiliate	4	1	3	8	1	7
Income Taxes	51	45	6	123	121	2
Net Income	$ 84	$ 60	$ 24	$ 204	$ 177	$ 27

Operating Revenues

The increase (decrease) in operating revenues for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Base rates	$ 32	$ 68
Volumes	(4)	(70)
Fuel and other energy prices (a)	(28)	(74)
ECR	11	22
Other	(4)	(12)
Total	$ 7	$ (66)

(a) Decreases due to lower recoveries of fuel and energy purchases due to lower commodity costs as described below.

Fuel

Fuel decreased $32 million for the three months ended June 30, 2016 compared with 2015, primarily due to a $28 million decrease in commodity costs.

Fuel decreased $87 million for the six months ended June 30, 2016 compared with 2015, due to a $61 million decrease in commodity costs and a $26 million decrease in volumes primarily due to milder weather in the first quarter of 2016.

Energy Purchases

Energy purchases decreased $26 million for the six months ended June 30, 2016 compared with 2015 due to $13 million of lower natural gas prices and a $13 million decrease in natural gas volumes resulting from milder weather during the first quarter of 2016.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Coal plant operations and maintenance (a)	$ (13)	$ (22)
Other	3	5
Total	$ (10)	$ (17)

(a) Represents the reduction of costs associated with the 2015 retirement of Cane Run units partially offset by Cane Run 7 operations.

Depreciation

Depreciation increased $6 million and $10 million for the three and six months ended June 30, 2016 compared with 2015 primarily due to additions to PP&E, net of retirements.

Interest Expense

Interest expense increased $9 million and $20 million for the three and six months ended June 30, 2016 compared with 2015 primarily due to the September 2015 issuance of $550 million of incremental First Mortgage Bonds by LG&E and KU, higher interest rates on the September 2015 issuance of $500 million of First Mortgage Bonds by LG&E and KU used to retire the same amount of First Mortgage Bonds in November 2015 and $400 million of notes refinanced in November 2015.

Income Taxes

Income taxes increased $6 million for the three months ended June 30, 2016 compared with 2015 primarily due to higher pre-tax income at current period tax rates of $11 million, partially offset by the establishment of a valuation allowance in 2015 on a deferred tax asset of $5 million.

Earnings

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net Income	$ 84	$ 60	$ 204	$ 177
Special items, gains (losses), after-tax	—	(8)	—	(8)

Excluding special items, earnings increased for the three month period in 2016 compared with 2015 primarily due to higher base electricity rates effective July 1, 2015 and lower other operation and maintenance, partially offset by higher interest expense.

Excluding special items, earnings increased for the six month period in 2016 compared with 2015 primarily due to higher base electricity rates effective July 1, 2015 and lower other operation and maintenance, partially offset by higher interest expense and lower sales volumes primarily due to milder weather in the first quarter of 2016.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins and an item that management considers special on separate lines and not in their respective Statement of Income line items.

	Three Months	Six Months
Margin	$ 33	$ 37
Other operation and maintenance	12	17
Depreciation	(2)	—
Taxes, other than income	—	(1)
Other income (expense) - net	(4)	(4)
Interest expense	(9)	(20)
Income taxes	(14)	(10)
Special items, gains (losses), after-tax (a)	8	8
Net income	$ 24	$ 27

(a) See PPL's "Results of Operations - Segment Earnings - Kentucky Regulated Segment" for details of the special item.

Margins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for an explanation of why management believes this measure is useful and the factors underlying changes between periods. Within PPL's discussion, LKE's Margins are referred to as "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended June 30.

	2016 Three Months			2015 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 721	$ —	$ 721	$ 714	$ —	$ 714
Operating Expenses						
Fuel	182	—	182	214	—	214
Energy purchases	28	—	28	28	—	28
Other operation and maintenance	26	178	204	24	190	214
Depreciation	13	87	100	9	85	94
Taxes, other than income	1	14	15	1	14	15
Total Operating Expenses	250	279	529	276	289	565
Total	$ 471	$ (279)	$ 192	$ 438	$ (289)	$ 149

	2016 Six Months			2015 Six Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,547	$ —	$ 1,547	$ 1,613	$ —	$ 1,613
Operating Expenses						
Fuel	380	—	380	467	—	467
Energy purchases	94	—	94	120	—	120
Other operation and maintenance	49	357	406	49	374	423
Depreciation	26	173	199	16	173	189
Taxes, other than income	2	28	30	2	27	29
Total Operating Expenses	551	558	1,109	654	574	1,228
Total	$ 996	$ (558)	$ 438	$ 959	$ (574)	$ 385

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

LG&E: Statement of Income Analysis, Earnings and Margins

Statement of Income Analysis

Net income for the periods ended June 30 includes the following results.

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating Revenues						
Retail and wholesale	$ 317	$ 323	$ (6)	$ 692	$ 740	$ (48)
Electric revenue from affiliate	6	8	(2)	17	30	(13)
Total Operating Revenues	323	331	(8)	709	770	(61)
Operating Expenses						
Operation						
Fuel	69	82	(13)	147	185	(38)
Energy purchases	23	23	—	85	111	(26)
Energy purchases from affiliate	3	5	(2)	5	8	(3)
Other operation and maintenance	92	103	(11)	179	199	(20)
Depreciation	42	40	2	83	82	1
Taxes, other than income	7	7	—	15	14	1
Total Operating Expenses	236	260	(24)	514	599	(85)
Other Income (Expense) - net	(5)	(1)	(4)	(5)	(2)	(3)
Interest Expense	18	13	5	35	26	9
Income Taxes	24	22	2	59	55	4
Net Income	$ 40	$ 35	$ 5	$ 96	$ 88	$ 8

Operating Revenues

The increase (decrease) in operating revenues for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Base rates	$ 1	$ 4
Volumes	(1)	(34)
Fuel and other energy prices (a)	(13)	(44)
ECR	7	16
Other	(2)	(3)
Total	$ (8)	$ (61)

(a) Decreases due to lower recoveries of fuel and energy purchases due to lower commodity costs as described below.

Fuel

Fuel decreased $13 million for the three months ended June 30, 2016 compared with 2015, primarily due to a $9 million decrease in commodity costs.

Fuel decreased $38 million for the six months ended June 30, 2016 compared with 2015, due to a $17 million decrease in commodity costs and a $21 million decrease in volumes primarily due to milder weather in the first quarter of 2016.

Energy purchases

Energy purchases decreased $26 million for the six months ended June 30, 2016 compared with 2015 due to $13 million of lower natural gas prices and a $13 million decrease in natural gas volumes resulting from milder weather during the first quarter of 2016.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Coal plant operations and maintenance (a)	$ (12)	$ (21)
Other	1	1
Total	$ (11)	$ (20)

(a) Represents the reduction of costs associated with the 2015 retirement of Cane Run units partially offset by Cane Run 7 operations.

Interest Expense

Interest expense increased $5 million and $9 million for the three and six months ended June 30, 2016 compared with 2015 primarily due to the September 2015 issuance of $300 million of incremental First Mortgage Bonds and higher interest rates on the September 2015 issuance of $250 million of First Mortgage Bonds used to retire the same amount of First Mortgage Bonds in November 2015.

Earnings

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net Income	$ 40	$ 35	$ 96	$ 88
Special items, gains (losses), after-tax (a)	—	—	—	—

(a) There are no items management considers special for the periods presented.

Earnings increased for the three month period in 2016 compared with 2015 primarily due to higher returns on additional environmental capital investments and lower other operation and maintenance, partially offset by higher interest expense.

Earnings increased for the six month period in 2016 compared with 2015 primarily due to higher returns on additional environmental capital investments and lower other operation and maintenance, partially offset by higher interest expense and lower sales volumes primarily due to milder weather in the first quarter of 2016.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins on a separate line and not in their respective Statement of Income line items.

	Three Months	Six Months
Margin	$ 3	$ 1
Other operation and maintenance	12	18
Depreciation	1	5
Other income (expense) - net	(4)	(3)
Interest expense	(5)	(9)
Income taxes	(2)	(4)
Net income	$ 5	$ 8

Margins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for an explanation of why management believes this measure is useful and the factors underlying changes between periods. Within PPL's discussion, LG&E's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended June 30.

	2016 Three Months			2015 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 323	$ —	$ 323	$ 331	$ —	$ 331
Operating Expenses						
Fuel	69	—	69	82	—	82
Energy purchases, including affiliate	26	—	26	28	—	28
Other operation and maintenance	11	81	92	10	93	103
Depreciation	7	35	42	4	36	40
Taxes, other than income	1	6	7	1	6	7
Total Operating Expenses	114	122	236	125	135	260
Total	$ 209	$ (122)	$ 87	$ 206	$ (135)	$ 71

	2016 Six Months			2015 Six Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 709	$ —	$ 709	$ 770	$ —	$ 770
Operating Expenses						
Fuel	147	—	147	185	—	185
Energy purchases, including affiliate	90	—	90	119	—	119
Other operation and maintenance	20	159	179	22	177	199
Depreciation	13	70	83	7	75	82
Taxes, other than income	2	13	15	1	13	14
Total Operating Expenses	272	242	514	334	265	599
Total	$ 437	$ (242)	$ 195	$ 436	$ (265)	$ 171

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

KU: Statement of Income Analysis, Earnings and Margins

Statement of Income Analysis

Net income for the periods ended June 30 includes the following results.

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating Revenues						
Retail and wholesale	$ 404	$ 391	$ 13	$ 855	$ 873	$ (18)
Electric revenue from affiliate	3	5	(2)	5	8	(3)
Total Operating Revenues	407	396	11	860	881	(21)
Operating Expenses						
Operation						
Fuel	113	132	(19)	233	282	(49)
Energy purchases	5	5	—	9	9	—
Energy purchases from affiliate	6	8	(2)	17	30	(13)
Other operation and maintenance	107	109	(2)	213	213	—
Depreciation	58	54	4	116	107	9
Taxes, other than income	8	8	—	15	15	—
Total Operating Expenses	297	316	(19)	603	656	(53)
Other Income (Expense) - net	1	2	(1)	(1)	1	(2)
Interest Expense	23	19	4	47	38	9
Income Taxes	34	24	10	80	71	9
Net Income	$ 54	$ 39	$ 15	$ 129	$ 117	$ 12

Operating Revenue

The increase (decrease) in operating revenue for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Base rates	$ 31	$ 64
Volumes	(4)	(40)
Fuel and other energy prices (a)	(19)	(42)
ECR	3	6
Other	—	(9)
Total	$ 11	$ (21)

(a) Decreases due to lower recoveries of fuel and energy purchases due to lower commodity costs as described below.

Fuel

Fuel decreased $19 million for the three months ended June 30, 2016 compared with 2015, due to lower costs of commodities.

Fuel decreased $49 million for the six months ended June 30, 2016 compared with 2015, due to a $44 million decrease in commodity costs and a $5 million decrease in volumes primarily due to milder weather in the first quarter of 2016.

Energy Purchases from affiliate

Energy purchases from affiliate decreased $13 million for the six months ended June 30, 2016 compared with 2015, due to increased generation as a result of Cane Run Unit 7 being placed in-service during 2015.

Depreciation

Depreciation increased $4 million and $9 million for the three and six months ended June 30, 2016 compared with 2015 primarily due to additional assets placed into service, net of retirements.

Interest Expense

Interest expense increased $4 million and $9 million for the three and six months ended June 30, 2016 compared with 2015 primarily due to the September 2015 issuance of $250 million of incremental First Mortgage Bonds and higher interest rates on the September 2015 issuance of $250 million of First Mortgage Bonds used to retire the same amount of First Mortgage Bonds in November 2015.

Income Taxes

Income taxes increased $10 million and $9 million for the three and six months ended June 30, 2016 compared with 2015 primarily due to higher pre-tax income.

Earnings

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net Income	$ 54	$ 39	$ 129	$ 117
Special items, gains (losses), after-tax (a)	—	—	—	—

(a) There are no items management considers special for the periods presented.

Earnings increased for the three month period in 2016 compared with 2015 primarily due to higher base electricity rates effective July 1, 2015, partially offset by higher interest expense.

Earnings increased for the six month period in 2016 compared with 2015 primarily due to higher base electricity rates, effective July 1, 2015, partially offset by higher interest expense and lower sales volumes primarily due to milder weather in the first quarter of 2016.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins on a separate line and not in their respective Statement of Income line items.

	Three Months	Six Months
Margin	$ 30	$ 36
Other operation and maintenance	3	2
Depreciation	(3)	(5)
Taxes, other than income	—	(1)
Other income (expense) - net	(1)	(2)
Interest expense	(4)	(9)
Income taxes	(10)	(9)
Net income	$ 15	$ 12

Margins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for an explanation of why management believes this measure is useful and the factors underlying changes between periods. Within PPL's discussion, KU's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended June 30.

	2016 Three Months			2015 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 407	$ —	$ 407	$ 396	$ —	$ 396
Operating Expenses						
Fuel	113	—	113	132	—	132
Energy purchases, including affiliate	11	—	11	13	—	13
Other operation and maintenance	15	92	107	14	95	109
Depreciation	6	52	58	5	49	54
Taxes, other than income	—	8	8	—	8	8
Total Operating Expenses	145	152	297	164	152	316
Total	$ 262	$ (152)	$ 110	$ 232	$ (152)	$ 80

	2016 Six Months			2015 Six Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 860	$ —	$ 860	$ 881	$ —	$ 881
Operating Expenses						
Fuel	233	—	233	282	—	282
Energy purchases, including affiliate	26	—	26	39	—	39
Other operation and maintenance	29	184	213	27	186	213
Depreciation	13	103	116	9	98	107
Taxes, other than income	—	15	15	1	14	15
Total Operating Expenses	301	302	603	358	298	656
Total	$ 559	$ (302)	$ 257	$ 523	$ (298)	$ 225

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Financial Condition

The remainder of this Item 2 in this Form 10-Q is presented on a combined basis, providing information, as applicable, for all Registrants.

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Liquidity and Capital Resources

(All Registrants)

The Registrants had the following at:

	PPL (a)	PPL Electric	LKE	LG&E	KU
June 30, 2016					
Cash and cash equivalents	$ 492	$ 35	$ 16	$ 8	$ 8
Short-term debt	856	6	139	110	29
Notes payable with affiliate		—	176	—	—
December 31, 2015					
Cash and cash equivalents	$ 836	$ 47	$ 30	$ 19	$ 11
Short-term debt	916	—	265	142	48
Notes payable with affiliate		—	54	—	—

(a) At June 30, 2016, $88 million of cash and cash equivalents were denominated in GBP. If these amounts would be remitted as dividends, PPL would not anticipate a material incremental U.S. tax cost. Historically, dividends paid by foreign subsidiaries have been limited to distributions of the current year's earnings. See Note 5 to the Financial Statements in PPL's 2015 Form 10-K for additional information on undistributed earnings of WPD.

(PPL)

The Statements of Cash Flows separately report the cash flows of the discontinued operations in 2015. The "Operating Activities", "Investing Activities" and "Financing Activities" sections below included only the cash flows of continuing operations.

(All Registrants)

Net cash provided by (used in) operating, investing and financing activities for the six month periods ended June 30, and the changes between periods, were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
2016					
Operating activities	$ 1,170	$ 328	$ 506	$ 273	$ 311
Investing activities	(1,347)	(427)	(439)	(237)	(201)
Financing activities	(152)	87	(81)	(47)	(113)
2015					
Operating activities	$ 970	$ 76	$ 703	$ 389	$ 360
Investing activities	(1,575)	(483)	(626)	(349)	(275)
Financing activities	(71)	221	(85)	(43)	(90)
Change - Cash Provided (Used)					
Operating activities	$ 200	$ 252	$ (197)	$ (116)	$ (49)
Investing activities	228	56	187	112	74
Financing activities	(81)	(134)	4	(4)	(23)

Operating Activities

The components of the change in cash provided by (used in) operating activities for the six months ended June 30, 2016 compared with 2015 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Net income	$ 162	$ 37	$ 27	$ 8	$ 12
Non-cash components	(250)	82	(43)	(23)	2
Working capital	308	117	(211)	(100)	(88)
Defined benefit plan funding	65	33	18	9	6
Other operating activities	(85)	(17)	12	(10)	19
Total	$ 200	$ 252	$ (197)	$ (116)	$ (49)

(PPL)

PPL's cash provided by operating activities from continuing operations in 2016 increased $200 million in 2016 compared with 2015.

- Income from continuing operations increased by $162 million between the periods, but included a decrease in net non-cash charges of $250 million. These net non-cash charges included a $254 million increase in unrealized gains on derivatives.
- The $308 million increase in cash from changes in working capital was primarily due to an increase in taxes payable (primarily due to an increase in current income tax expense in 2016) and a decrease in accounts receivable, primarily due to milder winter weather in 2016.
- Defined benefit plan funding was $65 million lower in 2016.

(PPL Electric)

PPL Electric's cash provided by operating activities in 2016 increased $252 million in 2016 compared with 2015.

- The increase in non-cash components of $82 million in 2016 compared with 2015 was primarily due to an increase in deferred income tax expense and depreciation.
- The $117 million increase in cash from changes in working capital was primarily due to a decrease in prepayments (primarily due to a decrease in tax payments) and an increase in taxes payable (primarily due to an decrease in current income tax benefit in 2016).
- Defined benefit plan funding was $33 million lower in 2016.

(LKE)

LKE's cash provided by operating activities in 2016 decreased $197 million compared with 2015.

- The decrease in cash from working capital was driven primarily by lower tax payments received from PPL for the use of prior year excess tax depreciation deductions. Other decreases in cash were related to accounts receivable and coal and natural gas inventories due to milder weather in 2016, and unbilled revenues due to lower weather volatility during the measurement periods in 2016, partially offset by lower payments on accounts payable due to lower fuel purchases.

(LG&E)

LG&E's cash provided by operating activities in 2016 decreased $116 million compared with 2015.

- The decrease in cash from working capital was driven primarily by lower payments received from LKE for the use of prior year excess tax depreciation deductions. Other decreases in cash were related to accounts receivable and coal and natural gas inventories due to milder weather in 2016, and unbilled revenues due to lower weather volatility during the measurement periods in 2016, partially offset by lower payments on accounts payable due to lower fuel purchases.

(KU)

KU's cash provided by operating activities in 2016 decreased $49 million compared with 2015.

- The decrease in cash from working capital was driven primarily by lower payments received from LKE for the use of prior year excess tax depreciation deductions. Other decreases in cash were related to coal inventory due to milder weather in 2016, and unbilled revenues due to lower weather volatility during the measurement periods in 2016, partially offset by lower accounts payable from affiliates due to energy purchases from LG&E and charges for prepaid costs from LKS.

Investing Activities

(All Registrants)

Expenditures for Property, Plant and Equipment

Investment in PP&E is the primary investing activity of the registrants. The change in expenditures for PP&E for the six months ended June 30, 2016 compared with 2015 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Decrease	$ 333	$ 56	$ 191	$ 112	$ 78

For PPL, the decrease in expenditures was due to lower project expenditures at WPD, PPL Electric Utilities, LG&E, and KU. The decrease in expenditures for WPD was primarily due to a decrease in expenditures to enhance system reliability associated with the end of the DPCR5 price control period and changes in foreign currency exchange rates. The decrease in expenditures for PPL Electric was primarily due to the completion of the Susquehanna-Roseland transmission project and the completion of the Northeast Pocono reliability project. The decrease in expenditures for LG&E was primarily driven by the completion of the environmental air projects at LG&E's Mill Creek plant. The decrease in expenditures for KU was primarily driven by the completion of the environmental air projects at KU's Ghent plant and the CCR project at KU's E.W. Brown plant.

Financing Activities

(All Registrants)

The components of the change in cash provided by (used in) financing activities for the six months ended June 30, 2016 compared with 2015 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Debt issuance/retirement, net	$ 248	$ —	$ —	$ —	$ —
Settlement of cross-currency swaps	46	—	—	—	—
Stock issuances/redemptions, net	(7)	—	—	—	—
Dividends	(13)	(10)	—	(3)	(32)
Capital contributions/distributions, net	—	40	12	27	20
Change in short-term debt, net	(342)	(162)	(112)	(27)	(10)
Notes payable with affiliate	—	—	105	—	—
Other financing activities	(13)	(2)	(1)	(1)	(1)
Total	$ (81)	$ (134)	$ 4	$ (4)	$ (23)

See Note 7 to the Financial Statements in this Form 10-Q for information on 2016 short and long-term debt activity, equity transactions and PPL dividends. See the Registrants' 2015 Form 10-K for information on 2015 activity.

Credit Facilities

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. Amounts borrowed under these credit facilities are reflected in "Short-term debt" on the Balance Sheets. At June 30, 2016, the total committed borrowing capacity and the use of that capacity under these credit facilities was as follows:

External

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	$ 1,150	$ —	$ 337	$ 813
PPL Electric Credit Facility	400	—	7	393
LKE Credit Facility	75	—	—	75
LG&E Credit Facility	500	—	110	390
KU Credit Facilities	598	—	227	371
Total LKE	1,173	—	337	836
Total U.S. Credit Facilities (a)	$ 2,723	$ —	$ 681	$ 2,042
Total U.K. Credit Facilities (b)	£ 1,055	£ 269	£ —	£ 786

(a) The commitments under the U.S. credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than the following percentages of the total committed capacity: PPL - 11%, PPL Electric - 7%, LKE - 21%, LG&E - 7% and KU - 37%.

(b) The amounts borrowed at June 30, 2016 were a USD-denominated borrowing of $200 million and GPB-denominated borrowings which equated to $191 million. The unused capacity reflects the USD-denominated borrowing amount borrowed in GBP of £138 million as of the date borrowed. At June 30, 2016, the USD equivalent of unused capacity under the U.K. committed credit facilities was $1.1 billion.

The commitments under the U.K. credit facilities are provided by a diverse bank group, with no one bank providing more than 13% of the total committed capacity.

See Note 7 to the Financial Statements for further discussion of the Registrants' credit facilities.

Intercompany (LKE, LG&E and KU)

	Committed Capacity	Borrowed	Other Used Capacity	Unused Capacity
LKE Credit Facility	$ 225	$ 176	$ —	$ 49
LG&E Money Pool (a)	500	—	110	390
KU Money Pool (a)	500	—	29	471

(a) LG&E and KU participate in an intercompany money pool agreement whereby LKE, LG&E and/or KU make available funds up to $500 million at an interest rate based on a market index of commercial paper issues. However, the FERC has issued a maximum short-term debt limit for each utility at $500 million from any source.

See Note 11 to the Financial Statements for further discussion of intercompany credit facilities.

Commercial Paper *(All Registrants)*

PPL, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's Syndicated Credit Facility. The following commercial paper programs were in place at June 30, 2016:

	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Capital Funding	$ 1,000	$ 320	$ 680
PPL Electric	400	6	394
LG&E	350	110	240
KU	350	29	321
Total LKE	700	139	561
Total PPL	$ 2,100	$ 465	$ 1,635

Long-term Debt

(PPL)

In May 2016, PPL Capital Funding issued $650 million of 3.10% Senior Notes due 2026. PPL Capital Funding received proceeds of $645 million, net of a discount and underwriting fees, which will be used to invest in or make loans to subsidiaries of PPL, to repay short-term debt and for general corporate purposes.

In May 2016, WPD (East Midlands) borrowed £100 million at 0.4975% under a new ten-year index linked term loan agreement, which will be used for general corporate purposes.

In May 2016, WPD plc repaid the entire $460 million principal amount of its 3.90% Senior Notes upon maturity.

(PPL and PPL Electric)

In March 2016, the LCIDA issued $116 million of Pollution Control Revenue Refunding Bonds, Series 2016A due 2029 and $108 million of Pollution Control Revenue Refunding Bonds, Series 2016B due 2027 on behalf of PPL Electric. The bonds were issued bearing interest at an initial term rate of 0.90% through their mandatory purchase dates of September 1, 2017 and August 15, 2017. The proceeds of the bonds were used to redeem $116 million of 4.70% Pollution Control Revenue Refunding Bonds, 2005 Series A due 2029 and $108 million of 4.75% Pollution Control Revenue Refunding Bonds, 2005 Series B due 2027 previously issued by the LCIDA on behalf of PPL Electric.

In connection with the issuance of each of these new series of LCIDA bonds, PPL Electric entered into a loan agreement with the LCIDA pursuant to which the LCIDA has loaned to PPL Electric the proceeds of the LCIDA bonds on payment terms that correspond to the LCIDA bonds. In order to secure its obligations under the loan agreement, PPL Electric issued $224 million of First Mortgage Bonds under its 2001 Mortgage Indenture, which also have payment terms that correspond to the LCIDA bonds.

(PPL)

ATM Program

For the three and six months ended June 30, 2016, PPL did not issue any shares under the agreements. For the three and six months ended June 30, 2015, PPL issued 421,700 shares of common stock under the program at an average price of $33.73 per share, receiving net proceeds of $14 million.

Common Stock Dividends

In May 2016, PPL declared a quarterly common stock dividend, payable July 1, 2016, of 38 cents per share (equivalent to $1.52 per annum). Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors.

Capital Expenditures

Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. In the second quarter of 2016, PPL decreased its projected capital spending for the period 2016 through 2020 related to distribution facilities by approximately $1.1 billion from the $9.5 billion projection previously disclosed in PPL's 2015 Form 10-K. The decreased projected capital spending results from a change in the forecasted GBP to U.S. dollar exchange rate from $1.60 to $1.30 for WPD expenditures that decreased each yearly estimate by approximately $220 million.

Contractual Obligations

In the second quarter of 2016, PPL decreased its estimated contractual cash obligations by approximately $1.7 billion from the $39.1 billion estimate previously disclosed in PPL's 2015 Form 10-K. The decrease was primarily a result of the change in the GBP to U.S. dollar exchange rate from $1.50 to $1.34 as of June 30, 2016 for WPD's obligations. The decreases in PPL's estimated contractual cash obligations by year were as follows.

	Total	2016	2017 - 2018	2019 - 2020	After 2020
Total Change in Contractual Cash Obligations	$ (1,700)	$ (30)	$ (81)	$ (98)	$ (1,491)

Rating Agency Actions

(All Registrants)

Moody's and S&P have periodically reviewed the credit ratings of the debt of the Registrants and their subsidiaries. Based on their respective independent reviews, the rating agencies may make certain ratings revisions or ratings affirmations.

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of the Registrants and their subsidiaries are based on information provided by the Registrants and other sources. The ratings of Moody's and S&P are not a recommendation to buy, sell or hold any securities of the Registrants or their subsidiaries. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities. The credit ratings of the Registrants and their subsidiaries affect their liquidity, access to capital markets and cost of borrowing under their credit facilities.

The rating agencies have taken the following actions related to the Registrants and their subsidiaries during 2016:

(PPL)

In February 2016, Moody's and S&P affirmed their commercial paper ratings for PPL Capital Funding's $1.0 billion commercial paper program.

In May 2016, Moody's and S&P assigned ratings of Baa2 and BBB+ to PPL Capital Funding's $650 million 3.10% Senior Notes due 2026.

In June 2016, S&P assigned a long-term issuer rating of A- and a short-term issuer rating of A-2 to PPL Capital Funding.

(PPL Electric)

In February 2016, Moody's and S&P affirmed their commercial paper ratings for PPL Electric's $400 million commercial paper program.

In February 2016, Moody's and S&P assigned ratings of A1 and A to LCIDA's $116 million 0.90% Pollution Control Revenue Refunding Bonds due 2029 and $108 million 0.90% Pollution Control Revenue Refunding Bonds due 2027, issued on behalf of PPL Electric.

Ratings Triggers

(PPL, LKE, LG&E and KU)

Various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, interest rate and foreign currency instruments (for PPL), contain provisions that require the posting of additional collateral or permit the counterparty to terminate the contract, if PPL's, LKE's, LG&E's or KU's or their subsidiaries' credit rating, as applicable, were to fall below investment grade. See Note 14 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral requirements for PPL, LKE and LG&E for derivative contracts in a net liability position at June 30, 2016.

(All Registrants)

For additional information on the Registrants' liquidity and capital resources, see "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Registrants' 2015 Form 10-K.

Risk Management

Market Risk

(All Registrants)

See Notes 13 and 14 to the Financial Statements for information about the Registrants' risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These are not precise indicators of expected future losses, but are rather only indicators of possible losses under normal market conditions at a given confidence level.

Interest Rate Risk

The Registrants and their subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. The Registrants and their subsidiaries utilize various financial derivative instruments to adjust the mix of fixed and floating interest rates in their debt portfolios, adjust the duration of their debt portfolios and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under the risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolios due to changes in the absolute level of interest rates. In addition, the interest rate risk of certain subsidiaries is potentially mitigated as a result of the existing regulatory framework or the timing of rate cases.

The following interest rate hedges were outstanding at June 30, 2016.

	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through
PPL				
Cash flow hedges				
Cross-currency swaps (c)	$ 802	$ 93	$ (103)	2028
Economic hedges				
Interest rate swaps (d)	179	(56)	(2)	2033
LKE				
Economic hedges				
Interest rate swaps (d)	179	(56)	(2)	2033
LG&E				
Economic hedges				
Interest rate swaps (d)	179	(56)	(2)	2033

(a) Includes accrued interest, if applicable.
(b) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability. Sensitivities represent a 10% adverse movement in interest rates, except for cross-currency swaps which also includes a 10% adverse movement in foreign currency exchange rates.
(c) Cross-currency swaps are utilized to hedge the principal and interest payments of WPD's U.S. dollar-denominated senior notes. Changes in the fair value of these instruments are recorded in equity and reclassified into earnings in the same period during which the item being hedged affects earnings.
(d) Realized changes in the fair value of such economic hedges are recoverable through regulated rates and any subsequent changes in the fair value of these derivatives are included in regulatory assets or regulatory liabilities.

The Registrants are exposed to a potential increase in interest expense and to changes in the fair value of their debt portfolios. The estimated impact of a 10% adverse movement in interest rates on interest expense at June 30, 2016 was insignificant for PPL, PPL Electric, LKE, LG&E and KU. The estimated impact of a 10% adverse movement in interest rates on the fair value of debt at June 30, 2016 is shown below.

	10% Adverse Movement in Rates
PPL	$ 660
PPL Electric	139
LKE	177
LG&E	66
KU	99

Foreign Currency Risk (PPL)

PPL is exposed to foreign currency risk primarily through investments in U.K. affiliates. Under its risk management program, PPL may enter into financial instruments to hedge certain foreign currency exposures, including translation risk of expected earnings, firm commitments, recognized assets or liabilities, anticipated transactions and net investments.

The following foreign currency hedges were outstanding at June 30, 2016.

	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Maturities Ranging Through
Economic hedges (b)	£ 1,731	$ 393	$ (220)	2018

(a) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability.
(b) To economically hedge the translation risk of expected earnings denominated in GBP.

(All Registrants)

Commodity Price Risk

PPL is exposed to commodity price risk through its domestic subsidiaries as described below.

- PPL Electric is exposed to commodity price risk from its obligation as PLR; however, its PUC-approved cost recovery mechanism substantially eliminates its exposure to this risk. PPL Electric also mitigates its exposure to commodity price risk by entering into full-requirement supply agreements to serve its PLR customers. These supply agreements transfer the commodity price risk associated with the PLR obligation to the energy suppliers.
- LG&E's and KU's rates include certain mechanisms for fuel and fuel-related expenses. In addition, LG&E's rates include a mechanism for natural gas supply expenses. These mechanisms generally provide for timely recovery of market price fluctuations associated with these expenses.

Volumetric Risk

PPL is exposed to volumetric risk through its subsidiaries as described below.

- WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K. Under the RIIO - ED1 price control period, recovery of such exposure occurs on a two year lag. See Note 1 in PPL's 2015 Form 10-K for additional information on revenue recognition under RIIO - ED1.
- PPL Electric, LG&E and KU are exposed to volumetric risk on retail sales, mainly due to weather and other economic conditions for which there is limited mitigation between rate cases.

Credit Risk *(All Registrants)*

See Notes 13 and 14 to the Financial Statements in this Form 10-Q and "Risk Management - Credit Risk" in the Registrants' 2015 Form 10-K for additional information.

Foreign Currency Translation *(PPL)*

The value of the British pound sterling fluctuates in relation to the U.S. dollar. Changes in this exchange rate resulted in a foreign currency translation loss of $199 million for the six months ended June 30, 2016, which primarily reflected a $398 million decrease to PP&E and $95 million decrease to goodwill partially offset by a decrease of $294 million to net liabilities. Changes in this exchange rate resulted in a foreign currency translation loss of $149 million for the six months ended June 30, 2015, which primarily reflected a $299 million decrease to PP&E and $77 million decrease to goodwill partially offset by a decrease of $227 million to net liabilities. The impact of foreign currency translation is recorded in AOCI.

Related Party Transactions *(All Registrants)*

The Registrants are not aware of any material ownership interests or operating responsibility by senior management in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with the Registrants. See Note 11 to the Financial Statements for additional information on related party transactions for PPL Electric, LKE, LG&E and KU.

Acquisitions, Development and Divestitures *(All Registrants)*

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with, modify or terminate the projects. Any resulting transactions may impact future financial results. See Note 8 to the Financial Statements for information on the more significant activities.

Environmental Matters *(All Registrants)*

Extensive federal, state and local environmental laws and regulations are applicable to PPL's, LKE's, LG&E's and KU's air emissions, water discharges and the management of hazardous and solid waste, as well as other aspects of the Registrants' businesses. The cost of compliance or alleged non-compliance cannot be predicted with certainty but could be significant. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed. Costs may take the form of increased capital expenditures or operating and maintenance expenses, monetary fines, penalties or other restrictions. Many of these environmental law considerations are also applicable to the operations of key suppliers, or customers, such as coal producers and industrial power users, and may impact the cost for their products or their demand for the Registrants' services. Increased capital and operating costs are subject to rate recovery. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

See Note 10 to the Financial Statements for a discussion of the more significant environmental matters including:
- Legal Matters,
- Climate Change,
- Coal Combustion Residuals,
- Effluent Limitations Guidelines,
- Mercury and Air Toxics Standards,
- National Ambient Air Quality Standards, and
- Superfund and Other Remediation.

Additionally, see "Item 1. Business - Environmental Matters" in the Registrants' 2015 Form 10-K for additional information on environmental matters.

New Accounting Guidance *(All Registrants)*

See Notes 2 and 18 to the Financial Statements for a discussion of new accounting guidance adopted and pending adoption.

Application of Critical Accounting Policies *(All Registrants)*

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following table summarizes the accounting policies by Registrant that are particularly important to an understanding of the reported financial condition or results of operations, and require management to make estimates or other judgments of matters that are inherently uncertain. See "Item 7. Combined Management's Discussion and

Analysis of Financial Condition and Results of Operations" in the Registrants' 2015 Form 10-K for a discussion of each critical accounting policy.

	PPL	PPL Electric	LKE	LG&E	KU
Defined Benefits	X	X	X	X	X
Loss Accruals	X	X	X	X	X
Income Taxes	X	X	X	X	X
Goodwill Impairment	X		X	X	X
AROs	X		X	X	X
Price Risk Management	X				
Regulatory Assets and Liabilities	X	X	X	X	X
Revenue Recognition - Unbilled Revenue		X	X	X	X

PPL Corporation
PPL Electric Utilities Corporation
LG&E and KU Energy LLC
Louisville Gas and Electric Company
Kentucky Utilities Company

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Reference is made to "Risk Management" in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The Registrants' principal executive officers and principal financial officers, based on their evaluation of the Registrants' disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) have concluded that, as of June 30, 2016, the Registrants' disclosure controls and procedures are effective to ensure that material information relating to the Registrants and their consolidated subsidiaries is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, particularly during the period for which this quarterly report has been prepared. The aforementioned principal officers have concluded that the disclosure controls and procedures are also effective to ensure that information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive and principal financial officers, to allow for timely decisions regarding required disclosure.

(b) Change in internal controls over financial reporting.

The Registrants' principal executive officers and principal financial officers have concluded that there were no changes in the Registrants' internal control over financial reporting during the Registrants' second fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrants' internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding pending administrative and judicial proceedings involving regulatory, environmental and other matters, which information is incorporated by reference into this Part II, see:

- "Item 3. Legal Proceedings" in each Registrant's 2015 Form 10-K; and
- Notes 6 and 10 to the Financial Statements.

Item 1A. Risk Factors

There have been no material changes in the Registrants' risk factors from those disclosed in "Item 1A. Risk Factors" of the Registrants' 2015 Form 10-K except the following:

(PPL)

Risks Relating to the Spinoff of PPL Energy Supply and Formation of Talen Energy Corporation

If the spinoff of PPL Energy Supply does not qualify as a tax-free distribution under Sections 355 and 368 of the Internal Revenue Code of 1986, as amended (the "Code"), including as a result of subsequent acquisitions of stock of PPL or Talen Energy, then PPL and/or its shareowners may be required to pay substantial U.S. federal income taxes.

Among other requirements, the completion of the June 1, 2015 spinoff of PPL Energy Supply and subsequent combination with RJS Power was conditioned upon PPL's receipt of a legal opinion of tax counsel to the effect that the spinoff will qualify as a reorganization pursuant to Section 368(a)(1)(D) and a tax-free distribution pursuant to Section 355 of the Code. Although receipt of such legal opinion was a condition to completion of the spinoff and subsequent combination, that legal opinion is not binding on the IRS. Accordingly, the IRS could reach conclusions that are different from those in the legal opinion. If, notwithstanding the receipt of such legal opinion, the IRS were to determine the distribution to be taxable, PPL would, and its shareowners could, depending on their individual circumstances, recognize a tax liability that could be substantial. In addition, notwithstanding the receipt of such legal opinion, if the IRS were to determine the merger to be taxable, PPL shareowners may, depending on their individual circumstances, recognize a tax liability that could be material.

In addition, the spinoff will be taxable to PPL pursuant to Section 355(e) of the Code if there is a 50% or greater change in ownership (by vote or value) of either PPL or Talen Energy, directly or indirectly, as part of a plan or series of related transactions that include the spinoff. Because PPL's shareowners collectively owned more than 50% of Talen Energy's common stock following the spinoff and subsequent combination, the combination alone will not cause the spinoff to be taxable to PPL under Section 355(e) of the Code. However, Section 355(e) of the Code might apply if acquisitions of stock of PPL before or after the spinoff, or of Talen Energy after the combination, were considered to be part of a plan or series of related transactions that include the spinoff. PPL is not aware of any such plan or series of transactions that include the spinoff.

On June 2, 2016, Talen Energy entered into a merger agreement with affiliates of Riverstone, pursuant to which a subsidiary of affiliates of Riverstone will merge with Talen Energy (the "Talen Merger"). Upon completion of the Talen Merger, which is subject to certain closing conditions, affiliates of Riverstone will convert their existing ownership of approximately 35% of the issued and outstanding common stock of Talen Energy into shares of the surviving corporation and each other share of Talen Energy common stock, subject to certain exceptions, will be cancelled and converted into the right to receive the cash merger consideration. Pursuant to the Separation Agreement entered into in consideration with the spinoff, receipt of a legal opinion of tax counsel to the effect that the spinoff will continue to qualify as a reorganization pursuant to Section 368(a)(1)(D) and a tax-free distribution pursuant to Section 355 of the Code following the completion of the Talen Merger shall be required to complete the Talen Merger. As described above, such legal opinion will not be binding on the IRS and accordingly, the IRS could reach conclusions that are different from those in the legal opinion. If, notwithstanding the receipt of such legal opinion, the IRS were to determine the distribution to be taxable, PPL and its shareowners could, depending on circumstances, recognize a tax liability that could be substantial.

Risks related to our U.K. segment

PPL's earnings may be adversely affected as a result of the June 23, 2016 referendum in the U.K. to withdraw from the European Union.

Significant uncertainty exists concerning the effects of the June 23, 2016 referendum in favor of the U.K. withdrawal from the European Union, including whether formal withdrawal will occur and the nature and duration of negotiations between the U.K. and European Union as to the terms of any withdrawal. PPL cannot predict either the short-term impact on foreign exchange rates or long-term impact on PPL's financial condition that may be experienced as a result of any actions that may be taken by the U.K. government to withdraw from the European Union, although such impacts could be significant.

Item 4. Mine Safety Disclosures

Not applicable.

Item 6. Exhibits

The following Exhibits indicated by an asterisk preceding the Exhibit number are filed herewith. The balance of the Exhibits has heretofore been filed with the Commission and pursuant to Rule 12(b)-32 are incorporated herein by reference. Exhibits indicated by a [_] are filed or listed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

3(a)	- Amended and Restated Articles of Incorporation of PPL Corporation, effective as of May 25, 2016 (Exhibit 3(i) to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 26, 2016)
*4(a)	- Amendment No. 12 to PPL Employee Stock Ownership Plan, dated April 27, 2016
*4(b)	- Amendment No. 13 to PPL Employee Stock Ownership Plan, dated May 13, 2016
4(c)	- Supplemental Indenture No. 15, dated as of May 17, 2016, among PPL Capital Funding, Inc., PPL Corporation and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank)), as Trustee (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 17, 2016)

*10(a)	- Second Amendment to Revolving Credit Agreement, dated as of March 17, 2016, to the March 26, 2014 Existing Credit Agreement, between PPL Capital Funding, Inc., the Borrower, PPL Corporation, the Guarantor, and The Bank of Nova Scotia, as the Administrative Agent and as a Lender
10(b)	- £100,000,000 Term Loan Agreement, dated May 24, 2016, between Western Power Distribution (East Midlands) PLC and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 26, 2016)
*12(a)	- PPL Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(b)	- PPL Electric Utilities Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(c)	- LG&E and KU Energy LLC and Subsidiaries Computation of Ratio of Earnings to Fixed Charges
*12(d)	- Louisville Gas and Electric Company Computation of Ratio of Earnings to Fixed Charges
*12(e)	- Kentucky Utilities Company Computation of Ratio of Earnings to Fixed Charges

Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended June 30, 2016, filed by the following officers for the following companies:

*31(a)	- PPL Corporation's principal executive officer
*31(b)	- PPL Corporation's principal financial officer
*31(c)	- PPL Electric Utilities Corporation's principal executive officer
*31(d)	- PPL Electric Utilities Corporation's principal financial officer
*31(e)	- LG&E and KU Energy LLC's principal executive officer
*31(f)	- LG&E and KU Energy LLC's principal financial officer
*31(g)	- Louisville Gas and Electric Company's principal executive officer
*31(h)	- Louisville Gas and Electric Company's principal financial officer
*31(i)	- Kentucky Utilities Company's principal executive officer
*31(j)	- Kentucky Utilities Company's principal financial officer

Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended June 30, 2016, furnished by the following officers for the following companies:

*32(a)	- PPL Corporation's principal executive officer and principal financial officer
*32(b)	- PPL Electric Utilities Corporation's principal executive officer and principal financial officer
*32(c)	- LG&E and KU Energy LLC's principal executive officer and principal financial officer
*32(d)	- Louisville Gas and Electric Company's principal executive officer and principal financial officer
*32(e)	- Kentucky Utilities Company's principal executive officer and principal financial officer

101.INS	- XBRL Instance Document
101.SCH	- XBRL Taxonomy Extension Schema
101.CAL	- XBRL Taxonomy Extension Calculation Linkbase
101.DEF	- XBRL Taxonomy Extension Definition Linkbase
101.LAB	- XBRL Taxonomy Extension Label Linkbase
101.PRE	- XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiaries.

PPL Corporation

(Registrant)

Date: August 9, 2016

/s/ Stephen K. Breininger

Stephen K. Breininger
Vice President and Controller

(Principal Accounting Officer)

PPL Electric Utilities Corporation

(Registrant)

Date: August 9, 2016

/s/ Marlene C. Beers

Marlene C. Beers
Controller

(Principal Financial Officer and Principal Accounting Officer)

LG&E and KU Energy LLC

(Registrant)

Louisville Gas and Electric Company

(Registrant)

Kentucky Utilities Company

(Registrant)

Date: August 9, 2016

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Exhibit 4(a)

AMENDMENT NO. 12
TO
PPL EMPLOYEE STOCK OWNERSHIP PLAN

WHEREAS, PPL Services Corporation ("PPL") has adopted the PPL Employee Stock Ownership Plan ("Plan") effective January 1, 2000; and

WHEREAS, the Plan was amended and restated effective January 1, 2002, and subsequently amended by Amendment No. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11; and

NOW, THEREFORE, the Plan is hereby amended as follows:

I. Effective January 1, 2015, Article III Eligibility is amended to read as follows:

ARTICLE III
ELIGIBILITY

3.1 Eligibility.

(a) All persons who were participants in the Plan immediately prior to January 1, 2015 and who are in the employ of a Participating Company on January 1, 2015 shall remain Participants hereunder as of such date. All Employees as of January 1, 2015 (but who are not eligible to participate under the preceding sentence) who have completed one year of Credited Service shall be Participants as of that date. No employee hired after January 1, 2015 who is not subject to a collective bargaining agreement shall be a Participant. Effective before July 31, 2006, other Employees shall become Participants on the first day of the calendar month next following the date on which an Employee completes one year of Credited Service, or if later, on which an individual becomes an

Employee. Effective on and after July 31, 2006, but prior to January 1, 2015 for employees not subject to a collective bargaining agreement, other Employees shall become Participants on the first day of the calendar month next following the date on which an individual becomes an Employee. A "year of Credited Service," for the purposes of this Article, shall require completion of at least 1,000 Hours of Service during the 12 months from commencement of employment. An Employee who fails to complete 1,000 Hours of Service during his initial 12 months of employment shall complete a year of Credited Service as of the end of any Plan Year in which he completes 1,000 Hours of Service; provided, however, that the first Plan Year during which such Employee shall have the opportunity to complete such 1,000 Hours of Service shall include the anniversary of his commencement of employment.

(b) An Employee may elect in writing not to become a Participant by filing such election with the Employee Benefit Plan Board.

3.2 Participation. A Participant shall share in contributions under Article V for any Plan Year during which he (a) completes at least one Hour of Service and (b) receives Compensation. A Participant shall cease to be a Participant on the date on which his entire Account is distributed to him. Notwithstanding the foregoing, for Plan Year 1990, any Participant who is totally and permanently disabled shall share in contributions under Article V.

3.3 Reemployment after Break of Service. In the event a Participant ceases to be an Employee and subsequently again becomes an Employee, he shall not be readmitted as a Participant if he is not subject to a collective bargaining agreement.

II. Except as provided in this Amendment No. 12, all other provisions of the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, this Amendment No. 12 is executed this _____ day of _______________, 2016.

PPL Services Corporation

By: ___________________________________

Thomas J. Lynch
Vice President – Human Resources

Exhibit 4(b)

AMENDMENT NO. 13
TO
PPL EMPLOYEE STOCK OWNERSHIP PLAN

WHEREAS, PPL Services Corporation ("PPL") has adopted the PPL Employee Stock Ownership Plan ("Plan") effective January 1, 2000; and

WHEREAS, the Plan was amended and restated effective January 1, 2002, and subsequently amended by Amendment No. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 12; and

NOW, THEREFORE, the Plan is hereby amended as follows:

I. Effective February 11, 2016, Appendix A is amended to read as follows:

Appendix A

Participating Company

Name		Effective Date
1.	PPL Services Corporation	July 1, 2000
2.	PPL Electric Utilities Corporation	January 1, 1975
3.	PPL EnergyPlus, LLC	July 14, 1998 (not participating as of June 1, 2015)
4.	PPL Generation, LLC	July 1, 2000 (not participating as of June 1, 2015)
5.	PPL Brunner Island, LLC	July 1, 2000 (not participating as of June 1, 2015)
6.	PPL Holtwood, LLC	July 1, 2000 (not participating as of June 1, 2015)
7.	PPL Martins Creek, LLC	July 1, 2000 (not participating as of June 1, 2015)
8.	PPL Montour, LLC	July 1, 2000

		(not participating as of June 1, 2015)
9.	PPL Susquehanna, LLC	July 1, 2000 (not participating as of June 1, 2015)
10.	PPLSolutions, LLC	January 1, 2002
11.	Lower Mount Bethel Energy, LLC	September 30, 2002 (not participating as of June 1, 2015)
12.	PPL Development Company, LLC	January 1, 2006
13.	PPL Global, LLC	January 1, 2006
14.	PPL Energy Services Group, LLC	September 25, 2006 (not participating as of June 1, 2015)
15.	PPL Interstate Energy Company	January 1, 2008 (not participating as of June 1, 2015)
16.	PPL Strategic Development, LLC	January 1, 2012
17.	PPL EnergyPlus Retail, LLC	June 23, 2011 (not participating as of June 1, 2015)
18.	PPL Energy Supply, LLC	September 17, 2012 (not participating as of June 1, 2015)
19.	PPL TransLink, Inc.	February 11, 2016

II. Except as provided in this Amendment No. 13, all other provisions of the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, this Amendment No. 13 is executed this _____ day of ________________, 2016.

EMPLOYEE BENEFIT PLAN BOARD

By: ________________________________
Julissa Burgos
Chair, Employee Benefit Plan Board

Exhibit 10(a)

SECOND AMENDMENT TO REVOLVING CREDIT AGREEMENT

THIS SECOND AMENDMENT TO REVOLVING CREDIT AGREEMENT, dated as of March [17], 2016 (this "Amendment"), to the Existing Credit Agreement (as defined below) is made by PPL CAPITAL FUNDING, INC., a Delaware corporation (the "Borrower"), PPL CORPORATION, a Pennsylvania corporation (the "Guarantor") and each Lender (such capitalized term and other capitalized terms used in this preamble and the recitals below to have the meanings set forth in, or are defined by reference in, Article I below).

W I T N E S S E T H:

WHEREAS, the Borrower, the Guarantor, the Lenders and The Bank of Nova Scotia, as the Administrative Agent, Sole Lead Arranger and Sole Bookrunner, are all parties to the Revolving Credit Agreement, dated as of March 26, 2014 (as amended or otherwise modified prior to the date hereof, the "Existing Credit Agreement", and as amended by this Amendment and as the same may be further amended, supplemented, amended and restated or otherwise modified from time to time, the "Credit Agreement"); and

WHEREAS, the Borrower has requested that the Lenders amend the Existing Credit Agreement in order to extend the maturity date therein and the Lenders are willing to modify the Existing Credit Agreement on the terms and subject to the conditions hereinafter set forth;

NOW, THEREFORE, the parties hereto hereby covenant and agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1. Certain Definitions. The following terms when used in this Amendment shall have the following meanings (such meanings to be equally applicable to the singular and plural forms thereof):

"Amendment" is defined in the preamble.

"Borrower" is defined in the preamble.

"Credit Agreement" is defined in the first recital.

"Existing Credit Agreement" is defined in the first recital.

"Guarantor" is defined in the preamble.

SECTION 1.2. Other Definitions. Terms for which meanings are provided in the Existing Revolving Credit Agreement are, unless otherwise defined herein or the context otherwise requires, used in this Amendment with such meanings.

ARTICLE II
AMENDMENTS TO THE EXISTING CREDIT AGREEMENT

Effective as of the date hereof, but subject to the satisfaction of the conditions in Article III,

(a) Section 1.1 of the Existing Credit Agreement is hereby amended by amending and restating the definition of "Termination Date" as follows:

"Termination Date" means the earliest to occur of (i) March 17, 2017 and (ii) such earlier date upon which all Commitments shall have been terminated in their entirety in accordance with this Agreement.

(b) Sections 5.04(a), 5.04(c), 5.05 and 5.13 of the Existing Credit Agreement are hereby amended by replacing references to "December 31, 2014" with "December 31, 2015".

ARTICLE III
CONDITIONS TO EFFECTIVENESS

This Amendment and the amendments contained herein shall become effective as of the date hereof when each of the conditions set forth in this Article III shall have been fulfilled to the satisfaction of the Administrative Agent.

SECTION 3.1. Counterparts. The Administrative Agent shall have received counterparts hereof executed on behalf of the Borrower, the Guarantor and the each of the Lenders.

SECTION 3.2. Costs and Expenses, etc. The Administrative Agent shall have received for the account of each Lender, all fees, costs and expenses due and payable pursuant to Section 9.03 of the Credit Agreement, if then invoiced.

SECTION 3.3. Resolutions, etc. The Administrative Agent shall have received from the Borrower and the Guarantor (i) a copy of a good standing certificate for such Loan Party, dated a date reasonably close to the date hereof and (ii) a certificate, dated as of the date hereof, of a Secretary or an Assistant Secretary of each Loan Party certifying (A) that attached thereto is a true, correct and complete copy of (x) the articles or certificate of incorporation of such Loan Party certified by the Secretary of State (or equivalent body) of the jurisdiction of incorporation of such Loan Party and (y) the bylaws of such Loan Party, and (b) that attached thereto is a true, correct and complete copy of resolutions adopted by the board of directors of such Loan Party authorizing the execution, delivery and performance of this Amendment and each other document delivered in connection herewith and that such resolutions have not been amended and are in full force.

SECTION 3.4. Opinion of Counsel. The Administrative Agent shall have received an opinion, dated the date hereof and addressed to the Administrative Agent and all Lenders, from counsel to the Borrower, in form and substance satisfactory to the Administrative Agent.

SECTION 3.5. Satisfactory Legal Form. The Administrative Agent and its counsel shall have received all information, and such counterpart originals or such certified or other copies of such materials, as the Administrative Agent or its counsel may reasonably request, and all legal matters incident to the effectiveness of this Amendment shall be satisfactory to the Administrative Agent and its counsel. All documents executed or submitted pursuant hereto or in connection herewith shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel.

ARTICLE IV
MISCELLANEOUS

SECTION 4.1. Cross-References. References in this Amendment to any Article or Section are, unless otherwise specified, to such Article or Section of this Amendment.

SECTION 4.2. Loan Document Pursuant to Existing Credit Agreement. This Amendment is a Loan Document executed pursuant to the Existing Credit Agreement and shall (unless otherwise expressly indicated therein) be construed, administered and applied in accordance with all of the terms and provisions of the Existing Credit Agreement, as amended hereby, including Article IX thereof.

SECTION 4.3. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 4.4. Counterparts. This Amendment may be executed by the parties hereto in several counterparts, each of which when executed and delivered shall be an original and all of which shall constitute together but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by facsimile shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 4.5. Governing Law. THIS AMENDMENT WILL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING FOR SUCH PURPOSE SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK).

SECTION 4.6. Full Force and Effect; Limited Amendment. Except as expressly amended hereby, all of the representations, warranties, terms, covenants, conditions and other provisions of the Existing Credit Agreement and the Loan Documents shall remain unchanged and shall continue to be, and shall remain, in full force and effect in accordance with their respective terms. The amendments set forth herein shall be limited precisely as provided for herein to the provisions expressly amended herein and shall not be deemed to be an amendment to, waiver of, consent to or modification of any other term or provision of the Existing Credit Agreement or any other Loan Document or of any transaction or further or future action on the part of any Obligor which would require the consent of the Lenders under the Existing Credit Agreement or any of the Loan Documents.

SECTION 4.7. Representations and Warranties. In order to induce the Lenders to execute and deliver this Amendment, the Borrower and Guarantor each hereby represents and warrants to the Lenders, on the date this Amendment becomes effective pursuant to Article III, that both before and after giving effect to this Amendment, all representations and warranties set forth in Article V of the Credit Agreement are true and correct as of such date, except to the extent that any such statement expressly relates to an earlier date (in which case such statement was true and correct on and as of such earlier date).

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment as of the date first above written.

PPL CAPITAL FUNDING, INC., as the Borrower

By:_________________________
Name:
Title:

PPL CORPORATION, as the Guarantor

By:_________________________
Name:
Title:

THE BANK OF NOVA SCOTIA, as the Administrative Agent and as a Lender

By:_________________________
Name:
Title:

Exhibit 12(a)

PPL CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	Six Months Ended June 30,	Years Ended December 31, (a)				
	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Earnings, as defined:						
Income from Continuing Operations Before Income Taxes	**$ 1,335**	$ 2,068	$ 2,129	$ 1,728	$ 1,406	$ 922
Adjustment to reflect earnings from equity method investments on a cash basis (b)	**—**	(1)	—	—	34	—
	1,335	2,067	2,129	1,728	1,440	922
Total fixed charges as below	**459**	1,054	1,095	1,096	1,065	1,022
Less:						
Capitalized interest	**2**	11	11	11	6	4
Preferred security distributions of subsidiaries on a pre-tax basis	**—**	—	—	—	5	23
Interest expense and fixed charges related to discontinued operations	**—**	150	186	235	235	231
Total fixed charges included in Income from Continuing Operations Before Income Taxes	**457**	893	898	850	819	764
Total earnings	**$ 1,792**	$ 2,960	$ 3,027	$ 2,578	$ 2,259	$ 1,686
Fixed charges, as defined:						
Interest charges (c)	**$ 454**	$ 1,038	$ 1,073	$ 1,058	$ 1,019	$ 955
Estimated interest component of operating rentals	**5**	16	22	38	41	44
Preferred security distributions of subsidiaries on a pre-tax basis	**—**	—	—	—	5	23
Total fixed charges (d)	**$ 459**	$ 1,054	$ 1,095	$ 1,096	$ 1,065	$ 1,022
Ratio of earnings to fixed charges	**3.9**	2.8	2.8	2.4	2.1	1.7
Ratio of earnings to combined fixed charges and preferred stock dividends (e)	**3.9**	2.8	2.8	2.4	2.1	1.7

(a) Reflects PPL's Supply segment as Discontinued Operations. See Note 8 to the Financial Statements for additional information.

(b) Includes other-than-temporary impairment loss of $25 million in 2012.

(c) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.

(d) Interest on unrecognized tax benefits is not included in fixed charges.

(e) PPL, the parent holding company, does not have any preferred stock outstanding; therefore, the ratio of earnings to combined fixed charges and preferred stock dividends is the same as the ratio of earnings to fixed charges.

Exhibit 12(b)

PPL ELECTRIC UTILITIES CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	Six Months Ended June 30,	Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Earnings, as defined:						
Income Before Income Taxes	**$ 277**	$ 416	$ 423	$ 317	$ 204	$ 257
Total fixed charges as below	**71**	139	131	117	107	105
Total earnings	**$ 348**	$ 555	$ 554	$ 434	$ 311	$ 362
Fixed charges, as defined:						
Interest charges (a)	**$ 69**	$ 135	$ 127	$ 113	$ 104	$ 102
Estimated interest component of operating rentals	**2**	4	4	4	3	3
Total fixed charges (b)	**$ 71**	$ 139	$ 131	$ 117	$ 107	$ 105
Ratio of earnings to fixed charges	**4.9**	4.0	4.2	3.7	2.9	3.4
Preferred stock dividend requirements on a pre-tax basis	**$ —**	$ —	$ —	$ —	$ 6	$ 21
Fixed charges, as above	**71**	139	131	117	107	105
Total fixed charges and preferred stock dividends	**$ 71**	$ 139	$ 131	$ 117	$ 113	$ 126
Ratio of earnings to combined fixed charges and preferred stock dividends	**4.9**	4.0	4.2	3.7	2.8	2.9

(a) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.

(b) Interest on unrecognized tax benefits is not included in fixed charges.

Exhibit 12(c)

LG&E AND KU ENERGY LLC AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Six Months Ended June 30,	Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Earnings, as defined:						
Income from Continuing Operations Before Income Taxes	**$ 327**	$ 603	$ 553	$ 551	$ 331	$ 419
Adjustment to reflect earnings from equity method investments on a cash basis (a)	**—**	(1)	(1)	(1)	33	(1)
	327	602	552	550	364	418
Total fixed charges as below	**109**	189	173	151	157	153
Total earnings	**$ 436**	$ 791	$ 725	$ 701	$ 521	$ 571
Fixed charges, as defined:						
Interest charges (b) (c)	**$ 105**	$ 181	$ 167	$ 145	$ 151	$ 147
Estimated interest component of operating rentals	**4**	8	6	6	6	6
Total fixed charges	**$ 109**	$ 189	$ 173	$ 151	$ 157	$ 153
Ratio of earnings to fixed charges	**4.0**	4.2	4.2	4.6	3.3	3.7

(a) Includes other-than-temporary impairment loss of $25 million in 2012.

(b) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

(c) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(d)

LOUISVILLE GAS AND ELECTRIC COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Six Months Ended June 30,	Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Earnings, as defined:						
Income Before Income Taxes	**$ 155**	$ 299	$ 272	$ 257	$ 192	$ 195
Total fixed charges as below	**37**	61	51	36	44	46
Total earnings	**$ 192**	$ 360	$ 323	$ 293	$ 236	$ 241
Fixed charges, as defined:						
Interest charges (a) (b)	**$ 35**	$ 57	$ 49	$ 34	$ 42	$ 44
Estimated interest component of operating rentals	**2**	4	2	2	2	2
Total fixed charges	**$ 37**	$ 61	$ 51	$ 36	$ 44	$ 46
Ratio of earnings to fixed charges	**5.2**	5.9	6.3	8.1	5.4	5.2

(a) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

(b) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(e)

KENTUCKY UTILITIES COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Six Months Ended June 30,	Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Earnings, as defined:						
Income Before Income Taxes	**$ 209**	$ 374	$ 355	$ 360	$ 215	$ 282
Adjustment to reflect earnings from equity method investments on a cash basis (a)	—	(1)	(1)	(1)	33	(1)
	209	373	354	359	248	281
Total fixed charges as below	**49**	86	80	73	72	73
Total earnings	**$ 258**	$ 459	$ 434	$ 432	$ 320	$ 354
Fixed charges, as defined:						
Interest charges (b)	**$ 47**	$ 82	$ 77	$ 70	$ 69	$ 70
Estimated interest component of operating rentals	**2**	4	3	3	3	3
Total fixed charges	**$ 49**	$ 86	$ 80	$ 73	$ 72	$ 73
Ratio of earnings to fixed charges	**5.3**	5.3	5.4	5.9	4.4	4.8

(a) Includes other-than-temporary impairment loss of $25 million in 2012.

(b) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

Exhibit 31(a)

CERTIFICATION

I, WILLIAM H. SPENCE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2016

/s/ William H. Spence

William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

Exhibit 31(b)

CERTIFICATION

I, VINCENT SORGI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2016

/s/ Vincent Sorgi

Vincent Sorgi
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

Exhibit 31(c)

CERTIFICATION

I, GREGORY N. DUDKIN, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2016

/s/ Gregory N. Dudkin

Gregory N. Dudkin
President
(Principal Executive Officer)
PPL Electric Utilities Corporation

Exhibit 31(d)

CERTIFICATION

I, MARLENE C. BEERS, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2016

/s/ Marlene C. Beers

Marlene C. Beers
Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

Exhibit 31(e)

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
LG&E and KU Energy LLC

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2016

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
LG&E and KU Energy LLC

Exhibit 31(g)

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Louisville Gas and Electric Company

Exhibit 31(h)

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2016

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Louisville Gas and Electric Company

Exhibit 31(i)

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kentucky Utilities Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Kentucky Utilities Company

Exhibit 31(j)

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kentucky Utilities Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2016

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Kentucky Utilities Company

Exhibit 32(a)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2016

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, William H. Spence, the Principal Executive Officer of the Company, and Vincent Sorgi, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2016

/s/ William H. Spence
William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

/s/ Vincent Sorgi
Vincent Sorgi
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(b)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2016

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Gregory N. Dudkin, the Principal Executive Officer of the Company, and Marlene C. Beers, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2016

/s/ Gregory N. Dudkin
Gregory N. Dudkin
President
(Principal Executive Officer)
PPL Electric Utilities Corporation

/s/ Marlene C. Beers
Marlene C. Beers
Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(c)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2016

In connection with the quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "Company") for the quarter ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
LG&E and KU Energy LLC

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
LG&E and KU Energy LLC

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(d)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2016

In connection with the quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "Company") for the quarter ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Louisville Gas and Electric Company

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Louisville Gas and Electric Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(e)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2016

In connection with the quarterly report on Form 10-Q of Kentucky Utilities Company (the "Company") for the quarter ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Kentucky Utilities Company

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Kentucky Utilities Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

FORM 8-K

PPL CORP - PPL

Filed: September 15, 2016 (period: September 15, 2016)

Report of unscheduled material events or corporate changes.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 15, 2016

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
333-173665	**LG&E and KU Energy LLC** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-2893	**Louisville Gas and Electric Company** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 2 – Financial Information

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

and

Section 8 - Other Events

Item 8.01 Other Events

On September 15, 2016, the County of Trimble, Kentucky (the "Issuer") issued $125,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds, 2016 Series A (Louisville Gas and Electric Company Project) (the "Issuer Bonds") on behalf of Louisville Gas and Electric Company ("LG&E"). The proceeds of the Issuer Bonds are being used to pay and discharge $83,335,000 in outstanding principal amount of Pollution Control Revenue Bonds, 2000 Series A (Louisville Gas and Electric Company Project) and $41,665,000 in outstanding principal amount of Pollution Control Revenue Bonds, 2002 Series A (Louisville Gas and Electric Company Project), each previously issued by the Issuer on behalf of LG&E to refinance certain pollution control facilities (the "Project") owned by LG&E. The Issuer Bonds mature on September 1, 2044, and are subject to mandatory purchase on any date on which the Issuer Bonds are converted to a different interest rate mode, as described below.

The Issuer Bonds were issued under an Indenture of Trust, dated as of September 1, 2016 (the "Indenture"), by and between the Issuer and U.S. Bank National Association, as trustee (the "Issuer Bond Trustee"). The Issuer has loaned the proceeds of the Issuer Bonds to LG&E pursuant to a Loan Agreement dated as of September 1, 2016 between LG&E and the Issuer (the "Loan Agreement"). Pursuant to the Loan Agreement, LG&E is obligated to make payments in such amounts and at such times as will be sufficient to pay, when due, the principal or redemption price and interest on the Issuer Bonds.

To secure its obligations to make payments with respect to the Issuer Bonds, LG&E has delivered to the Issuer Bond Trustee its First Mortgage Bonds, Collateral Series 2016TCA (the "Company Mortgage Bonds"), in each case, issued pursuant to LG&E's Indenture, dated as of October 1, 2010, to The Bank of New York Mellon, as trustee, as supplemented by Supplemental Indenture No. 5 ("Supplemental Indenture No. 5") dated as of September 1, 2016 (the "2010 Indenture"). The principal amount, maturity date and interest rate provisions on the Company Mortgage Bonds correspond to the principal amount and maturity date of, and the interest rates on, the Issuer Bonds. So long as LG&E makes the required payments under the Loan Agreement, it will not be obligated to make additional payments on the Company Mortgage Bonds.

The Issuer Bonds initially were issued bearing interest at a weekly rate as determined by a remarketing agent in accordance with the Indenture taking into account then prevailing market conditions. The method of determining the interest rate on the Issuer Bonds may be converted from time to time at LG&E's option in accordance with the Indenture to a daily rate, a weekly rate, a semi-annual rate, an annual rate, a long term rate, rates based on a London Interbank Offered (LIBOR) rate, a term rate based on the Securities Industry and Financial Markets Association Municipal Swap Index or an agreed flexible rate determined by a remarketing agent based on prevailing market conditions.

On any business day while the Issuer Bonds bear interest at the weekly rate, the Issuer Bonds are subject to optional redemption at the option of the Issuer upon the written direction of LG&E, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date. The optional redemption provisions may be changed in connection with a conversion to a different interest rate mode. The Issuer Bonds are also subject to extraordinary optional redemption at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by LG&E of an option under the Loan Agreement to prepay the loan upon the occurrence of certain events, including the imposition of unreasonable burdens or excessive liabilities upon LG&E with respect to the Project, specified damage to or destruction of the Project, changes in the economic availability of materials or supplies necessary for the efficient operation of the generating station served by the Project, condemnation of the Project, certain changes in law rendering the Loan Agreement void or unenforceable or an order requiring cessation of a substantial part of LG&E's operations at the generating station served by the Project that would prevent LG&E from carrying on its normal operations at such station for a period of six months. The Issuer Bonds are also subject to mandatory redemption upon a determination that the interest on the Issuer Bonds would be included in the gross income of the owners thereof for federal income tax purposes. Any such mandatory redemption would be at a redemption price of 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date.

The Loan Agreement, Supplemental Indenture No. 5 and the Officer's Certificate under the 2010 Indenture relating to the Company Mortgage Bonds are filed with this report as Exhibits 4(a), 4(b) and 4(c), respectively.

Section 9 – Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit No.	Description
4(a)	Loan Agreement dated as of September 1, 2016 between Louisville Gas and Electric Company and the County of Trimble, Kentucky.
4(b)	Supplemental Indenture No. 5, dated as of September 1, 2016, of Louisville Gas and Electric Company to The Bank of New York Mellon, as Trustee.
4(c)	Officer's Certificate, dated September 15, 2016, pursuant to Section 201 and Section 301 of the Indenture, dated as of October 1, 2010, of Louisville Gas and Electric Company to The Bank of New York Mellon.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

PPL CORPORATION

By: /s/ Stephen K. Breininger
Stephen K. Breininger
Vice President and Controller

LG&E AND KU ENERGY LLC

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

LOUISVILLE GAS AND ELECTRIC COMPANY

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

Dated: September 15, 2016

COUNTY OF TRIMBLE, KENTUCKY

And

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * * *

LOAN AGREEMENT

* * * * *

Dated as September 1, 2016

* * * * *

NOTICE: The interest of the County of Trimble, Kentucky, in and to this Loan Agreement has been assigned to U.S. Bank National Association, as Trustee, under the Indenture of Trust dated as of September 1, 2016

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LOAN AGREEMENT

This **LOAN AGREEMENT** (this "**Agreement**"), dated as of September 1, 2016, by and between the **COUNTY OF TRIMBLE, KENTUCKY** (the "**Issuer**"), a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and **LOUISVILLE GAS AND ELECTRIC COMPANY**, a corporation organized and existing under the laws of Kentucky (the "**Company**");

PREAMBLE

WHEREAS, all capitalized terms not otherwise defined in this preamble shall have the meanings set forth in ARTICLE I hereof, unless the context or use clearly indicates another meaning or intent; and

WHEREAS, pursuant to the Act, the Issuer has the power to enter into the transactions contemplated by this Agreement and to carry out its obligations hereunder; and

WHEREAS, the Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition of "pollution control facilities," as defined by the Act; and

WHEREAS, the Issuer is further authorized pursuant to the Act to enter into a loan agreement, which may include such provisions as the Issuer shall deem appropriate to effect the securing of a financing or refinancing undertaken in respect of Pollution Control Facilities, including the securing of a letter of credit, other credit facilities, or collateral; and

WHEREAS, the Act further provides that title to the Pollution Control Facilities shall not be acquired by the Issuer in the case of a loan transaction; and

WHEREAS, the Issuer previously issued the Refunded 2000 Series A Bonds for the purpose of financing and refinancing the costs of the Project constituting certain Pollution Control Facilities located within Trimble County, Kentucky at the Company's Trimble County Generating Station consisting of air and water pollution control facilities. The Issuer entered into the 2000 Series A Indenture with The Bank of New York, as Trustee, Paying Agent, and Bond Registrar thereunder and it is provided in ARTICLE VIII of the 2000 Series A Indenture that the Refunded 2000 Series A Bonds, or any of them, shall be deemed to have been paid within the meaning of such 2000 Series A Indenture when there shall have been irrevocably deposited with the Prior 2000 Series A Trustee, either cash or Governmental Obligations, as defined in the 2000 Series A Indenture, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to pay the principal and the applicable redemption premium, if any, on the Refunded 2000 Series A Bonds plus interest thereon to the date of payment and discharge thereof (whether at maturity, upon redemption, or otherwise), plus sufficient moneys to pay all necessary and proper fees, compensation, and expenses of the Prior 2000 Series A Trustee, authenticating agent, bond registrar, and any paying agent; together with irrevocable instructions to call and redeem the Refunded 2000 Series A Bonds; and

WHEREAS, the Issuer previously issued the Refunded 2002 Series A Bonds for the purpose of financing and refinancing the costs of the Project constituting certain Pollution Control Facilities located within Trimble County, Kentucky at the Company's Trimble County Generating Station consisting of air and water pollution control facilities. The Issuer entered into the 2002 Series A Indenture with U.S. Bank National Association (successor to Deutsche Bank Trust Company Americas), as Trustee, Paying Agent, and Bond Registrar thereunder and it is provided in ARTICLE VIII of the 2002 Series A Indenture that the Refunded 2002 Series A Bonds, or any of them, shall be deemed to have been paid within the meaning of such 2002 Series A Indenture when there shall have been irrevocably deposited with the Prior 2002 Series A Trustee, either cash or Governmental Obligations, as defined in the 2002 Series A Indenture, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to pay the principal and the applicable redemption premium, if any, on the Refunded 2002 Series A Bonds plus interest thereon to the date of payment and discharge thereof (whether at maturity, upon redemption, or otherwise), plus sufficient moneys to pay all necessary and proper fees, compensation, and expenses of the Prior 2002 Series A Trustee, authenticating agent, bond registrar, and any paying agent; together with irrevocable instructions to call and redeem the Refunded 2002 Series A Bonds; and

WHEREAS, the Company has heretofore, by the issuance of the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds, financed or refinanced all or a portion of the qualified costs of the construction and acquisition of certain air and water pollution control facilities and facilities functionally related and subordinate to such facilities to serve the Trimble County Generating Station of the Company, which facilities constitute the Project, as defined in the Indenture and as described in **Exhibit A** hereto, which Project is located within the corporate boundaries of the Issuer and consists of certain air and water pollution control facilities and facilities functionally related and subordinate to such facilities in furtherance of the regulations of the Department for Environmental Protection of the Energy and Environmental Cabinet of the Commonwealth of Kentucky and which Project qualifies for financing and refinancing within the meaning of the Act; and

WHEREAS, (i) construction of the Project began before September 26, 1985; completion of the Project occurred after September 26, 1985 and original use of the Project commenced with the Company, (ii) a binding contract to incur significant (i.e., 10% of the then reasonably anticipated cost of construction of the Project) expenditures for construction of the Project was entered into before September 26, 1985 and some of such expenditures were incurred on or after September 26, 1985 and (iii) with respect to both (i) and (ii) above, the Project was described in an inducement resolution or other comparable approval adopted by the Fiscal Court of the Issuer before September 26, 1985 (i.e., on February 29, 1980); and

WHEREAS, the Project has been completed and placed in operation in whole or in part and has contributed to the control, containment, reduction, and abatement of atmospheric pollution and contamination and water pollution in the Commonwealth of Kentucky; and

WHEREAS, in connection with the issuance of the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds, the right was reserved to the Issuer, upon direction by the Company, to redeem the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds in advance of their respective maturities; and the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds are by their terms each currently subject to redemption at the option of the Issuer in whole or in part at certain specified dates, at the price of 100% of their respective principal amounts thereof and accrued interest, if any, to their respective redemption dates, as provided in the 2000 Series A

Indenture and the 2002 Series A Indenture, respectively; and the immediate redemption and discharge of the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds will result in benefits to the general public and the Company and should be carried out forthwith in the public interest by the issuance by the Issuer of the 2016 Series A Bonds, and the application of the proceeds of the 2016 Series A Bonds, together with funds to be provided by the Company, for, among other things, the refunding, payment, and discharge of the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds on or before the 90th day from the Issuance Date of the 2016 Series A Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Fiscal Court of the Issuer on May 16, 2016, and in furtherance of the purposes of the Act, Issuer proposes to issue, sell, and deliver its 2016 Series A Bonds, the proceeds of which will be lent to the Company to cause the respective outstanding principal amounts of the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds to be refunded, paid, and discharged in full on or before the 90 th day from the Issuance Date; and

WHEREAS, the 2016 Series A Bonds are to be issued under and pursuant to and are to be secured by the Indenture of Trust dated as of September 1, 2016 by and between the Issuer and U.S. Bank National Association, as trustee (the "**Trustee**");

NOW, THEREFORE for and in consideration of the premises and the mutual covenants and agreements hereinafter contained, the parties hereto agree each with the other, as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. The terms used in this Loan Agreement, except as otherwise defined herein and unless the context requires otherwise, have the meanings set forth in the Indenture. All accounting terms not otherwise defined in the Indenture or herein have the meanings assigned to them in accordance with generally accepted accounting principles then in effect.

ARTICLE II
REPRESENTATIONS, WARRANTIES, AND COVENANTS

Section 2.1. Representations, Warranties, And Covenants By The Issuer. The Issuer represents, warrants, and covenants that:

(a) The Issuer is a public body corporate and politic duly created and existing as a county and de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, the Issuer has the power and duty to issue the 2016 Series A Bonds, to enter into this Agreement, the Indenture, and the transactions contemplated hereby, and to carry out its obligations hereunder and thereunder. The Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the 2016 Series A Bonds or the consummation of the transactions contemplated hereby or in connection with such issuance, and has been duly authorized to issue the 2016 Series A Bonds and to execute and deliver this Agreement and the Indenture. The Issuer agrees that it will do or cause to be done in timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Agreement.

(b) The Issuer agrees to loan funds derived from the sale of the 2016 Series A Bonds to the Company to provide for the refunding, payment, and discharge of the respective outstanding principal amounts of the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds and to the end that air and water pollution be abated and controlled at the Project Site.

(c) To accomplish the foregoing, the Issuer agrees to issue $125,000,000 aggregate principal amount of its 2016 Series A Bonds following the execution of this Agreement on the terms and conditions set forth in the Indenture. The proceeds from the sale of the 2016 Series A Bonds shall be allocated and applied exclusively and in whole to refund, pay, and discharge the respective outstanding principal amounts of the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds on or before the 90th day from the Issuance Date.

(d) The Issuer will cooperate with the Company and take all actions necessary for the Company to comply with Section 2.2(m), (q) and (t) hereof and take other actions reasonably requested by the Company in furtherance of this Agreement.

(e) The Project Site is located within the Issuer's jurisdictional boundaries.

Section 2.2. Representations, Warranties, And Covenants By The Company. The Company represents, warrants, and covenants that:

(a) The Company (1) is a corporation duly incorporated, validly existing, and in good standing under the laws of the Commonwealth of Kentucky; (2) is duly qualified, authorized, and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business; and (3) is not in violation of any provision of its Articles of Incorporation, its Bylaws, or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the 2016 Series A Bonds.

(b) The Company has full and complete legal power and authority to execute and deliver this Agreement, the First Mortgage Indenture Supplement, and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Agreement, the First Mortgage Indenture Supplement, and the First Mortgage Bonds.

(c) The Project currently refinanced by application of the proceeds of the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds and Company funds was designed and constructed to control, contain, reduce, and abate air and water pollution at the Project Site. The Project was and is necessary for the public health and welfare and has been designed solely for the purposes of controlling air and water pollution and the Project constitutes air and water pollution control facilities and facilities functionally related and subordinate to such facilities under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended.

(d) All of the proceeds of the 2016 Series A Bonds, exclusive of accrued interest, if any, shall be used on or before the 90th day from the Issuance Date exclusively and only to redeem, pay, and discharge the principal of the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds, not less than substantially all of the net proceeds of each series of the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds (i.e., at least 95% of the net proceeds thereof, including investment income thereon) were used to refinance the Cost of Construction of air and water pollution control facilities originally financed using the proceeds of the Refunded 1990 Series A Bonds and the Refunded 1990 Series B Bonds, respectively, and subsequently refinanced using the proceeds of the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds, respectively, together with facilities functionally related and subordinate to such facilities, and all of such air and water pollution control facilities consist either of land or of property of a character subject to the allowance for depreciation provided in Code Section 167. The Company will provide any additional moneys required to pay and discharge the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds within 90 days following the Issuance Date.

(e) The Project is of the type authorized and permitted by the Act, and the Cost of Construction of the Project was not less than $125,000,000. All statements of fact contained herein respecting the Trimble County Generating Station, including the Project, which is an integral component of the Trimble County Generating Station, and the Issuer's authorization of the Project, including the Project's construction, Trimble County Generating Station expenditures, including Project expenditures, and construction and acquisition contracts and related matters are true and correct in all respects and are incorporated herein.

(f) No Event of Default, and no event of the type described in clauses (a) through (e) of Section 9.1 hereof, has occurred and is continuing and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an Event of Default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under this Agreement, the First Mortgage Indenture Supplement, the First Mortgage Bonds, or the transactions contemplated hereby or thereby. Neither the execution and delivery of this Agreement, the First Mortgage Indenture Supplement, the First Mortgage Bonds, the consummation of the transactions contemplated hereby or thereby or by the Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof conflicts with or results in a breach of the terms, conditions, or provisions of any corporate restriction or any agreement or instrument to which the Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge, or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement.

(g) The Company intends to continue to operate or cause the Project to be operated as air and water pollution control facilities and facilities functionally related and subordinate thereto until all of the 2016 Series A Bonds are paid and discharged.

(h) No portion of the proceeds of 2016 Series A Bonds will be invested at a yield in excess of the yield on the 2016 Series A Bonds except: (1) during any permitted temporary period provided by the Code; (2) proceeds of a reasonably required reserve or replacement fund; and (3) as part of a minor portion of the proceeds of the 2016 Series A Bonds, not in excess of the lesser of 5% of the proceeds of the 2016 Series A Bonds or $100,000. As used herein, "yield" shall have the meaning assigned to it for purposes of Code Section 148.

(i) No portion of the proceeds from the sale of the 2016 Series A Bonds will be deposited to the account of any reasonably required reserve or replacement fund or used to pay any costs of issuance of the 2016 Series A Bonds or any redemption premium or accrued interest on the Refunded 2000 Series A Bonds or the Refunded 2002 Series A Bonds, but such proceeds will be applied and used solely and exclusively to refund, pay, and discharge the outstanding principal amount of the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds on or before the 90th day after the Issuance Date.

(j) The Company will provide any additional moneys, including investment proceeds of the 2016 Series A Bonds, required for the respective payment and discharge of the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds, payment of redemption premium, if any, and accrued interest in respect thereto and payment of all underwriting discount and costs of issuance of the 2016 Series A Bonds. Any investment proceeds of the 2016 Series A

Bonds allocated to the Project shall be used exclusively to pay interest or redemption premium due, if any, on the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds on the their respective Redemption Dates.

(k) The Company will cause no investment of 2016 Series A Bond proceeds to be made and will make no other use of or omit to take any action with respect to the proceeds of the 2016 Series A Bonds or any funds reasonably expected to be used to pay the 2016 Series A Bonds which will cause the 2016 Series A Bonds or any of them to be "arbitrage bonds" within the meaning of Code Section 148 or would otherwise result in the loss or impairment of the exclusion of the interest on such 2016 Series A Bonds from gross income for federal income tax purposes.

(l) The average maturity of the 2016 Series A Bonds does not exceed one hundred twenty percent (120%) of the average reasonably expected remaining economic life (as of the Issuance Date) of the Project refinanced by the proceeds of the 2016 Series A Bonds.

(m) The Company will provide all information requested by the Issuer necessary to evidence compliance with the requirements of the Code, including the information in United States Internal Revenue Service Form 8038 to be filed by the Issuer with respect to the 2016 Series A Bonds and the air and water pollution control facilities constituting the Project, and such information will be true and correct in all material respects.

(n) Within the meaning of Code Section 149, no portion of the payment of the principal or interest on the 2016 Series A Bonds, the Refunded 2000 Series A Bonds, or the Refunded 2002 Series A Bonds was or shall be guaranteed directly or indirectly by the United States or any agency or instrumentality thereof.

(o) All of the proceeds of the Refunded 1990 Series A Bonds, the Refunded 1990 Series B Bonds, the Refunded 2000 Series A Bonds, and the Refunded 2002 Series A Bonds have been fully expended and the Project has been completed. All of the actual Cost of Construction of the Project represent amounts paid or incurred which were properly chargeable to the capital account of the Project or would have been so chargeable either with a proper election by the Company or but for a proper election by the Company to deduct such amounts. Substantially all (i.e. at least 95%) of the net proceeds of the sale of the Refunded 1990 Series A Bonds and the Refunded 1990 Series B Bonds (including investment income therefrom), were used to finance and refinance Costs of Construction of the Project as described above, pay costs and expenses of issuing the Refunded 1990 Series A Bonds and the 1990 Series B Bonds, within then applicable Code limits, and pay interest and carrying charges on the Refunded 1990 Series A Bonds and the 1990 Series B Bonds during the period of construction of the Project and before the date the Project was placed in service.

(p) All of the depreciable properties which were taken into account in determining the qualifying costs of the Project constitute properties either: (1) used for the control, containment, reduction, and abatement of atmospheric pollution and contamination and water pollution; or (2) facilities which are functionally related and subordinate to the facilities constituting the Project. All of such functionally related and subordinate facilities are of a size and character commensurate with the size and character of the facilities constituting the Project.

(q) The Company will cause the Issuer to comply in all respects with the requirements of Code Section 148 in respect of the rebate of Excess Earnings with respect to the 2016 Series A Bonds to the United States of America.

(r) None of the proceeds of the 2016 Series A Bonds will be applied and none of the proceeds of the Refunded 1990 Series A Bonds, the Refunded 1990 Series B Bonds, the Refunded 2000 Series A Bonds, and the Refunded 2002 Series A Bonds were applied to provide any: (1) working capital; (2) office space (other than office space located on the premises of the Project where not more than a de minimus amount of the functions to be performed are not directly related to the day-to-day operations of the Project); (3) airplane; (4) skybox or other private luxury box; (5) health club facility; (6) facility primarily used for gambling; or (7) store, the principal business of which is the sale of alcoholic beverages for consumption off premises.

(s) Less than twenty-five percent (25%) of the net proceeds of the 2016 Series A Bonds will be applied and less than twenty-five percent (25%) of the net proceeds of the Refunded 1990 Series A Bonds, the Refunded 1990 Series B Bonds, the Refunded 2000 Series A Bonds, and the Refunded 2002 Series A Bonds were applied directly or indirectly to acquire land or any interest therein and no portion of such land, if acquired, was or is to be used for farming purposes. No portion of the proceeds of the 2016 Series A Bonds will be used and no portion of the proceeds of the Refunded 1990 Series A Bonds, the Refunded 1990 Series B Bonds, the Refunded 2000 Series A Bonds, and the Refunded 2002 Series A Bonds were used to acquire existing property or any interest therein with respect to which the Company was not the first user for federal income tax purposes.

(t) Upon the Issuance Date, the Company will have caused the Issuer to comply with the public approval requirements of Code Section 147; and at or following the issuance of the 2016 Series A Bonds, the Company will cause the Issuer to comply with the information reporting requirements of Code Section 149 by the filing of Internal Revenue Service Form 8038 with the United States Internal Revenue Service.

(u) All of the documents, instruments, and written information furnished by the Company on behalf of the Company to the Issuer or the Trustee in connection with the issuance of the 2016 Series A Bonds are true and correct in all material respects as of the date of delivery thereof and did not, as of the date of delivery thereof, omit or fail to state any material facts necessary to be stated therein to make the information provided not misleading.

(v) The proceeds derived from the sale of the 2016 Series A Bonds will be used exclusively and solely to refund the outstanding principal amounts of the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds. The principal amount of the 2016 Series A Bonds does not exceed the combined outstanding principal amounts of the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds. The redemption of the outstanding principal amount of the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds with proceeds of the 2016 Series A Bonds will occur not later than 90 days after the Issuance Date. Any earnings derived from the investment of proceeds of the 2016 Series A Bonds will be fully needed and used on such redemption date to pay a portion of the interest accrued and payable on the Refunded 2000 Series A Bonds and the Refunded 2002 Series A Bonds on such date, but no such earnings and no such payments are expected.

(w) It is not anticipated, as of the date hereof, that there will be created any “replacement proceeds”, within the meaning of Treasury Regulation Section 1.148-1(c) with respect to the 2016 Series A Bonds; however, if any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Code Section 148.

(x) The Company will not use or cause to be used any of the funds provided by the Issuer hereunder (including the earnings on any of such funds) in such a manner as to, or take or omit to take any action with respect to the use of such funds which would, impair the exclusion of the interest on any of the 2016 Series A Bonds from gross income for federal income tax purposes.

(y) The Company covenants to perform and observe all provisions of the Indenture required to be performed or observed by it.

(z) The Refunded 1990 Series A Bonds and the Refunded 1990 Series B Bonds were issued on November 20, 1990.

(aa) No construction, reconstruction, or acquisition of the Project, of which the Project is an integral part, was commenced before the taking of official action by the Issuer with respect thereto except for preparation of plans and specifications and other preliminary engineering work.

The Company need not comply with the covenants or representations in this Section 2.2 if and to the extent that the Issuer and the Company receive a Favorable Opinion of Bond Counsel regarding such noncompliance.

ARTICLE III
COMPLETION AND OWNERSHIP OF THE PROJECT

Section 3.1. Completion And Equipping Of The Project. The Company represents that it has previously caused components of the Project to be financed, constructed, in whole or in part, and placed in service, as applicable, as herein provided on the Project Site as previously evidenced by the filing of a completion certificate by the Company with Citizens Fidelity Bank and Trust Company (now known as The Bank of New York Mellon Trust Company, N.A.), as Trustee for the Refunded 1990 Series A Bonds and the Refunded 1990 Series B Bonds.

Section 3.2. Agreement As To Ownership Of The Project. The Issuer and the Company agree that title to and ownership of the Project shall remain in and be the sole property of the Company in which the Issuer shall have no interest. The Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives a Favorable Opinion of Bond Counsel regarding such sale or disposition and provided further that upon any assignment, in whole or in part, of this Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 3.3. Use Of The Project. The Issuer does hereby covenant and agree that it will not take any action during the term of this Agreement, other than pursuant to ARTICLE IX of this Agreement or ARTICLE IX of the Indenture, to interfere with the Company's ownership of the Project or to prevent the Company from having possession, custody, use, and enjoyment of the Project.

Section 3.4. Financing Of Additional Facilities. The Company and the Issuer hereby recognize that additional air or water pollution control facilities at the Project Site (other than the air and water pollution control facilities that constitute the Project) have in the past been and may in the future be acquired, constructed, installed, and equipped at the Project Site, and that same may be financed with proceeds of one or more series of the Issuer's revenue bonds issued in addition to the 2016 Series A Bonds issued pursuant to the Indenture, to the extent permitted by law.

ARTICLE IV
ISSUANCE OF 2016 SERIES A BONDS; APPLICATION OF PROCEEDS

Section 4.1. Agreement To Issue 2016 Series A Bonds; Application Of 2016 Series A Bond Proceeds . In order to provide funds to make the Loan, the Issuer will issue, sell, and deliver the 2016 Series A Bonds to the initial purchasers thereof and deposit the proceeds thereof with the Trustee into the (i) Prior 2000 Series A Bond Fund held by the Prior 2000 Series A Trustee, for the benefit and payment of the Refunded 2000 Series A Bonds, in an amount equal to the then outstanding principal amount of the Refunded 2000 Series A Bonds; and (ii) Prior 2002 Series A Bond Fund held by the Prior 2002 Series A Trustee, for the benefit and payment of the Refunded 2002 Series A Bonds, in an amount equal to the then outstanding principal amount of the Refunded 2002 Series A Bonds.

Section 4.2. Payment And Discharge Of Refunded 2000 Series A Bonds . The Company covenants and agrees with the Issuer that it will, on or before the Issuance Date, give irrevocable instructions to the Prior 2000 Series A Trustee to call and redeem the Refunded 2000 Series A Bonds in accordance with their terms and on or before the Issuance Date will deposit into the Prior 2000 Series A Bond Fund cash or Governmental Obligations (as defined in the 2000 Series A Indenture) sufficient on the Issuance Date, to fully defease and discharge the Refunded 2000 Series A Bonds on the Issuance Date in accordance with ARTICLE VIII of the 2000 Series A Indenture, without reference to any interest earnings to be accrued during the period from the Issuance Date to the redemption date of the Refunded 2000 Series A Bonds. Such matters shall be confirmed by issuance of an appropriate written certificate of the Prior 2000 Series A Trustee confirming defeasance and full discharge of the Refunded 2000 Series A Bonds upon the Issuance Date.

Section 4.3. Payment And Discharge Of Refunded 2002 Series A Bonds . The Company covenants and agrees with the Issuer that it will, on or before the Issuance Date, give irrevocable instructions to the Prior 2002 Series A Trustee to call and redeem the Refunded 2002 Series A Bonds in accordance with their terms and on the Issuance Date will deposit into the Prior 2002 Series A Bond Fund cash or Governmental Obligations (as defined in the 2002 Series A Indenture) sufficient on the Issuance Date, to fully defease and discharge the Refunded 2002 Series A Bonds on the Issuance Date in accordance with ARTICLE VIII of the 2002 Series A Indenture, without reference to any interest earnings to be accrued during the period from the Issuance Date to the redemption date of the Refunded 2002 Series A Bonds. Such matters shall be confirmed by issuance of an appropriate written certificate of the Prior 2002 Series A Trustee confirming defeasance and full discharge of the Refunded 2002 Series A Bonds upon the Issuance Date.

Section 4.4. Investment Of Moneys In The Bond Fund And The Rebate Fund. Moneys held as a part of the Bond Fund or the Rebate Fund shall be invested or reinvested by the Trustee, at the written request of and as specifically directed by the Company, in one or more Permitted Investments. If the Trustee is not provided with written investment instructions, the Trustee shall hold such amounts uninvested in cash, without liability for interest. The written investment directions provided to the Trustee shall constitute a certification of the Company that such investments constitute Permitted Investments. The Trustee may make any and all such investments through its own investment department.

Any such investments shall be held by or under the control of the Trustee. All moneys invested shall be deemed at all times a part of the fund for which such investments were made. The interest accruing thereon and any profit realized from such investments shall be credited pro rata to such fund, and any loss resulting from such investments shall be charged pro rata to such fund. The Trustee shall sell and reduce to cash a sufficient amount of applicable investments whenever the cash balance in the Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the 2016 Series A Bonds or any other amount payable from the Bond Fund when due or upon any required disbursement from the Rebate Fund, respectively. The Trustee will not be liable for any investment loss (including any loss upon a sale of any investment) or any fee, tax, or other charge in respect of any investments, reinvestments, or any liquidation of investments made pursuant to this Agreement or the Indenture. The Rebate Fund shall never be commingled with any other fund or account.

To the extent permitted by applicable law, the Company and the Issuer each specifically waives compliance with 12 C.F.R. § 12 and hereby notify the Trustee that no brokerage confirmations need to be sent relating to the security transactions as they occur. Notwithstanding the foregoing, to the extent the Trustee receives and invests amounts in the Bond Fund and the Rebate Fund, the Trustee shall provide the Company and the Issuer with periodic cash transaction statements which shall include details for all investment transactions made by the Trustee with respect to such accounts.

Section 4.5. Special Arbitrage Certifications.

(a) The Company covenants and agrees that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken which results or would result in interest paid on any of the 2016 Series A Bonds being included in gross income of any owner thereof for purposes of federal income taxation (other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Code Section 147(a)) or adversely affects the validity of the 2016 Series A Bonds.

(b) The Company warrants, represents, and certifies to the Issuer that the proceeds of the 2016 Series A Bonds will not be used in any manner that would cause the 2016 Series A Bonds to be "arbitrage bonds" under Code Sections 103(b)(2) and 148 and other applicable sections thereof. To the best knowledge and belief of the Company, there are no facts, estimates, or circumstances that would materially change the foregoing conclusion.

(c) The Company hereby covenants that it will at all times comply and cause the Issuer to comply with the provisions of Section 148 and other applicable sections of the Code and will restrict the use of the proceeds of the 2016 Series A Bonds, in such manner and to such extent, if any, as may be necessary, and remit Excess Earnings with respect to all of the 2016 Series A Bonds, if any, to the United States of America pursuant to Code Section 148(f)(2) and carry out such actions so that the 2016 Series A Bonds will not constitute "arbitrage bonds" under Code Sections 103(b)(2) and 148. An officer or officers of the Issuer having responsibility with respect to the issuance of the 2016 Series A Bonds is or are hereby authorized and directed to give an appropriate certificate of the Issuer, for inclusion in the transcript of proceedings for the 2016 Series A Bonds, setting forth the reasonable expectations of the Issuer regarding the amount and use of the proceeds of the 2016 Series A Bonds and the facts, estimates, and circumstances on which they are based and related matters, all as of the date of delivery of and payment for the 2016 Series A Bonds pursuant to said Code Section 148. The Company shall provide the Issuer, and the Issuer's certificate may be expressly based on, a certificate of the Company setting forth the facts, estimates, circumstances, and reasonable expectations of the Company on the date of delivery of and payment for the 2016 Series A Bonds regarding the amount and use of the proceeds of the 2016 Series A Bonds and related matters. If any such representation of the Company relied upon by the Issuer is untrue or inaccurate and the Issuer thereby suffers costs or damages, the Company shall indemnify the Issuer for any such costs or damages.

(d) Consistent with the foregoing, the Company covenants and certifies to the Issuer and to and for the benefit of the purchasers of the 2016 Series A Bonds, that no use will be made of the proceeds of the sale of the 2016 Series A Bonds which would cause the 2016 Series A Bonds to be classified as "arbitrage bonds" within the meaning of Code Sections 103(b)(2) and 148 and that the Company and the Issuer will, after issuance of the 2016 Series A Bonds, comply with the provisions of the Code at all times, including after the 2016 Series A Bonds are discharged, to the extent Excess Earnings with respect to the 2016 Series A Bonds are required to be rebated to the United States of America pursuant to Code Section 148(f)(2). Pursuant to such covenant, the Issuer and the Company obligate themselves throughout the term of this Agreement and thereafter not to violate the requirements of Code Section 148.

(e) The Company warrants, represents, and certifies to the Issuer that the proceeds of the 2016 Series A Bonds will be applied and invested in compliance with the current requirements of Code Section 149(g) and that consequently the 2016 Series A Bonds will not be "hedge bonds" under such Code Section 149(g).

(f) The Company hereby covenants and agrees that it will at all times comply with the provisions of Code Section 148, including Section 148(f) and with Section 6.07 of the Indenture. Specifically, the Company shall carry out, do, and perform all acts stipulated to be performed by the Company pursuant to Section 6.07 of the Indenture. The Company shall further undertake to assure and cause rebate payments, if any, to be calculated and made to the United States of America in accordance with Code Section 148(f)(2) from moneys on deposit in the Rebate Fund from time to time after the end of each Computation Period and following discharge of the 2016 Series A Bonds. The Company also covenants to take all necessary acts and steps as required to cause the Issuer to comply with the provisions of Sections 7.02 and 7.03 of the Indenture.

Section 4.6. Opinion Of Bond Counsel. The Company need not comply with the covenants or representations in Section 4.5 hereof if and to the extent that the Issuer and the Company (with a copy to the Trustee) receive a Favorable Opinion of Bond Counsel regarding such noncompliance.

Section 4.7. First Mortgage Bonds. The Company covenants and agrees with the Issuer that it will, for the purpose of providing security for the 2016 Series A Bonds, execute and deliver to the Trustee the First Mortgage Bonds in aggregate principal amount equal to the aggregate principal amount of the 2016 Series A Bonds. The First Mortgage Bonds shall mature as to principal identically as in the case of the 2016 Series A Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the First Mortgage Indenture Supplement, shall bear interest as provided in the First Mortgage Indenture Supplement.

Upon the occurrence of an Event of Default under ARTICLE IX of this Agreement, that has resulted in a default in payment of the principal of, premium, if any, or interest on the 2016 Series A Bonds as and when the same come due, whether at maturity, redemption, acceleration, or otherwise, or a default in payment of the purchase price of any 2016 Series A Bond tendered for purchase, the acceleration of the maturity date of the 2016 Series A Bonds (to the extent not already due and payable) as a consequence of such Event of Default and the receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable, in accordance with the provisions specified in the First Mortgage Indenture Supplement.

Upon payment of the principal of, premium, if any, and interest on any of the 2016 Series A Bonds, whether at maturity or before maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, the Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of ARTICLE VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2016 Series A Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of the Company thereunder terminated and such First Mortgage Bonds shall be surrendered by the Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of the Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

ARTICLE V
PROVISIONS FOR PAYMENT

Section 5.1. Loan Payments And Other Amounts Payable.

(a) The Company hereby covenants and agrees to repay the Loan, as follows: on or before any Interest Payment Date for the 2016 Series A Bonds or any other date that any payment of interest, premium, if any, purchase price, or principal is required to be made in respect of the 2016 Series A Bonds at the times specified in accordance with the more specific provisions and requirements of the Indenture, until the principal of, premium, if any, and interest on the 2016 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, it will pay to the Trustee, for disbursement by the Trustee, as Paying Agent, or for disbursement by any Paying Agent such sums which will enable the Paying Agent to pay the amounts payable on such date, in immediately available funds, as principal of (whether at purchase, maturity, or upon redemption, acceleration, or otherwise), premium, if any, and interest on the 2016 Series A Bonds as provided in the Indenture; provided that such payments by the Company to enable the Tender Agent to pay the purchase price of 2016 Series A Bonds shall be made within the times required by Section 3.06 of the Indenture. It is understood and agreed that all payments payable by the Company under this Section 5.1(a) are assigned by the Issuer to the Trustee, the Paying Agent, and the Tender Agent, as applicable, for the benefit of the Holders. The Company assents to such assignment. The Issuer hereby directs the Company and the Company hereby agrees to pay to the Trustee or the Paying Agent or the Tender Agent, as appropriate, at the Designated Office of the Trustee or the Paying Agent or the Tender Agent, as appropriate, all payments payable by the Company pursuant to this Section 5.1(a).

(b) The Company will also pay the reasonable expenses of the Issuer related to the issuance of the 2016 Series A Bonds and incurred upon the request of the Company.

(c) The Company will also pay the agreed upon fees and expenses of the Trustee (including those referred to in Section 10.02 of the Indenture), the Bond Registrar, the Tender Agent, and the Paying Agent under the Indenture and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent, and the Tender Agent, as applicable from time to time, under the Indenture, such amounts to be paid directly to the Trustee, the Bond Registrar, the Paying Agent, and the Tender Agent for their respective own accounts as and when such amounts become due and payable.

(d) The Company further agrees to hold harmless the Trustee, the Bond Registrar, and the Paying Agent against any loss, liability, or expense, including reasonable attorneys' fees and expenses, incurred by it without negligence or bad faith on its part in connection with the issuance of the 2016 Series A Bonds or the acceptance or administration of the trusts under the

Indenture, including the costs of defending itself against any claim or liability in connection therewith.

(e) The Company covenants, for the benefit of the Holders, if applicable, to pay or cause to be paid, to the Tender Agent for deposit in the Purchase Fund, such amounts as shall be necessary to enable the Tender Agent to pay the Purchase Price of 2016 Series A Bonds delivered to it for purchase, all as more particularly described in Sections 3.04 and 3.06 of the Indenture, and, in that regard, it will maintain an account with the Tender Agent and will pay in immediately available funds, a sum which will enable the Tender Agent to pay the purchase price of 2016 Series A Bonds delivered to it for purchase, as provided in the Indenture.

(f) If the Company should fail to make any of the payments required in this Section 5.1, the item or installment so in default shall continue as an obligation of the Company until the amount in default shall have been fully paid, and the Company agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due to the date of payment.

Section 5.2. Payments Assigned. As set forth in Section 5.1 hereof, it is understood and agreed that this Agreement and all payments made by the Company pursuant to this Agreement (except payments pursuant to Section 5.1(b) and (c) hereof or pursuant to Section 8.2 hereof) are assigned by the Issuer to the Trustee. The Company assents to such assignment and hereby agrees that, as to the Trustee, the Paying Agent, and the Tender Agent, as applicable from time to time, its obligation to make such payments shall be absolute, irrevocable, and unconditional and shall not be subject to cancellation, termination, or abatement or to any defense or any right of set-off, counterclaim, or recoupment arising out of any breach by any party, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing by any party. Except as provided above, the Issuer hereby directs the Company and the Company hereby agrees to pay directly to the Trustee, the Paying Agent, the Bond Registrar, the Tender Agent, and the Issuer, as appropriate, all said payments payable by the Company pursuant to Section 5.1 hereof.

Section 5.3. Taxes And Other Governmental Charges. The Company agrees to pay during the term of this Agreement, as the same respectively become due, all taxes, assessments, and other governmental charges of any kind whatsoever that may at any time be lawfully assessed, levied, or charged against or with respect to the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Company shall be obligated to pay only such installments as may have become due and provided further that nothing herein shall be construed as obligating the Company to pay taxes on any interest or principal on the 2016 Series A Bonds disbursed to the Holders.

The Company may, at its expense and in its own name, in good faith contest any such taxes, assessments, and other governmental charges and, upon any such contest, may permit the taxes, assessments, or other governmental charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless, in the opinion of its counsel, by nonpayment of any such items the security provided pursuant to the provisions of the Indenture will be materially endangered, in which event such taxes, charges for payments in lieu of taxes, assessments, or other governmental charges shall be paid forthwith. The Issuer will cooperate fully with the Company in any such contest. If the Company shall fail to pay any of the foregoing items required by this Section 5.3 to be paid by the Company, the Issuer or the Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the Issuer or the Trustee shall become an additional obligation of the Company to the one making the advancement, which amounts, together with interest thereon the Company agrees to pay at a rate which shall be one percent above the lowest minimum lending rate publicly quoted at such time as being charged by any commercial bank which is a member of the New York Clearing House on 90-day commercial loans to its prime commercial borrowers or the maximum rate permitted by law, whichever is lesser, until paid; but no such advancement shall operate to relieve the Company from any default hereunder. The Company may at its expense and in its own name and behalf apply for any tax exemption or exemption from payments in lieu of taxes allowed by the Commonwealth of Kentucky, or any political or taxing subdivision thereof under any existing or future provision of law which grants or may grant any such tax exemption or exemption from payments in lieu of taxes.

Section 5.4. Obligations Of The Company Unconditional. The obligation of the Company to make the payments pursuant to this Agreement and to make any payments required in respect of the Rebate Fund as provided in Section 6.07 of the Indenture shall be absolute and unconditional. Until such time as the principal of, premium, if any, and interest on the 2016 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Company (a) will not suspend or discontinue any payments pursuant to this Agreement; and (b) except as provided in ARTICLE X hereof, will not terminate this Agreement for any cause including failure of title to the Project or any part thereof, any acts or circumstances that may constitute failure of consideration, destruction of, or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the Commonwealth of Kentucky or any political subdivision thereof or any failure of the Issuer or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with this Agreement. Nothing contained in this Section 5.4 shall be construed to release the Issuer from the performance of any of the agreements on its part herein contained; and if the Issuer should fail to perform any such agreement on its part, the Company may institute such action against the Issuer as the Company may deem necessary to compel performance so long as such action shall be in accordance with the agreements on the part of the Company contained in the preceding sentence. The Company may, however, at its own cost and expense and in its own name or in the name of the Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which the Company deems reasonably necessary in order to secure or protect its right of ownership, possession, occupancy, and use of the Project, and in such event the Issuer hereby agrees to cooperate fully with the Company.

Section 5.5. Rebate Fund. The Company agrees to make all payments to the Trustee and rebate all amounts to the United States of America as are required of it under the Code and the Indenture. The obligation of the Company to make such payments shall remain in effect and be binding upon the Company notwithstanding the release and discharge of the Indenture.

Section 5.6. Redemption Of The 2016 Series A Bonds In Advance of Scheduled Maturity. Under the terms of the Indenture, the 2016 Series A Bonds are and will be subject to redemption before their scheduled maturity. The Issuer and the Company agree that, if and when the Company shall direct the Trustee to redeem and call 2016 Series A Bonds, it shall do so on behalf of the Issuer.

Section 5.7. Cancellation Of 2016 Series A Bonds. The cancellation by the Bond Registrar of any 2016 Series A Bond or Bonds purchased by the Company and delivered to the Bond Registrar for cancellation or of any 2016 Series A Bond or Bonds redeemed or purchased by the Issuer through funds other than funds received as Loan payments hereunder shall constitute a Loan payment equal to the principal amount of the 2016 Series A Bond or Bonds so cancelled.

ARTICLE VI
MAINTENANCE; DAMAGE, DESTRUCTION, AND CONDEMNATION; USE OF NET PROCEEDS; INSURANCE

Section 6.1. Maintenance. So long as any 2016 Series A Bond is Outstanding, the Company will maintain, preserve, and keep the Project, or cause the Project to be maintained, preserved, and kept, in good repair, working order, and condition and will from time to time make or cause to be made all proper repairs, replacements, and renewals necessary to continue to constitute the Project as Pollution Control Facilities; provided, however, that the Company will have no obligation to maintain, preserve, keep, repair, replace, or renew any element or portion of the Project (a) the maintenance, preservation, keeping, repair, replacement, or renewal of which becomes uneconomical to the Company because of damage or destruction by a cause not within the control of the Company, or condemnation of all or substantially all of the Project or the generating facilities to which the element or unit of the Project is an adjunct, or obsolescence (including economic obsolescence), or change in government standards and regulations, or the termination by the Company of the operation of the generating facilities to which the element or unit of the Project is an adjunct, and (b) with respect to which the Company has furnished to the Issuer and the Trustee a certificate executed by the Company Representative certifying that the maintenance, preservation, keeping, repair, replacement, or renewal of such element or unit of the Project is being discontinued for one of the foregoing reasons, which shall be stated therein, and that the discontinuance of such element or unit will not adversely affect the exclusion of interest on any of the 2016 Series A Bonds from gross income for federal income tax purposes under Code Section 103(a).

The Company shall have the privilege at its own expense of remodeling the Project or making substitutions, modifications, and improvements to the Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications, and improvements shall be included under the terms of this Agreement as part of the Project; provided, however, that the Company shall take no actions which will change or alter the basic nature of the Project as Pollution Control Facilities.

If, before full payment of all 2016 Series A Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer, the Company, or the First Mortgage Trustee receives Net Proceeds from insurance or any condemnation award in connection therewith, the Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.1(b) or (c) hereof) shall, subject to compliance with the terms of the First Mortgage Indenture, either (i) cause such Net Proceeds to be used to repair, reconstruct, restore, or improve the Project; (ii) take any action, including causing the redemption of the 2016 Series A Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2016 Series A Bonds from gross income for federal income tax purposes under Code Section 103(a) provided that if a Credit Facility is then in effect with respect to the 2016 Series A Bonds, the Company shall reimburse the applicable Credit Facility Issuer for drawings under such Credit Facility for such redemption; provided further that if the 2016 Series A Bonds bear interest at the Flexible Rate or the Semi-Annual Rate, such redemption must occur on a date on which the 2016 Series A Bonds are otherwise subject to optional redemption.

Section 6.2. Insurance. The Company agrees to insure the Project at all times in accordance with the First Mortgage Indenture.

ARTICLE VII
SPECIAL COVENANTS

Section 7.1. No Warranty Of Condition Or Suitability By The Issuer. The Issuer makes no warranty, either express or implied, as to the Project or that it will be suitable for the Company's purposes or needs.

Section 7.2. The Company To Maintain Its Corporate Existence; Conditions Under Which Exceptions Are Permitted. The Company agrees that during the term of this Agreement it will maintain its existence and good standing, will continue to be a corporate entity organized under the laws of the Commonwealth of Kentucky or qualified and admitted to do business in the Commonwealth of Kentucky, and will neither dispose of all or substantially all of its assets nor consolidate with nor merge into another entity unless the acquirer of its assets or the entity with which it shall consolidate or into which it shall merge, (a) shall be a corporation or other business organization organized and existing under the laws of the United States or one of the states of the United States of America or the District of Columbia; (b) shall be qualified and admitted to do business in the Commonwealth of Kentucky; (c) shall assume in writing all of the obligations and covenants of the Company herein; and (d) shall deliver a copy of such assumption to the Issuer and the Trustee.

Section 7.3. Financial Statements. The Company agrees to furnish the Trustee (within 120 days after the close of each fiscal year) with an audited balance sheet and statements of income, retained earnings, and changes in cash flows showing the financial condition of the Company and its consolidated subsidiary or subsidiaries, if any, at the close of such fiscal year and the results of operations of the Company and its consolidated subsidiary or subsidiaries, if any, for such fiscal year, accompanied by an opinion of its regular independent certified public accountants that such statements fairly represent the financial condition of the Company in accordance with generally accepted accounting principles. The requirements of this Section 7.3 shall be satisfied by the submission to the Trustee of the Company's annual report on Form 10-K. The information so provided to the Trustee shall be kept in its files and is not required to be distributed to any Holder or other Person. Delivery of such reports, information, and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on certifications of the Company).

Section 7.4. Further Assurances And Corrective Instruments. The Issuer and the Company agree that they will, from time to time, execute, acknowledge, and deliver, or cause to be executed, acknowledged, and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Agreement.

Section 7.5. The Issuer Representative. Whenever under the provisions of this Agreement the approval of the Issuer is required or the Issuer is required to take some action at the request of the Company, such approval shall be made or such action shall be taken by the Issuer Representative and the Company or the Trustee shall be authorized to act on any such approval or action, and the Issuer shall have no redress against the Company or the Trustee as a result of any such action taken.

Section 7.6. The Company Representative. Whenever under the provisions of this Agreement the approval of the Company is required or the Company is required to take some action at the request of the Issuer, such approval shall be made or such action shall be taken by the Company Representative and the Issuer or the Trustee shall be authorized to act on any such approval or action and the Company shall have no redress against the Issuer or the Trustee as a result of any such action taken.

Section 7.7. Financing Statements. The Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the lien of the Indenture. The Issuer shall cooperate fully with the Company in taking any such action. Concurrently with the execution and delivery of the 2016 Series A Bonds, the Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either: (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices, and financing statements as is necessary to perfect the lien of the Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky; or (ii) no such action is necessary to so perfect such liens; and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the lien of the Indenture, which filings the Company agrees to undertake.

Section 7.8. The Company's Performance Under Indenture. The Company agrees, for the benefit of Holders to do and perform all acts and things contemplated in the Indenture to be done and performed by it.

ARTICLE VIII
ASSIGNMENT; INDEMNIFICATION; REDEMPTION

Section 8.1. Assignment. This Agreement may be assigned by the Company without the necessity of obtaining the consent of either the Issuer or the Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 7.2 hereof) shall relieve the Company from primary liability for any of its obligations hereunder, and upon any such assignment the Company shall remain primarily liable for payments of the amounts specified in Section 5.1 hereof and for performance and observance of the other covenants or agreements on its part herein provided to be performed and observed to the same extent as though no assignment had been made;

(b) The assignee shall assume the obligations of the Company hereunder to the extent of the interest assigned;

(c) The Company shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Issuer and to the Trustee a true and complete copy of each such assignment and assumption of obligation; and

(d) Before such assignment, the Company shall have obtained a Favorable Opinion of Bond Counsel regarding the assignment.

Section 8.2. Release And Indemnification Covenants. The Company releases the Issuer from and covenants and agrees that the Issuer shall not be liable for, and agrees to indemnify and hold the Issuer harmless against, any expense or liability incurred by the Issuer, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof. If any such claim is asserted, the Issuer agrees to give prompt notice to the Company and the Company will assume the defense thereof, with full power to litigate, compromise, or to settle the same in its sole discretion, it being understood that the Issuer will not settle or consent to the settlement of the same without the consent of the Company.

Section 8.3. Assignment Of Interest In Agreement By The Issuer. Any assignment by the Issuer to the Trustee pursuant to the Indenture or this Agreement of any moneys receivable under this Agreement shall be subject and subordinate to this Agreement.

Section 8.4. Redemption Of 2016 Series A Bonds. Upon the agreement of the Company to deposit moneys in the Bond Fund in an amount sufficient to redeem 2016 Series A Bonds subject to redemption, the Issuer, at the request of the Company, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the 2016 Series A Bonds outstanding, as may be specified by the Company, on the redemption date specified by the Company.

Section 8.5. Reference To 2016 Series A Bonds Ineffective After 2016 Series A Bonds Paid. Upon payment in full of the 2016 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America via the Trustee pursuant to Section 5.5 hereof and payment of all fees and charges of the Trustee (including reasonable attorneys' fees and expenses), the Bond Registrar, the Authenticating Agent, and any Paying Agent, all references in this Agreement to the 2016 Series A Bonds, the First Mortgage Bonds, and the Trustee shall be ineffective and neither the Trustee nor the Holders thereafter have any rights hereunder except as set forth in Section 11.1 hereof.

ARTICLE IX
EVENTS OF DEFAULT AND REMEDIES

Section 9.1. Events Of Default Defined. The following shall be "**Events of Default**" under this Agreement and the term "**Events of Default**" shall mean, whenever it is used in this Agreement, one or more of the following events:

(a) Failure by the Company to pay any amount required to be paid under subsections (a) and (e) of Section 5.1 hereof which results in failure to pay principal of, premium, or interest on or the purchase price of the 2016 Series A Bonds, and such failure shall cause an Event of Default under the Indenture.

(b) Failure by the Company to observe and perform any covenant, condition, or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section 9.1, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, is given to the Company by the Issuer or the Trustee, unless the Issuer and the Trustee shall agree in writing to an extension of such time before its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if such failure is capable of being cured and corrective action is instituted by the Company within the applicable period and is being diligently pursued.

(c) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking: (1) relief in respect of the Company, or of a substantial part of the property or assets of the Company, under Title 11 of the United States

Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership, or similar law; (2) the appointment of a receiver, trustee, custodian, sequestrator, conservator, or similar official for the Company or for a substantial part of the property or assets of the Company; or (3) the winding-up or liquidation of the Company; and such proceeding or petition shall continue undismissed or unstayed for 90 days or an order or decree approving or ordering any of the foregoing shall be entered.

(d) The Company shall: (1) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership, or similar law; (2) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in Section 9.1(c) above; (3) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator, or similar official for the Company or for a substantial part of the property or assets of the Company; (4) file an answer admitting the material allegations of a petition filed against it in any such proceeding; (5) make a general assignment for the benefit of creditors; (6) become unable, admit in writing its inability, or fail generally to pay its debts as they become due; or (7) take any action for the purpose of effecting any of the foregoing.

(e) All bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable, whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

(f) The occurrence of an Event of Default under the Indenture.

The provisions of Section 9.1(b) hereof are subject to the following limitations: If by reason of force majeure the Company is unable in whole or in part to carry out its agreements on its part herein contained, other than the obligations on the part of the Company contained in Section 2.2(j), Section 2.2(k), Section 4.2, Section 4.5, Section 4.7, or Section 7.2 or ARTICLE V hereof and the general covenant and obligation of the Company to take all necessary actions for the continued exclusion of interest on the 2016 Series A Bonds from gross income for federal and Kentucky income taxes, the Company shall not be deemed in default during the continuance of such inability. The term “force majeure” as used herein shall mean any cause or event not reasonably within the control of the Company, including acts of God; strikes; wars or national police actions, lockouts or other industrial disturbances; acts of public enemies, including terrorists; orders of any kind of the government of the United States or of the Commonwealth of Kentucky or any of their departments, agencies, or officials, or any civil or military authority; evacuations and quarantines; insurrections; riots; epidemics; plague; famine; landslides; lightning; earthquakes; fire; hurricanes; tornadoes; storms; typhoons; cyclones; volcanic eruptions; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakage or accident to machinery and transmission lines or pipes; or partial or entire failure of utility services. The Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements; provided, that the settlement of strikes, lockouts, and other industrial disturbances shall be entirely within the discretion of the Company, and the Company shall not be required to make settlement of strikes, lockouts, and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Company unfavorable to the Company.

Section 9.2. Remedies On Default. Whenever any Event of Default referred to in Section 9.1 hereof shall have happened and be continuing, the Trustee may take any one or more of the following remedial steps:

(a) By written notice to the Company, the Trustee, on behalf of the Issuer, may declare an amount equal to the principal and accrued interest on the 2016 Series A Bonds then Outstanding to be immediately due and payable under this Agreement, whereupon the same shall become immediately due and payable.

(b) The Trustee, on behalf of the Issuer, may have access to and inspect, examine, and make copies of the books and records and any and all accounts, data, and income tax and other tax returns of the Company.

(c) The Trustee, on behalf of the Issuer, may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement, or covenant of the Company under this Agreement, including any remedies available in respect of the First Mortgage Bonds.

In case there shall be pending a proceeding of the nature described in Section 9.1(c) or (d) hereof, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Company, its creditors, or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any custodian (including a receiver, trustee, or liquidator) of the Company appointed in connection with such proceedings is hereby authorized to make such payments to the Trustee, and to pay to the Trustee any amount due it for compensation and expenses, including reasonable counsel fees and expenses incurred by it up to the date of such distribution.

Any amounts collected pursuant to action taken under this Section 9.2 (other than the compensation and expenses referred to in the immediately prior sentence) shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the 2016 Series A Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and all reasonable and necessary fees and expenses of the Trustee and any paying agents accrued and to accrue through final payment of the 2016 Series A Bonds, and all other liabilities of the Company accrued and to accrue hereunder or under the Indenture through final payment of the 2016 Series A Bonds have been paid, such amounts so collected shall be paid to the Company.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer to exercise any remedy reserved to it in this ARTICLE IX, it shall not be necessary to give any notice other than such notice as may be herein expressly required. Such rights and remedies as are given the Issuer hereunder shall also extend to the Trustee, and the Trustee and the Holders, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 9.4. Agreement To Pay Reasonable Attorneys' Fees And Expenses . If the Company should default under any of the provisions of this Agreement and the Issuer or the Trustee should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of the Company herein contained, the Company agrees that it will on demand therefor pay to the Issuer or the Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by the Issuer or the Trustee.

Section 9.5. Waiver Of Events Of Default. If, after the acceleration of the maturity of the outstanding 2016 Series A Bonds by the Trustee pursuant to the Indenture, and before any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have been obtained or entered, the Company shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all 2016 Series A Bonds and the principal of, and premium, if any, on any and all 2016 Series A Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and premium, if any, and overdue installments of interest, at the rate per annum which is one percent above the highest rate borne by any 2016 Series A Bond, until paid), and such amounts as shall be sufficient to cover all expenses of the Trustee in connection with such default, and all defaults under the Indenture and this Agreement, other than nonpayment of principal of 2016 Series A Bonds which shall have become due by said declaration, shall have been remedied, and such Event of Default under the Indenture shall be deemed waived by the Trustee in accordance with Section 9.11 of the Indenture with the consequence that under the Indenture such acceleration is rescinded, then the Company's default hereunder shall be deemed to have been waived by the Issuer and no further action or consent by the Trustee or the Issuer shall be required. If any agreement or covenant contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE X
PREPAYMENT OF LOAN

Section 10.1. Options To Prepay Loan. The Company shall have, and is hereby granted, options to prepay the Loan in whole and to cancel or terminate this Agreement on any Business Day at any time the Company so elects, if certain events shall have occurred within the 180 days preceding the giving of written notice by the Company to the Trustee of such election, as follows:

(a) If in the judgment of the Company, unreasonable burdens or excessive liabilities shall have been imposed after the issuance of the 2016 Series A Bonds upon the Company with respect to the Project or the operation thereof, including without limitation federal, state, or other ad valorem, property, income, or other taxes not imposed on the date of this Agreement other than ad valorem taxes presently levied upon privately owned property used for the same general purpose as the Project;

(b) If the Project or a portion thereof or other property of the Company in connection with which the Project is used shall have been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or other property of the Company in connection with which the Project is used unsatisfactory to the Company for its intended use and such condition shall continue for a period of six months;

(c) There shall have occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of the Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or other property of the Company in connection with which the Project is used unsatisfactory to the Company for its intended use;

(d) If changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment, or other properties or things necessary for the efficient operation of the Trimble County Generating Station of the Company shall have occurred which, in the judgment of the Company, render the continued operation of the Trimble County Generating Station or any generating unit at such station uneconomical; or changes in circumstances, after the issuance of the 2016 Series A Bonds including but not limited to changes in clean air or water or other air and water pollution control requirements, shall have occurred such that the Company shall determine that use of the Project is no longer required or desirable;

(e) If this Agreement shall become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action, whether state or federal, or any final decree, judgment, or order of any court or administrative body, whether state or federal; or

(f) A final order or decree of any court or administrative body after the issuance of the 2016 Series A Bonds shall require the Company to cease a substantial part of its operations at the Trimble County Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such location for a period of six months.

In the case of prepayment pursuant to this Section 10.1 (or if any 2016 Series A Bonds be redeemed in whole or in part pursuant to Section 6.1 hereof), the Loan prepayment price shall be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem all 2016 Series A Bonds then outstanding (or, in the case any 2016 Series A Bonds are redeemed in part pursuant to Section 6.1 hereof, such portion of the 2016 Series A Bonds then outstanding) under the Indenture at a price equal to 100% of the principal amount thereof plus interest accrued and to accrue to the date of redemption of the 2016 Series A Bonds and to pay all reasonable and necessary fees and expenses of the Trustee and any Paying Agents and all other liabilities of the Company accrued and to accrue hereunder to the date of redemption of the 2016 Series A Bonds. In order to exercise any option to prepay the Loan and to cancel or terminate this Agreement by reason of the occurrence of any of the events mentioned in (a) through (f) above, the Company is required to give written notice to the Trustee of its election to prepay the Loan within 180 days of the occurrence of any of the events mentioned in (a) through (f) above.

Section 10.2. Additional Option To Prepay Loan. The Company shall have, and is hereby granted, further options, to the extent that the 2016 Series A Bonds are, from time to time, subject to optional redemption, during any period of optional redemption, to prepay all, or any portion, of the relevant and applicable Loan payments due or to become due hereunder by depositing with the Trustee moneys sufficient to pay, together with other funds deposited with the Trustee and available for such purpose, the principal of and applicable premium, if any, and accrued interest, through the date of redemption (which must be a Business Day), on all or any portion of the 2016 Series A Bonds then outstanding under the Indenture and, upon depositing with the Trustee moneys sufficient to pay the principal, applicable premium, if any, and accrued interest, through the date of redemption, on all 2016 Series A Bonds then outstanding under the Indenture, as well as all reasonable and necessary expenses of the Trustee and any Paying Agents and all other liabilities of the Company accrued and to accrue hereunder, to cancel or terminate the term of this Agreement.

Section 10.3. Obligations To Prepay Loan.

(a) **Mandatory Redemption Upon Determination Of Taxability**. The Company shall be obligated to prepay the entire Loan or any part thereof, as provided below, before the required full payment of the 2016 Series A Bonds (or before making provision for payment thereof in accordance with the Indenture) on the 180th day (or such earlier date as may be designated by the Company), which, in every case, must be a Business Day, upon the occurrence of a Determination of Taxability. The Issuer and the Company shall take all actions required to mandatorily redeem the 2016 Series A Bonds at the cost of the Company upon the terms specified in this Agreement and in ARTICLE IV of the Indenture following the occurrence of a Determination of Taxability, including prepaying appropriate amounts due on the 2016 Series A Bonds in order to effect such redemption. The 2016 Series A Bonds shall be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a Determination of Taxability. For purposes of this Section 10.3, a "**Determination of Taxability**" shall mean the receipt by the Trustee of written notice from a current or former registered owner of a 2016 Series A Bond or from the Company or the Issuer of: (1) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists; or (2) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in this Agreement or any other agreement or certificate delivered in connection with the 2016 Series A Bonds, the interest on the 2016 Series A Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of Code Section 147; provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a 2016 Series A Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the 2016 Series A Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof; and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense; or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal, or rehearing of such decree, judgment, or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any 2016 Series A Bond in the computation of minimum or indirect taxes. All of the 2016 Series A Bonds shall be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of the 2016 Series A Bonds of one or more series or one or more maturities would have the result that interest payable on the remaining 2016 Series A Bonds outstanding after the redemption would not be so included in any such gross income.

If the Issuer, the Company, or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit, or other proceedings relating to the 2016 Series A Bonds being conducted by the Internal Revenue Service, the party so put on notice shall give immediate written notice to the other parties of such matters.

Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described in this Section 10.3(a), the Company shall give notice thereof to the Trustee and the Issuer.

(b) In the case of the mandatory obligation of the Company to prepay the Loan or any part thereof after the occurrence of a Determination of Taxability, pursuant to Section 10.3(a) hereof, the Company shall be obligated to prepay such Loan or such part thereof not later than 180 days after any such final determination as specified in Section 10.3(a) hereof and to provide to the Trustee for deposit in the Bond Fund an amount sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem such 2016 Series A Bonds at the price of 100% of the principal amount thereof in accordance with Section 5.1 hereof plus interest accrued and to accrue to the date of redemption of the 2016 Series A Bonds and to pay all reasonable and necessary fees and expenses of the Trustee and any paying agents and all other liabilities of the Company accrued and to accrue hereunder to the date of redemption of the 2016 Series A Bonds.

(c) If a Determination of Taxability occurs when all or any portion of the 2016 Series A Bonds are owned by any Purchaser, the Company hereby agrees to pay to such Purchaser, in addition to the redemption price of the 2016 Series A Bonds owned by such Purchaser, the following additional amounts:

(1) an additional amount equal to the difference between (A) the amount of interest paid on the 2016 Series A Bonds during the Taxable Period and (B) the amount of interest that would have been paid on the 2016 Series A Bonds during the Taxable Period had the 2016 Series A Bonds borne interest at the Taxable Rate; and

(2) an amount equal to any interest, penalties on overdue interest, and additions to tax (as referred to in Subchapter A of Chapter 68 of the Code) owed by such Purchaser as a result of occurrence of a Determination of Taxability.

Section 10.4. Notice Of Prepayment; Redemption Procedures. It is understood and agreed by the parties hereto that in order to exercise an option granted in, or to consummate a mandatory prepayment required by, this ARTICLE X, the Company shall give written notice to the Issuer and the Trustee which notice shall (a) contain the agreement of the Company to deposit moneys in the Bond Fund on or before the redemption date in an amount sufficient to redeem a principal amount of the 2016 Series A Bonds equal to the amount of the prepayment, including, in the case of a prepayment under Section 10.2 hereof, any applicable redemption premium in respect of such 2016 Series A Bonds, and any other amounts required under this Agreement; (b) specify the prepayment date (which must be a Business Day and which shall also be the redemption date); and (c) comply with Section 4.07 of the Indenture regarding the number of days' notice the Company is required to give the Issuer and the Trustee for the redemption of 2016 Series A Bonds bearing interest in the then applicable Interest Rate Mode.

Section 10.5. Relative Position Of This Article And Indenture. The rights and options granted to the Company in this ARTICLE X, except the option granted to the Company pursuant to Section 10.2 to prepay less than all of the Loan payments, shall be and remain prior and superior to the Indenture and may be exercised whether or not the Company is otherwise in default hereunder;

provided that such default will not result in nonfulfillment of any condition to the exercise of any such right or option.

Section 10.6. Concurrent Discharge Of First Mortgage Bonds. If any 2016 Series A Bond shall be paid and discharged pursuant to any provision of this Agreement, so that the 2016 Series A Bond is not thereafter Outstanding, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of the Company thereunder terminated. Thereupon, the Trustee shall deliver to the First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.22 of the Indenture.

ARTICLE XI
MISCELLANEOUS

Section 11.1. Term Of Agreement. This Agreement shall remain in full force and effect from the date hereof to and including the later of the Maturity Date, or until such earlier or later time as all of the 2016 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture); provided, however, that this Agreement may be cancelled and terminated before said date if the Company shall prepay all of the Loan pursuant to ARTICLE X hereof; and provided further, however, that all obligations of the Company under ARTICLE V and Section 8.2 hereof: (a) to pay the agreed fees and expenses of the Trustee, the Tender Agent, the Bond Registrar, and any Paying Agent; and (b) to pay any amount required by Section 5.5 hereof shall continue in effect even though 2016 Series A Bonds may no longer be outstanding and this Agreement may otherwise be terminated. All representations and certifications by the Company as to all matters affecting the tax-exempt status of interest on the 2016 Series A Bonds shall be for the equal and ratable benefit, protection, and security of the Holders of the 2016 Series A Bonds and shall survive the termination of this Agreement and all obligations of the Company contained herein relating to indemnification of the Issuer, the Trustee, the Bond Registrar, the Authenticating Agent, the Tender Agent, and any Paying Agent shall survive the termination of this Agreement.

Section 11.2. Notices. All notices, certificates, or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, addressed as follows:

To the Issuer:	County of Trimble, Kentucky P. O. Box 251 123 Church Street Bedford, Kentucky 40006 Attention: County Judge/Executive Telephone: (502) 255 - 7196 Facsimile: (502) 255 - 4618 Email: jp@tcfcgov.com
To the Trustee:	U.S. Bank National Association One Financial Square Louisville, Kentucky 40202 Attention: Corporate Trust Department Telephone: (502) 562-6259 Facsimile: (502) 562-6371 Email: amy.anders@usbank.com

To the Company:	Louisville Gas and Electric Company 220 West Main Street Louisville, Kentucky 40202 Attention: Treasurer Telephone: (502) 627-4956 Facsimile: (502) 627-4742 Email: Dan.Arbough@lge-ku.com
If to the Remarketing Agent:	J.P. Morgan Securities LLC 383 Madison Avenue, 8th Floor New York, New York 10179 Attn: Municipal Short Term Desk Telephone: (212) 834-7224 Facsimile: (917) 456-3541 Email: peter.mccarthy@chase.com
With a Copy to:	J.P. Morgan Securities LLC 383 Madison Avenue, 8th Floor New York, New York 10179 Attn: Ivan Naguit Telephone: (212) 270-1584 Facsimile: (212) 270-9665 Email: ivan.l.naguit@jpmorgan.com
If to First Mortgage Trustee:	The Bank of New York Mellon 500 Ross Street, 12th Floor Pittsburgh, Pennsylvania 15262 Attn: Corporate Trust Administration Telephone: (412) 236-1215 Facsimile: (412) 234-8377 Email: leslie.lockhart@bnymellon.com
If to the Tender Agent:	U.S. Bank National Association One Financial Square Louisville, Kentucky 40202 Attention: Corporate Trust Department Telephone: (502) 562-6259 Facsimile: (502) 562-6371 Email: amy.anders@usbank.com
If to the Paying Agent:	U.S. Bank National Association One Financial Square Louisville, Kentucky 40202 Attention: Corporate Trust Department Telephone: (502) 562-6259 Facsimile: (502) 562-6371 Email: amy.anders@usbank.com
If to the Bond Registrar:	U.S. Bank National Association One Financial Square Louisville, Kentucky 40202 Attention: Corporate Trust Department Telephone: (502) 562-6259 Facsimile: (502) 562-6371 Email: amy.anders@usbank.com

A duplicate copy of each notice, certificate, or other communication given hereunder by either the Issuer or the Company to the other shall also be given to the Trustee. The Issuer, the Company, and the Trustee may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates, or other communications shall be sent.

Section 11.3. Binding Effect; Bond Counsel Opinions. This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company, and their respective successors and assigns, subject, however, to the limitations contained in Section 7.2, Section 8.1, and Section 8.3 hereof.

Section 11.4. Severability. If any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.5. Amounts Remaining In Bond Fund And Rebate Fund . It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or sooner termination of the term of this Agreement, as provided in this Agreement, after payment in full of the 2016 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the reasonable and necessary fees and expenses of the Trustee (including reasonable attorneys' fees and expenses) and any Paying Agent in accordance with the Indenture and the payment in full of all other amounts required to be paid under this Agreement or the Indenture, shall belong to and be paid to the Company by the Trustee. Any amounts remaining in the Rebate Fund at such time shall be held, applied, and disbursed strictly and only in accordance with the provisions of Section 6.07 of the Indenture. Following the payment and discharge of the Refunded 2000 Series A Bonds on their redemption date and the making of provision for payment of the Refunded 2000 Series A Bonds not presented for payment, any remaining moneys in the Prior 2000 Series A Bond Fund shall belong to and be paid to Company by the Prior 2000 Series A Trustee. Following the payment and discharge of the Refunded 2002 Series A Bonds on their redemption date and the making of provision for payment of the Refunded 2002 Series A Bonds not presented for payment, any remaining moneys in the Prior 2002 Series A Bond Fund shall belong to and be paid to the Company by the Prior 2002 Series A Trustee.

Section 11.6. Amendments, Changes, And Modifications . After the issuance of the 2016 Series A Bonds and before payment in full of all 2016 Series A Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), except as otherwise provided in this Agreement or in the Indenture, this Agreement may not be effectively amended, changed, modified, altered, or terminated, and no provision hereof waived, without the written consent of the Trustee, given in accordance with the Indenture.

Section 11.7. Execution In Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.8. Applicable Law . This Agreement shall be construed, and the obligations, rights, and remedies of the parties under this Agreement are to be determined, in accordance with the laws of the Commonwealth of Kentucky without regard to conflicts of laws principles, except to the extent that the laws of the United States of America may prevail.

Section 11.9. Interpretation. The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement. The words "hereof", "herein", "hereto", "hereby" and "hereunder" refer to this entire Agreement. Unless otherwise noted, all Section and Article references are to sections and articles in this Agreement. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the term "including" is not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or."

Section 11.10. No Pecuniary Liability Of The Issuer. No provision, covenant, or agreement contained in this Agreement or breach thereof shall constitute or give rise to a pecuniary liability of the Issuer or a charge upon its general credit or taxing powers. In making such covenants, agreements, or provisions, the Issuer has not obligated itself, except with respect to the Project and the application of the revenues of this Agreement, as hereinabove provided.

Section 11.11. Payments Due On Other Than Business Days. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Agreement, shall not be on a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided in this Agreement, and if done on such succeeding Business Day no interest with respect to such payment shall accrue for the period after such nominal date.

(Signature page to follow)

[SIGNATURE PAGE TO LOAN AGREEMENT]

IN WITNESS WHEREOF, the Issuer and the Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first written above.

COUNTY OF TRIMBLE, KENTUCKY

(SEAL)

By /s/ Jerry L. Powell
Jerry L. Powell
County Judge/Executive

Attest:

/s/ Susan Barnes
Fiscal Court Clerk

LOUISVILLE GAS AND ELECTRIC COMPANY

(SEAL)

By /s/ Daniel K. Arbough
Daniel K. Arbough
Treasurer

Attest:

/s/ Gerald A. Reynolds
Gerald A. Reynolds
Secretary

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF TRIMBLE)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the 6th day of September, 2016, the foregoing instrument was produced to me in said County by Jerry L. Powell and Susan Barnes, personally known to me and personally known by me to be the County Judge/Executive and the Fiscal Court Clerk, respectively, of the **COUNTY OF TRIMBLE, KENTUCKY**, and acknowledged before me by them and each of them to be their free act and deed as County Judge/Executive and Fiscal Court Clerk of such County, and the act and deed of said County as authorized by an Ordinance of the Fiscal Court of such County.

Witness my hand and seal this 6th day of September, 2016. My commission expires February 26, 2018.

(Seal)

/s/ Mark S. Franklin
Notary Public
State at Large, Kentucky

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the 6th day of September, 2016, the foregoing instrument was produced to me in said County by Daniel K. Arbough and Gerald A. Reynolds, personally known to me and personally known by me to be the Treasurer and the Secretary, respectively, of **LOUISVILLE GAS AND ELECTRIC COMPANY**, a corporation incorporated under the laws of the Commonwealth of Kentucky, who being by me duly sworn, did say that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said respective persons acknowledged before me said instrument to be the free act and deed of said corporation and to be their free act and deed as such officers of such corporation.

Witness my hand and seal this 6th day of September, 2016. My commission expires June 21, 2018.

(Seal)

/s/ Betty L. Brinly
Notary Public
State at Large, Kentucky

This Instrument Prepared by:

STOLL KEENON OGDEN PLLC
2000 PNC Plaza
500 West Jefferson Street

Louisville, Kentucky 40202

/s/ Mark S. Franklin
Mark S. Franklin

EXHIBIT A

DESCRIPTION OF PROJECT

[See attachment]

TRIMBLE COUNTY GENERATING STATION

LOUISVILLE GAS AND ELECTRIC COMPANY

PART I

THE PROJECT

DESCRIPTION OF CERTAIN POLLUTION CONTROL FACILITIES
TO SERVE UNIT NO. 1 AND UNIT NO. 2 AT THE TRIMBLE COUNTY
GENERATING STATION OF LOUISVILLE GAS AND ELECTRIC COMPANY

Electrostatic Precipitators

Two electrostatic precipitators will be installed to serve Units l and 2 of the Trimble County Generating Station. Units 1 and 2 of the Trimble County Generating Station will be new coal-fired steam electric generating units, and the precipitators will be installed simultaneously with construction and installation of the generating units themselves. The electrostatic precipitators, together with associated structural supports, ductwork and flue-gas duct system, are solely designed and intended for the removal of flyash and particulates from flue gases exiting the Unit 1 and Unit 2 steam boilers. Ductwork incident to Units 1 and 2 of the Trimble County Generating Station will be designed for the purpose of connecting the coal-fired steam boilers to the precipitators, and thereafter to transport flue gases to a sulphur dioxide removal system following flyash and particulate removal. The precipitators are designed to remove over 99% of particulate emissions and flyash when the steam boilers are being operated. The precipitators operate upon the principle of creation of electromagnetic fields which attract and capture particulate matter (flyash) from the flue gases. The flyash is then removed and conveyed by the water sluice effluent system to either the emergency flyash and sludge storage pond, the ash storage pond or the solid waste processing facilities for ultimate disposal.

Cooling Tower

A natural draft cooling tower with closed-loop cooling water systems will be provided to serve Units 1 and 2 of the Trimble County Generating Station. The purpose of the cooling tower is to transfer to the atmosphere the heat absorbed by water circulating through the condensers of

Generating Units 1 and 2, which condense low pressure steam discharged from steam-driven turbines. The closed-loop system with cooling tower is designed to minimize the release of heated waters (thermal pollution) to the Ohio River and is required to be installed in order to conform to applicable water pollution control regulations. The described water pollution control and abatement facility consists of the natural draft cooling tower, pumps, circulating water systems, water pipes, motors, blow-down system, structural supports and functionally related and subordinate equipment and facilities.

Effluent Drain Systems and Sedimentation and Holding Basins

The effluent drainage system consists of a sedimentation basin equipped with monitoring devices and skimmers to remove oil, and an extensive plant area drain and runoff system which carries polluted liquids into the sedimentation basin. Certain chemical wastes will be diverted to the ash storage and disposal pond. Additionally, to provide holding and treatment of liquid effluents created by coal storage areas and limestone storage areas, a limestone and coal pile run-off retention basin is situated between the plant sewage treatment systems and the fuel oil storage area on the one side and the reactant chemical (limestone) storage area and active coal pile storage area on the other side. The purpose of the limestone and coal pile run-off retention basin is to capture liquid wastes emanating from the reactant chemical piles and active coal piles, together with any effluents emanating from the fuel oil storage area and the sewage treatment systems. The retention basin holds and neutralizes such liquid wastes pending their further treatment and disposal. Following neutralization and treatment, polluted liquids from the limestone and coal pile retention basin flow to the sedimentation basin for further neutralization. The sedimentation retention basin is situated between the limestone and coal pile retention basin and the Ohio River. The sedimentation retention basin prevents the discharge of pollutants into the Ohio River by holding and neutralizing such pollutants pending their final disposal.

Sludge Processing and Disposal Facilities

The operation of sulphur dioxide removal systems at the Trimble County Generating Stations will create a substantial amount of sludge wastes. These sludge wastes must be processed by a sludge processing facility into a suitable waste material for landfill disposal. The sludge processing facility will include a flyash collection system which will transport flyash in a dry state from the particulate removal systems (precipitators) to various holding facilities and processing facilities incident to the sludge processing. The sludge wastes from the sulphur dioxide removal systems will be conveyed by pumping from thickener tanks to holding facilities incident to the sludge processing. Thereafter, following dewatering, the sludge wastes will be mixed with flyash waste and a lime catalyst, forming an acceptable solid waste landfill material. The sludge processing facility will be composed of vacuum filters, waste holding silos and facilities, compressors, blowers, mixers, conveyors, structural elements, land, hardening pads, pumps, electrical components, piping, control systems, and functionally related and subordinate facilities and equipment.

A disposal site for the solid waste landfill material resulting from operation of the scrubber sludge processing facility will be developed on property adjacent to the sludge processing facility. The disposal site, consisting of 1,230 acres, is composed of land, a rain water runoff collection basin and diversion system, water monitoring system, water treatment facility, piping, pumps, electrical components, structural elements, control systems, loading, hauling, spreading, and compaction equipment and functionally related and subordinate facilities and equipment.

Ash Storage and Disposal Pond

A large ash storage pond will be constructed and installed, together with appropriate dikes, impervious pond lining, monitoring equipment and other facilities for the purpose of receiving flyash generating by electrostatic precipitators and bottom ash generated by the operation of the coal-fired steam operated generators. The purpose of the ash storage pond is to receive flyash and bottom ash from the operation of the Trimble County Generating Station in order to prevent such air pollutants and solid wastes from being discharged into the environment, including the Ohio River. The ash storage pond will be constantly monitored in order to determine that the impermeability of the ash storage pond remains unimpaired and that no wastes therein are being discharged other than in a controlled manner. Ash wastes in the ash storage pond will be periodically recovered for processing by the sludge processing and disposal facilities or for disposal in the solid waste disposal area adjacent to the Trimble County Generating Plant, consisting of approximately 1,230 acres. The ash storage pond as well as the emergency sludge and flyash storage pond consist of elements including land, transmission facilities to and from the ponds, skimmers, pumps, reclaiming equipment, monitoring equipment and functionally related and subordinate equipment.

Emergency Flyash and Sludge Storage Pond

The emergency flyash and sludge storage pond will be provided for the receipt and collection of scrubber sludge and flyash on an emergency basis. This material will be reclaimed on an intermittent basis for processing by the sludge processing facility and for disposal in the solid waste disposal areas adjacent to the Trimble County Generating Plant. The principal components of the emergency flyash and sludge storage pond will be land, facilities for the transmission of sludge and flyash to and from the pond, reclaiming equipment and functionally related and subordinate equipment.

Sulphur Dioxide Removal Systems;
Reactant Reception, Transmission and Preparation Facilities

Two complete sulphur dioxide removal systems (scrubbers) will be provided for Trimble County Generating Station, Units 1 and 2. Following electrostatic precipitation, flue gases will be transmitted from the electrostatic precipitators directly to the scrubbers, where they will be reacted with a liquefied sodium hydroxide solution utilized in the scrubbing process as a reactive agent. Sulphur dioxide contained in flue gases undergoes chemical reaction upon contact with the reactant chemical, with resultant formation of non-commercial sodium sulfite and sodium sulfate waste sludges. The sulphur dioxide scrubbers are designed to remove over 85% of airborne sulphur dioxide, together with a portion of any particulate matter remaining after electrostatic precipitation, before emission of the cleansed gases to the atmosphere. The sulphur dioxide scrubber systems will be composed of the scrubbers themselves, associated ductwork, structural supports and piping, electric elements, reactive tanks to contain the reactive agents and recycling and thickening tanks from which the resulting sludge wastes are withdrawn for final disposal. There will also be acquired and installed certain facilities to prepare reactant materials for use in scrubbers by reducing reactant materials to uniform reactant size, together with pumps, mixers, holding and transport tanks and piping.

The reactant chemical is an integral element in the operation of the sulphur dioxide removal systems. The scrubbers will include facilities designed solely for the receipt, transportation and preparation of reactant chemicals for use in the sulphur dioxide removal systems, which are functionally related and subordinate to such sulphur dioxide removal systems. Such facilities consist of river docking and unloading facilities which will be dedicated to and used only in respect of the receipt of reactant chemicals for use in the sulphur dioxide removal systems, together with conveyor facilities to convey the reactant chemicals in a dry state to both the reactant chemical storage area and to the reactant slurry preparation area. Crushing and grinding mechanisms designed to prepare the reactant chemicals for use in the sulphur dioxide removal systems will also constitute a part of the systems.

Ash Sluice and Waste Transmission Facilities

A complete system of above-ground piping will be provided for the purpose of conveying flyash, bottom ash and sludge effluents from the operation of precipitators, boilers and sulphur dioxide removal systems to the ash storage pond, the emergency flyash and sludge storage pond or to dewatering facilities. The waste transmission system is water motivated and will consist of piping, pumps, water transmission and sluice facilities and will be connected to and constitute a functional element of the sulphur dioxide removal systems, the electrostatic precipitators, the ash storage pond and the emergency flyash and sludge storage pond. Water used in the ash sluice systems will be recycled from the disposal ponds to eliminate discharge to the Ohio River. Excess water in the system will be treated, as required by applicable regulations. The purpose of the effluent transmission system is to convey sludge wastes, flyash wastes and bottom ash wastes from the facilities where they are generated to neutralization and disposal basins. As such, the ash sluice and waste transmission system is functionally related and subordinate to the air pollution and water pollution control devices consisting of the sulphur dioxide removal systems and the electrostatic precipitators as well as the ash storage pond, the emergency flyash and sludge storage pond and the solid waste processing and disposal facilities.

Contaminated Liquids Transmission and Disposal System

A complete system of underground piping will be constructed and installed for the purpose of capturing all contaminated liquids created as a result of operations of the Trimble County Generating Plant, including contaminations created by oil spillages, metal cleaning, chemical wastes, chemical spills and other liquid pollutants. The liquid waste transmission and disposal system will convey the liquid wastes to one of the sedimentation and ash storage ponds which will be equipped with monitoring devices and skimmers to remove oil. The principal components of the contaminated liquids effluent drain system includes piping, basins, motors, controls and other functionally related and subordinate facilities.

Oil Elimination Systems

Units 1 and 2 of the Trimble County Generating station will include concrete or other appropriate subterranean pits or appropriate systems which will collect waste oils and grease from the transformer areas, fuel oil storage areas and generating units. Skimmers will remove oil from the top of the liquid receptacles in order that waters may be transferred to holding basins and ultimately returned to the Ohio River in uncontaminated condition. Waste polluted oils will be disposed of by other pollution abatement facilities.

Sanitary Facilities

Operation of Units 1 and 2 of the Trimble County Generating Station will require considerable personnel, and appropriate sanitary facilities will be provided to comply with appropriate water pollution laws and regulations. Such facilities shall include sanitary receptacles, pumps, motors, piping and sanitary wastewater treatment facilities.

*   *   *

PART II

ADDITIONAL POLLUTION CONTROL FACILITIES

The pollution control facilities constituting the Project as described in Part I of this Exhibit A represent a portion of all the pollution control facilities intended to be acquired, constructed and installed at the Trimble County Generating Station of Louisville Gas and Electric Company in Trimble County, Kentucky, which complete pollution control facilities are described in that certain Memorandum of Agreement dated as of February 29, 1980, by and between the County of Trimble, Kentucky, and Louisville Gas and Electric Company, as follows:

DESCRIPTION OF POLLUTION CONTROL

FACILITIES CONTAINED IN

MEMORANDUM OF AGREEMENT

BY AND BETWEEN

THE COUNTY OF TRIMBLE, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

TRIMBLE COUNTY GENERATING STATION,
UNITS 1, 2, 3 and 4

Cooling Towers

Natural draft cooling towers with closed-loop cooling water systems will be provided for Trimble County Generating Station, Units 1, 2, 3 and 4. The purpose of the cooling towers is to transfer to the atmosphere the heat absorbed by water circulated through the condensers of the generating units, which condense low pressure steam discharged from the steam driven turbines. The closed-loop system with cooling tower is designed to minimize the release of heated waters (thermal pollution) to the Ohio River and is required in order to conform to applicable water pollution control regulations. The described water pollution control abatement facilities consist of natural draft cooling towers, pumps, circulating water systems, motors, blow-down system, structural supports and functionally related and subordinate equipment and facilities.

Particulate Removal

Particulate removal systems and functionally related facilities, which comply with the appropriate laws and regulations and which, at the time of purchase represent the state of the art, will be installed at Units 1, 2, 3 and 4 of the Trimble County Generating Station in order to reduce and remove from flue gases emitted from boiler, flyash and bottom ash generated by the combustion process of the coal-fired steam boilers. These facilities may consist of electrostatic precipitators, baghouses, and/or other devices.

Flue Gas Duct Systems

Ductwork incident to Unit 1, 2, 3 and 4 of the Trimble County Generating Station designed for the purpose of connecting the coal-fired steam boiler to the flyash particulate removal system, including ductwork utilized to transport cleansed flue gases to a chimney or a sulphur dioxide removal system following flyash removal and functionally related and subordinate facilities, will constitute the Flue Gas Duct System.

Sulphur Dioxide Removal Systems

As and if required by appropriate laws and regulations, complete sulphur dioxide removal systems will be provided for Units 1, 2, 3 and 4 of the Trimble County Generating Station. Following flyash removal, flue gases will be transmitted from the flyash removal systems to the sulphur dioxide removal systems where they will be reacted with reactive agent solutions such as lime, limestone, sodium hydroxide or such other reactant as represents the technology available in the circumstances chosen by the Company. The sulphur dioxide removal systems will be designed to remove a substantial portion of airborne sulphur dioxide, together with a portion of particulate loadings remaining following particulate removal, before emission of cleansed gases into the atmosphere. The sulphur dioxide removal systems are composed of the scrubbers themselves, associated ductwork (including ductwork connecting the scrubbers to a chimney), structural supports and piping, technical elements, reactive tanks, recycling and thickening tanks and reactant reception and disposal facilities. Dependent upon technology, sulphur dioxide removal systems may employ one or more stack gas scrubbing systems (wet or dry) installed in or upon high flue gas diffusers (chimneys) or such other facilities as shall represent the technology for the removal of airborne sulphur dioxide chosen by the Company.

Sludge Processing

Dependent upon the sulphur dioxide removal system technology employed on Units 1, 2, 3 and 4 of the Trimble County Generating Station there may be substantial creation of sludge wastes. These wastes must be processed by a sludge processing facility into a suitable material for landfill disposal. The sludge processing facility will include a dry flyash collection system which will, by pneumatic means, transport flyash in a dry state from the particulate removal systems to various holding silos and processing facilities incident to the sludge processing. The sludge wastes from the sulphur dioxide removal systems will be conveyed by pumping from thickener tanks to holding silos incident to the sludge processing. Thereafter, following dewatering, the sludge wastes will be mixed with the flyash waste and a lime catalyst, forming an acceptable solid waste landfill material. The sludge processing facility is expected to be composed of vacuum filters, waste holding silos, compressors, blowers, mixers, conveyors, structural elements, land, hardening pad, pumps, electrical components, piping, control systems and functionally related and subordinate facilities and equipment.

Sludge Processing Facility Landfill

A disposal site for the solid waste landfill material developed by the scrubber sludge processing facility will be developed on property adjacent to the sludge processing facility. The disposal site is composed of land, a rain water runoff collection basin, and diversion system, water monitoring system, water treatment facility, piping, pumps, electrical components, structural elements, control systems, roads, loading, hauling, spreading and compaction equipment and functionally related and subordinate facilities and equipment.

Emergency Sludge and Flyash Storage Pond

Provisions will be made for the receipt and collection of scrubber sludge and flyash in a storage pond on an emergency basis. This material will be reclaimed on an intermittent basis for processing by the sludge processing facility. The principal components of the emergency storage pond facility will include land, transmission facilities to and from the pond, reclaiming equipment and functionally related and subordinate equipment.

High Flue Gas Diffusers

High flue gas diffusers (chimneys) will be constructed with regard to Units 1, 2, 3 and 4 of the Trimble County Generating Station and such diffusers will be significantly higher than would be required from the standpoint of the interaction of airborne effluents with adjacent structures. Those portions of the chimney which are significantly higher than normally required will be provided to furnish an elevated release of flue gases so as to achieve diffusion and consequent low ground level concentrations of gaseous air effluents.

Ash Sluice and Air Transport Systems

Dependent upon final design of Units 1, 2, 3 and 4 of the Trimble County Generating Station, flyash captured by the particulate removal system and bottom ash captured by the boiler ash hoppers will be transported to ash ponds, ash silos and/or dewatering bins. Water motivated sluice systems and/or air motivated ash transport systems will be used to transport the ash between the collection, storage and disposal locations. Water used in the ash sluice systems will be recycled from the disposal ponds to eliminate discharge to the river. Excess water in the system will be treated, as required for other plant uses and as required by regulations. The principal components of the water motivated systems will include the ash pond, land, piping, pumps, motors, valves, water treatment and other related equipment. The principal components of air motivated systems will include piping, ductwork, blowers, compressors, motors, valves and other related equipment.

Fugitive Dust Elimination Equipment

Dust elimination equipment consisting of strategically located covers and induced draft fans, together with ducting, dust collecting equipment and a wet dust suppression system will be provided at Units 1, 2, 3 and 4 of the Trimble County Generating Station to collect and suppress dust resulting from the coal handling system and scrubber reactant preparation and handling systems thereby prevent its being discharged into the atmosphere.

Oil Elimination System

Units 1, 2, 3 and 4 of the Trimble County Generating Station will include concrete or other appropriate subterranean pits or appropriate systems which will collect waste oils and greases from the transformer areas, fuel oil storage areas and generating units. Skimmers will remove oil from the top of the liquid receptacles in order that waters may be returned to the Ohio River in uncontaminated condition. Waste polluted oils will be disposed of by other pollution abatement facilities.

Effluent Drain Systems

The effluent drainage system consist of a sedimentation basin, equipped with monitoring and skimmers to remove oil and an extensive plant area runoff system which drains into the sedimentation basin and a coal pile and scrubber reactant area runoff basin equipped with monitors and treatment facilities which after treatment will drain into the sedimentation basin. The principal components of such effluent systems include the land, basins, pipes, pumps, motors and controls.

Metal cleaning chemical wastes will be collected and discharged to the ash pond. The components of this system include sumps, pumps, piping and controls.

Sanitary Facilities

Operation of Units 1, 2, 3 and 4 of the Trimble County Generating Station will require considerable personnel and appropriate sanitary facilities will be provided to comply with appropriate water pollution laws and regulations. Such facilities shall include sanitary receptacles, pumps, motors, piping and sanitary wastewater treatment facilities.

Reactant Preparation and Supply Facilities

The reactant preparation and supply facilities will supply reactant to the sulphur dioxide removal systems on Units 1, 2, 3 and 4 of Trimble County Generating Station. They will include the facilities to receive, unload, process and store the reactant material used to remove sulphur dioxide in the sulphur dioxide removal systems. The reactant preparation and supply facilities will consist of land, dock, mooring cells, unloading equipment, conveying equipment, grinding equipment, mixing equipment, thickening tanks, pumps, motors, piping, valves, controls, structures and other functionally related and subordinate equipment.

* * *

EXHIBIT A-1

DESCRIPTION OF 1990 PROJECT

EXHIBIT NO. 1

Louisville Gas and Electric Company Project
2016 Series A Bonds
Weighted Average of 120% of Reasonably
Expected Economic Life of Facilities
as of September 15, 2016

Facilities	Cost ($)	Calculation Date	Economic Life In Years	120% of Economic Life In Years	Time Elapsed Since Calculation Date In Years Until September 15, 2016	120% of Economic Life Less Time Ellapsed Since Calculation Date	Weighted Calculation
Effluent Drainage System & Retention Basin	101,588.00	12/23/90	50	60	25.7479	34.2521	3,479,597.74
Emergency Neutralization and Storage Pond for Flyash and Bottom Ash Liquid Effluent	288,257.00	12/23/90	50	60	25.7479	34.2521	9,873,394.56
Neutralization and Disposal Bond for Flyash and Bottom Ash Liquid Effluent	1,340,514.00	12/23/90	50	60	25.7479	34.2521	45,915,358.98
Natural Draft Water Cooling Tower	16,934,126.00	12/23/90	50	60	25.7479	34.2521	580,028,611.65
Reactant Unloading and Transmission Facilities for Sulphur Dioxide Removal System	7,969,057.00	12/23/90	50	60	25.7479	34.2521	272,956,577.02
Electrostatic Precipitator	14,816,472.00	12/23/90	50	60	25.7479	34.2521	507,494,610.81
Sulphus Dioxide Removal System	59,637,981.00	12/23/90	50	60	25.7479	34.2521	2,042,723,393.05
Limestone Preparation for Sulphur Dioxide Removal System	9,471,400.00	12/23/90	50	60	25.7479	34.2521	324,414,911.78
Ash Sluice and Waterborne Waste Transmission Facilities	8,260,007.00	12/23/90	50	60	25.7479	34.2521	282,922,212.37
Contaminated Liquids and Transmission and Disposal Systems	2,251,874.00	12/23/90	50	60	25.7479	34.2521	77,131,311.64
Sanitary Facilities	230,522.00	12/23/90	50	60	25.7479	34.2521	7,895,852.18
Additional Auxiliary and Station Power Facilities for Pollution Control Equipment	6,417,000.00	12/23/90	50	60	25.7479	34.2521	219,795,435.62
Total	127,718,798.00						4,374,631,267.39
Remaining reasonably expected economic life (in years) from September 15, 2016							34.2521

The Calculation Date is not later than the dates the Facilities were placed into service for federal income tax purposes. No costs attributable to land were financed with proceeds of the 1980 Series A Bonds or the 1982 Series A Bonds, which originally financed the Facilities. Capitalized interest and investment earnings have not been factored into the calculation as these items are allocable ratably over all of the Facilities. Calculations are on the basis of a 360-day year and a 30-day month. The weighted average of 120% of reasonably expected remaining Economic Life Less Time Elapsed Since Calculation Dates is not less than 27.9583 years.

All of the above assets comprise part of Unit #1 at the Trimble County Generating Station.

LOUISVILLE GAS AND ELECTRIC COMPANY

TO

THE BANK OF NEW YORK MELLON,

Trustee

Supplemental Indenture No. 5
dated as of September 1, 2016

Supplemental to the Indenture
dated as of October 1, 2010

Establishing

First Mortgage Bonds, Collateral Series 2016TCA

SUPPLEMENTAL INDENTURE NO. 5

SUPPLEMENTAL INDENTURE No. 5, dated as of the first day of September, 2016, made and entered into by and between LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky, having its principal corporate offices at 220 West Main Street, Louisville, Kentucky 40202 (hereinafter sometimes called the "Company"), and THE BANK OF NEW YORK MELLON, a New York banking corporation, having its corporate trust office at 500 Ross Street, 12th Floor, Pittsburgh, Pennsylvania 15262 and having its principal place of business at 225 Liberty Street, New York, New York 10281 (hereinafter sometimes called the "Trustee"), as Trustee under the Indenture, dated as of October 1, 2010 (hereinafter called the "Original Indenture"), between the Company and said Trustee, as heretofore supplemented, this Supplemental Indenture No. 5 being supplemental thereto. The Original Indenture, as heretofore supplemented, and this Supplemental Indenture No. 5 are hereinafter sometimes, collectively, called the "Indenture."

Recitals of the Company

The Original Indenture was authorized, executed and delivered by the Company to provide for the issuance from time to time of its Securities (such term and all other capitalized terms used herein without definition having the meanings assigned to them in the Original Indenture), to be issued in one or more series as contemplated therein, and to provide security for the payment of the principal of and premium, if any, and interest, if any, on such Securities.

The Company has heretofore executed and delivered supplemental indentures for the purpose of creating series of Securities as set forth in Exhibit A hereto.

The Original Indenture and Supplemental Indentures No. 1, No. 2 and No. 3, and financing statements in respect thereof, have been duly recorded and filed in the various official records in the Commonwealth of Kentucky as set forth in Supplemental Indenture No. 4.

Supplemental Indenture No. 4 has been duly recorded and filed in the various official records in the Commonwealth of Kentucky as set forth in Exhibit B hereto.

Pursuant to Article Three of the Original Indenture, the Company wishes to establish a series of Securities, such series of Securities to be hereinafter sometimes called "Securities of Series No. 7".

As contemplated in Section 301 of the Original Indenture, the Company further wishes to establish the designation and certain terms of the Securities of Series No. 7. The Company has duly authorized the execution and delivery of this Supplemental Indenture No. 5 to establish the designation and certain terms of such series of Securities and has duly authorized the issuance of such Securities; and all acts necessary to make this Supplemental Indenture No. 5 a valid agreement of the Company, and to make the Securities of Series No. 7 valid obligations of the Company, have been performed.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE NO. 5 WITNESSETH, that, for and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the payment of the principal of and premium, if any, and interest, if any, on all Securities from time to time Outstanding and the performance of the covenants therein and in the Indenture contained, the Company hereby grants, bargains, sells, conveys, assigns, transfers, mortgages, pledges, sets over and confirms to the Trustee, and grants to the Trustee a security interest in and lien on, the real property specifically referred to in Exhibit C attached hereto and incorporated herein by reference and all right, title and interest of the Company in and to all property personal and mixed located thereon (other than Excepted Property), as and to the extent, and subject to the terms and conditions, set forth in the Original Indenture, as heretofore amended; and it is further mutually covenanted and agreed, for the benefit of the Holders of the Securities of Series No. 7, as follows:

ARTICLE ONE

SECURITIES OF SERIES NO. 7

SECTION 101. Creation of Series No. 7.

There is hereby created a series of Securities designated "First Mortgage Bonds, Collateral Series 2016TCA", and the Securities of such series shall:

(a) be issued in the aggregate principal amount of $125,000,000 and shall be limited to such aggregate principal amount (except as contemplated in Section 301(b) of the Original Indenture);

(b) be dated September 15, 2016;

(c) have a Stated Maturity of September 1, 2044, subject to prior redemption by the Company;

(d) have such additional terms as are established in an Officer's Certificate as contemplated in Section 301 of the Original Indenture; and

(e) be in substantially the form or forms established therefor in an Officer's Certificate, as contemplated by Section 201 of the Original Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

SECTION 201. Single Instrument.

This Supplemental Indenture No. 5 is an amendment and supplement to the Original Indenture as heretofore amended and supplemented. As amended and supplemented by this Supplemental Indenture No. 5, the Original Indenture, as heretofore supplemented, is in all respects ratified, approved and confirmed, and the Original Indenture, as heretofore supplemented, and this Supplemental Indenture No. 5 shall together constitute the Indenture.

SECTION 202. Trustee.

The Trustee accepts the amendment of the Original Indenture effected by this Supplemental Indenture No. 5 upon the terms and conditions set forth in the Original Indenture, as heretofore amended and supplemented, including the terms and provisions defining and limiting the liabilities and responsibilities of the Trustee, which terms and provisions shall in like manner define and limit its liabilities and responsibilities in the performance of the trust created by the Original Indenture, as heretofore amended and supplemented, and as hereby amended. The Recitals of the Company contained in this Supplemental Indenture No. 5 shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness and makes no representations as to the validity or sufficiency of this Supplemental Indenture No. 5.

SECTION 203. Effect of Headings.

The Article and Section headings in this Supplemental Indenture No. 5 are for convenience only and shall not affect the construction hereof.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture No. 5 to be duly executed as of the day and year first written above.

LOUISVILLE GAS AND ELECTRIC COMPANY

By: /s/ Daniel K. Arbough
Name: Daniel K. Arbough
Title: Treasurer

ATTEST:

/s/ Gerald A. Reynolds
Name: Gerald A. Reynolds
Title: General Counsel, Chief Compliance Officer and Corporate Secretary

[*Signature Page to Supplemental Indenture No. 5 – Louisville Gas and Electric Utilities Company*]

THE BANK OF NEW YORK MELLON, as Trustee

By: /s/ Francine Kincaid
Name: Francine Kincaid
Title: Vice President

[*Signature Page to Supplemental Indenture No. 5 – Louisville Gas and Electric Company*]

COMMONWEALTH OF KENTUCKY	)	
	)	ss.:
COUNTY OF JEFFERSON	)	

On this 1st day of September, 2016, before me, a notary public, the undersigned, personally appeared Daniel K. Arbough, who acknowledged himself to be the Treasurer of LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation of the Commonwealth of Kentucky and that he, as such Treasurer, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Treasurer.

In witness whereof, I hereunto set my hand and official seal.

/s/ Betty L. Brinly

Notary Public

[Seal]

[*Signature Page to Supplemental Indenture No. 5 – Louisville Gas and Electric Company*]

STATE OF NEW YORK)

) ss.:

COUNTY OF NEW YORK)

On this 1st day of September, 2016, before me, a notary public, the undersigned, personally appeared Francine Kincaid, who acknowledged herself to be a Vice President of THE BANK OF NEW YORK MELLON, a corporation and that she, as Vice President, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by herself as Vice President.

In witness whereof, I hereunto set my hand and official seal.

By: /s/ Christopher J. Traina
Christopher J. Traina
Notary Public – State of New York
No. 01TR6297825
Qualified in Queens County
Certified in New York County
My Commission Expires
March 03, 2018

The Bank of New York Mellon hereby certifies that its precise name and address as Trustee hereunder are:

The Bank of New York Mellon
500 Ross Street, 12th Floor
Pittsburgh, Pennsylvania 15262
Attn: Corporate Trust Administration

THE BANK OF NEW YORK MELLON, as Trustee

By: /s/ Francine Kincaid
Name: Francine Kincaid
Title: Vice President

CERTIFICATE OF PREPARER

The foregoing instrument was prepared by:

James J. Dimas, Senior Corporate Attorney
Louisville Gas and Electric Company
220 West Main Street
Louisville, Kentucky 40202

/s/ James J. Dimas
James J. Dimas

[*Signature Page to Supplemental Indenture No. 5 – Louisville Gas and Electric Utilities Company*]

EXHIBIT A

LOUISVILLE GAS AND ELECTRIC COMPANY

Bonds Issued and Outstanding under the Indenture

Supplemental Indenture No.	Dated as of	Series No.	Series Designation	Date of Securities	Principal Amount Issued	Principal Amount Outstanding[1]
1	October 15, 2010	1	Collateral Series 2010	October 20, 2010	$574,304,000	$574,304,000
2	November 1, 2010	2	1.625% Series due 2015	November 16, 2010	$250,000,000	None
		3	5.125% Series due 2040	November 16, 2010	$285,000,000	$285,000,000
3	November 1, 2013	4	4.65% Series due 2043	November 14, 2013	$250,000,000	$250,000,000
4	September 1, 2015	5	3.300% Series due 2025	September 28, 2015	$300,000,000	$300,000,000
		6	4.375% Series due 2045	September 28, 2015	$250,000,000	$250,000,000

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[1] As of September 1, 2016.

LOUISVILLE GAS AND ELECTRIC COMPANY

Filing and Recording
of
Supplemental Indenture No. 4, dated as of September 1, 2015,
to
Indenture, dated as of October 1, 2010

COUNTY	MORTGAGE BOOK	PAGE NUMBER
Breckenridge	420	669
Bullitt	M1609	744–757
Clark	M813	386–399
Green	M298	161–174
Hardin	2140	938
Hart	M363	496–509
Henry	M334	55–68
Jefferson	14276	835
Larue	343	631
Meade	M780	449–462
Metcalfe	166	620
Mulenberg	M670	60–73
Nelson	M1078	190–203
Oldham	M2177	817–830
Shelby	M986	576–589
Trimble	M205	401–414

EXHIBIT C

LOUISVILLE GAS AND COMPANY

REAL PROPERTY

Schedule of real property owned in fee located in the Commonwealth of Kentucky

That certain real property located in Jefferson County, Kentucky, as described below per the physical survey prepared by David L. King II, AGE Engineering Services, Inc., Ky. R.L.S. #3916, dated the 4th day of December, 2015, and a copy of which survey plat is also attached hereto as Exhibit B to the Deed of record in Deed Book 10523, Page 416 in the Office of the Clerk of Jefferson County, Kentucky:

BEGINNING at a 2 ½” x ¼” Mag nail with 2” Aluminum Washer stamped “PLS 3916” set in the centerline of Billtown Road, said Mag Nail being the Northwest Comer of the property being surveyed and having Kentucky State Plane North Zone Coordinates (NAD83) of N=241,849.167 E=1,263,424.408 and said Mag Nail being approximately 435’ North of the Intersection of centerlines of Billtown Road and Arbor Wood Drive, lying in Jefferson County, Kentucky and being the POINT OF BEGINNING for this description;

Thence leaving the centerline of Billtown Road and with first right-of-way dedicated to Billtown Road per Plat recorded in Deed Book 9777, Page 541, secondly the Southeastern line of Larry David Tyler et. al. (D.B. 9777, Page 547) and thirdly right-of-way rededicated to Tarrence Road per Plat recorded in Deed Book 9777, Page 541, N54°34’50”E- passing an iron pin found PLS# 3125 at 60.68 feet and continuing at the same bearing an additional 121.72 feet to an iron pin found PLS# 3125 and continuing an additional 439.55 feet for a total distance of 621.95 feet to a 2 ½” x ¼” Mag nail set with a 2” Aluminum Washer stamped “PLS 3916” in the asphalt pavement of Tarrence Road, said nail being on the Southeastern line of Tract IV dedicated to Tarrence Road right-of-way by plat recorded in Deed Book 9777, Pg. 541;

Thence leaving Tract IV dedicated to Tarrence Road right-of-way and with the southern line of first David B. Shelton (D.B. 6821, Pg. 444), secondly David Shelton (D.B. 7553, Pg. 67), thirdly Stanley E. Lanham (D.B. 6026, Pg. 682) and fourthly Mark Edward Johnson (D.B. 7832, Pg. 180), S88°37’47”E - passing an iron witness pin set (5/8” x 18” rebar with aluminum cap bearing PLS-3916, as will be typical for all set comer monuments), at 43.94 feet and continuing at the same bearing 644.30 feet to a ¾” Iron pipe found and continuing an additional 92.35 feet for total distance of 730.59 feet to a Stone Monument found, said stone being a 3-way corner of the tract being surveyed, Mark Edward Johnson and Lot 102 of Billtown Farms – Section 1 (Plat Book 47, Pg. 83);

Thence leaving the line of Mark Edward Johnson and with the Western line of first Lot 102 of Billtown Farms – Section 1 and secondly Lot 63 of Billtown Farms – Section 1 (Plat Book 47, Pg. 82), S22°02’13”W- passing a 5/8” Rebar No ID Cap at 417.01 feet and continuing at the same being 123.01 feet to an Iron Pin Found PLS# 3476 and continuing an additional101.68 feet for a total distance of 641.70 feet to an Iron Pin Found PLS# 2719, said pin being on the Western boundary line of Lot 63 of Billtown Farms Section 1 and being the Northeast Corner of Deborah M. Pinson (D.B. 7298, Pg. 841);

Thence leaving the line of Lot 63 of Billtown Farms Section 1 and with the line of Deborah M. Pinson, S84°43’26”W – 512.75 feet to a ½” Rebar Found (PLS# 3492 Winkle), said pin being on the Northern boundary line of Pinson and being the Southeast corner of Patrick McGlinchey (D.B. 9844, Pg. 269);

Thence leaving the line of Pinson and with the line of McGlinchey, N14°09’28”W – 124.16 feet to a ½” Rebar Found (PLS# 3492 Winkle), said pin being the Northeast corner of McGlinchey and being the Southeast comer of Louisville Water Company (D.B. 4046, Pg. 577);

Thence leaving the line of McGlinchey and with the line of Louisville Water Company, N26°04’02”W – passing iron pin found no ID Cap at 82.69 feet and continuing at the same bearing 109.82 feet for a total distance of 192.51 feet to a ½” Rebar Found, said pin being the Northeast Corner of the Louisville Water Company;

Thence continuing with the line of the Louisville Water Company, S84°43’26”W – passing an iron witness pin set at 309.26 feet and continuing at the same bearing and additional 89.08 feet for a total distance of 398.34 feet to a 2 ½” x ¼” Mag nail with 2” Aluminum Washer stamped “PLS 3916” set in the centerline of Billtown Road;

Thence leaving the line of Louisville Water Company and with the centerline of Billtown Road, N29°08’38”W – 49.79 feet to the Point of Beginning and containing 11.974 acres by survey.

All bearing are referenced to Grid North of the Kentucky State Plane Coordinate System – North Zone (NAD 83).

Being the same property conveyed to Louisville Gas and Electric Company, a Kentucky corporation, by Deed dated December 21, 2015, of record in Deed Book 10523, Page 416, in the Office of the County Clerk of Jefferson County, Kentucky.

LOUISVILLE GAS AND ELECTRIC COMPANY

OFFICER'S CERTIFICATE

(under Sections 201 and 301 of the Indenture, dated as of October 1, 2010)

Establishing the Form and Certain Terms of the First Mortgage Bonds, Collateral Series 2016TCA

The undersigned Daniel K. Arbough, the Treasurer of LOUISVILLE GAS AND ELECTRIC COMPANY (the "Company"), in accordance with Sections 201 and 301 of the Indenture, dated as of October 1, 2010 (the "Original Indenture"), as amended and supplemented by various instruments including Supplemental Indenture No. 5, dated as of September 1, 2016 (as so amended and supplemented, the "Indenture"), of the Company to The Bank of New York Mellon, trustee (the "Trustee"), does hereby establish, for the Securities of Series No. 7, established in Supplemental Indenture No. 5, the terms and characteristics set forth in this Officer's Certificate (capitalized terms used herein and not defined herein having the meanings specified in the Original Indenture).

Set forth below are the terms and characteristics of the aforesaid series of Securities referred to in clauses (a) through (u) in the third paragraph of Section 301 of the Indenture (the lettered clauses set forth herein corresponding to such clauses in said Section 301):

(a) the title of the Securities of such series shall be "First Mortgage Bonds, Collateral Series 2016TCA" (the "Bonds");

(b) the aggregate principal amount of Bonds which may be authenticated and delivered under the Indenture shall be limited to $125,000,000 as and to the extent set forth in Supplemental Indenture No. 5; the Stated Maturity of the Bonds will be September 1, 2044;

(c) (1) the Bonds are to be issued and delivered to, and registered in the name of U.S. Bank National Association, as trustee (the "Revenue Bond Trustee") under an indenture of trust dated as of September 1, 2016 (the "Revenue Bond Indenture"), which relates to Pollution Control Revenue Refunding Bonds, 2016 Series A (Louisville Gas and Electric Company Project) (the "Revenue Bonds") issued by the County of Trimble, Kentucky (the "Governmental Issuer");

(2) the Bonds will be issued and delivered to, and registered in the name of, the Revenue Bond Trustee under the Revenue Bond Indenture to convey the benefit of the lien of the Indenture to such Revenue Bond Trustee for the benefit of the holders of the Revenue Bonds issued and outstanding thereunder. All payments of principal of and interest on the Bonds shall be payable to the Revenue Bond Trustee as the registered holder of the Bonds;

(d) the principal of the Bonds shall be due and payable on the applicable Stated Maturity date specified in clause (b); and the Company shall not have the right to extend the Maturity of the Bonds as contemplated in Section 301(d) of the Original Indenture;

(e) the Bonds shall bear interest at the same rate borne from time to time by the Revenue Bonds; provided, however, that if such Revenue Bonds shall bear interest at more than one rate, the rate of interest borne by the Bonds shall be such composite rate as shall produce the same dollar amount of accrued interest on such Bonds as is produced on such Revenue Bonds; and provided, further, that interest on the Bonds shall not commence to accrue unless and until:

(1) the Bonds are to be mandatorily redeemed as contemplated in clause (g), or

(2) all Securities Outstanding under the Indenture shall have become immediately due and payable pursuant to Section 1002 of the Original Indenture,

and, in either such event, interest shall commence to accrue from the last date to which interest on the Revenue Bonds shall have been paid in full (the "Initial Interest Accrual Date"), as specified by the Revenue Bond Trustee in a written notice to the Trustee; interest on the Bonds, having commenced to accrue as aforesaid, shall be and remain immediately due and payable until paid in full (unless the mandatory redemption or acceleration giving rise to the accrual of interest as aforesaid shall have been rescinded or annulled, in which event such accrual of interest shall automatically be rescinded and annulled); and in no event shall the amount of interest accrued on the Bonds exceed the amount of interest accrued on the Revenue Bonds; and the Company shall not have any right to extend any interest payment periods for the Bonds as contemplated in Sections 301(e) and 312 of the Original Indenture;

(f) the Corporate Trust Office of the Trustee in Pittsburgh, Pennsylvania shall be the office or agency of the Company at which the principal of and any premium and interest on the Bonds at Maturity shall be payable, at which registration of transfers and exchanges of the Bonds may be effected and at which notices and demands to or upon the Company in respect of the Bonds and the Indenture may be served; and the Trustee will initially be the Security Registrar and the Paying Agent for the Bonds; provided, however, that the Company reserves the right to change, by one or more Officer's Certificates, any such office or agency and such agent;

(g) If the Revenue Bonds shall have become immediately due and payable due to the occurrence and continuance of an Event of Default under the Revenue Bond Indenture (which Event of Default shall have been caused by an event of default under the loan agreement dated as of September 1, 2016 between the Company and the Governmental Issuer relating to the Revenue Bonds (the "Agreement") that has resulted in a default in payment of the principal of or premium, if any, or interest on such Revenue Bonds, or a default in a payment of purchase price with respect thereto) and if all Securities Outstanding under the Indenture shall not have become immediately due and payable following an Event of Default under the Indenture, the Bonds shall be redeemed by the Company, in whole, at a redemption price equal to 100% of the principal amount thereof plus accrued interest from the Initial Interest Accrual Date to the date of redemption upon receipt by the Company and the Trustee of a written demand for such redemption (a "Redemption Demand") executed and delivered by the Revenue Bond Trustee and stating (1) that such Revenue Bonds have become immediately due and payable due to the occurrence and continuance of an Event of Default under the Revenue Bond Indenture, (2) that such Event of Default was caused by an event of default under the Agreement that resulted in a default in payment of the principal of or premium, if any, or interest on such Revenue Bonds, or a default in a payment of purchase price with respect thereto, (3) that the redemption of the Bonds is thereby demanded by such Revenue Bond Trustee and (4) the last date to which interest on such Revenue Bonds has been paid in full; provided, however, that any rescission or annulment of the acceleration of maturity of the Revenue Bonds shall constitute the rescission and annulment of the Company's obligation to redeem the Bonds. No notice of any such redemption shall be required to be given;

(h) inapplicable;

(i) the Bonds shall be issuable in denominations of $1,000 and any integral multiple thereof;

(j) inapplicable;

(k) inapplicable;

(l) inapplicable;

(m) inapplicable;

(n) inapplicable;

(o) inapplicable;

(p) inapplicable;

(q) the Bonds shall be non-transferable except to a successor Revenue Bond Trustee under the Revenue Bond Indenture; no service or other charge shall be made for any registration of transfer or exchange of the Bonds;

(r) inapplicable;

(s) inapplicable;

(t) inapplicable; and

(u) (1) anything herein to the contrary notwithstanding, the obligation of the Company to make any payment of the principal of or interest on the Bonds shall be deemed to be satisfied and discharged to the extent of the corresponding payment (A) made by the Company to the Revenue Bond Trustee pursuant to the Agreement and/or (B) made with moneys on deposit in any fund or account maintained under such Revenue Bond Indenture for the payment of the principal of or interest on the Revenue Bonds;

(2) the Trustee may conclusively presume that the obligation of the Company to pay the principal of and interest on the Bonds as the same shall become due and payable shall have been fully satisfied and discharged unless and until it shall have received a written notice from the Revenue Bond Trustee, as Holder of such Bonds, signed by an authorized officer thereof, stating that the principal of and/or interest on such Bonds has become due and payable and has not been fully paid, and specifying the amount of funds required to make such payment;

(3) The Trustee may conclusively presume that all statements made in a Redemption Demand are true and correct and, unless advised to the contrary by the Revenue Bond Trustee in a written notice to the Trustee, that no redemption demanded in a Redemption Demand has been rescinded, and shall be entitled to receive, and to conclusively rely on, a written notice from the Revenue Bond Trustee as to the amount of interest accruing on the Bonds from time to time; and

(4) except as otherwise determined by the proper officers of the Company and established in one or more Officer's Certificates supplemental to this Officer's Certificate, the Bonds shall be substantially in the form of the Bond attached hereto as Exhibit A, which form is hereby authorized and approved, and shall have such further terms as are set forth in such form.

IN WITNESS WHEREOF, I have executed this Officer's Certificate this 15th day of September, 2016.

/s/ Daniel K. Arbough
Name: Daniel K. Arbough
Title: Treasurer

ATTEST:

/s/ Gerald A. Reynolds
Name: Gerald A. Reynolds
Title: General Counsel, Chief Compliance Officer and Corporate Secretary

[*Signature Page to Officer's Certificate Under Sections 201 and 301 of the Indenture*]

EXHIBIT A

THIS SECURITY IS NON-TRANSFERABLE EXCEPT TO A SUCCESSOR REVENUE BOND TRUSTEE UNDER THE REVENUE BOND INDENTURE SPECIFIED BELOW.

[FORM OF BOND]

No.

Principal Amount: $

Stated Maturity:

Governmental Issuer: County of Trimble, Kentucky

Revenue Bonds: Pollution Control Revenue Refunding Bonds, 2016 Series A (Louisville Gas and Electric Company Project)

Revenue Bond Indenture: Indenture of Trust, dated as of September 1, 2016, between the Governmental Issuer and the Revenue Bond Trustee

Revenue Bond Trustee: , as trustee under the Revenue Bond Indenture

LOUISVILLE GAS AND ELECTRIC COMPANY

FIRST MORTGAGE BOND, COLLATERAL SERIES 2016TCA

LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (herein referred to as the "Company," which term includes any Successor Corporation under the Indenture referred to below), for value received, hereby promises to pay to the Revenue Bond Trustee specified above, the principal sum of

($) Dollars

on the Stated Maturity specified above, and to pay interest from the Initial Interest Accrual Date (as defined below) on said principal sum at the rate from time to time borne by the Revenue Bonds specified above; provided, however, that if such Revenue Bonds shall bear interest at more than one rate, the rate of interest borne by this Security shall be such composite rate as shall produce the same dollar amount of accrued interest on this Security as is produced on such Revenue Bonds. No interest will accrue on the Securities with respect to the day on which the Securities mature.

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Date of Authentication:

THE BANK OF NEW YORK MELLON, as Trustee

By: ______________________________

Authorized Signatory

Interest on this Security will be computed on the same basis as interest on the Revenue Bonds specified above as provided in the Revenue Bond Indenture specified above.

Interest on the Securities of this series shall not commence to accrue unless and until:

(1) the Securities of this series are to be mandatorily redeemed as contemplated below, or

(2) all Securities Outstanding under the Indenture referred to below shall have become immediately due and payable pursuant to Section 1002 of the Original Indenture (as defined below),

and, in either such event, interest shall commence to accrue from the last date to which interest on the Revenue Bonds specified above shall have been paid in full (the "Initial Interest Accrual Date"), as specified by the Revenue Bond Trustee specified above in a written notice to the Trustee.

Payment of the principal of and premium, if any, and interest at Maturity on this Security shall be made upon presentation of this Security at the corporate trust office of The Bank of New York Mellon in New York, New York, or at such other office or agency as may be designated for such purpose by the Company from time to time, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, and payment of interest, if any, on this Security (other than interest payable at Maturity) shall be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

This Security is one of a duly authorized issue of Securities of the Company (herein called the "Securities"), issued and issuable in one or more series under an Indenture, dated as of October 1, 2010 (herein called the "Original Indenture" and, together with any amendments or supplements thereto and the Officer's Certificate establishing the terms of the Securities of this series, the "Indenture," which term shall have the meaning assigned to it in the Original Indenture), between the Company and The Bank of New York Mellon, as trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture, including Supplemental Indenture No. 5 thereto, for a statement of the property mortgaged, pledged and held in trust, the nature and extent of the security, the conditions upon which the lien of the Indenture may be released and the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. The acceptance of this Security by the Holder hereof shall be deemed to constitute the consent and agreement by such Holder to all of the terms and provisions of the Indenture. This Security is one of the series designated on the face hereof.

If the Revenue Bonds specified above shall have become immediately due and payable due to the occurrence and continuance of an Event of Default under the Revenue Bond Indenture specified above (which Event of Default shall have been caused by an event of default under the Agreement (as defined in the Revenue Bond Indenture specified above) between the Company and the Governmental Issuer specified above (the "Agreement") that has resulted in a default in payment of the principal of or premium, if any, or interest on such Revenue Bonds, or a default in a payment of purchase price with respect thereto) and if all Securities Outstanding under the Indenture shall not have become immediately due and payable following an Event of Default under the Indenture, the Bonds of this series shall be redeemed by the Company, in whole, at a redemption price equal to 100% of the principal amount thereof plus accrued interest from the Initial Interest Accrual Date to the date of redemption upon receipt by the Company and the Trustee of a written demand for such redemption (a "Redemption Demand") executed and delivered by the Revenue Bond Trustee specified above and stating (a) that such Revenue Bonds have become immediately due and payable due to the occurrence and continuance of an Event of Default under such Revenue Bond Indenture, (b) that such Event of Default was caused by an event of default under the loan agreement between the

Company and such Governmental Issuer that resulted in a default in payment of the principal of or premium, if any, or interest on such Revenue Bonds, or a default in a payment of purchase price with respect thereto, (c) that the redemption of the Bonds of this series is thereby demanded by such Revenue Bond Trustee and (d) the last date to which interest on such Revenue Bonds has been paid in full.

If an Event of Default with respect to the Securities of this series shall occur and be continuing, the principal of this Security may be declared due and payable in the manner and with the effect provided in the Indenture.

Anything herein to the contrary notwithstanding, the obligation of the Company to make any payment of the principal of or interest on the Bonds of this series shall be deemed to be satisfied and discharged to the extent of the corresponding payment (a) made by the Company to the Revenue Bond Trustee specified above pursuant to the Agreement and/or (b) made with moneys on deposit in any fund or account maintained under such Revenue Bond Indenture for the payment of the principal of or interest on the Revenue Bonds.

The Trustee may conclusively presume that the obligation of the Company to pay the principal of and interest on the Securities of this series as the same shall become due and payable shall have been fully satisfied and discharged unless and until it shall have received a written notice from the Revenue Bond Trustee specified above, signed by an authorized officer thereof, stating that the principal of and/or interest on the Securities of this series has become due and payable and has not been fully paid, and specifying the amount of funds required to make such payment.

The Trustee may conclusively presume that all statements made in a Redemption Demand are true and correct and, unless advised to the contrary by the Revenue Bond Trustee specified above in a written notice to the Trustee, that no redemption demanded in a Redemption Demand has been rescinded, and shall be entitled to receive, and to conclusively rely on, a written notice from such Revenue Bond Trustee as to the amount of interest accruing on the Securities of this series from time to time.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security upon compliance with certain conditions set forth in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of all series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of all series affected at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless (a) such Holder shall have previously given the Trustee written notice of a continuing Event of Default; (b) the Holders of 25% in aggregate principal amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity; (c) the Trustee shall not have received from the Holders of a majority in aggregate principal amount of the Outstanding Securities a direction inconsistent with such request; and (d) the Trustee shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

The Securities of this series are issuable only in registered form without coupons, and in denominations of $1,000 and integral multiples thereof.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder hereof or its attorney duly authorized in writing, and thereupon one or more new Securities of this series, of authorized denominations and of like tenor and aggregate principal amount, shall be issued to the designated transferee or transferees.

As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of the same series, of any authorized denominations, as requested by the Holder surrendering the same, and of like tenor upon surrender of the Security or Securities to be exchanged at the office or agency of the Company for such purpose.

No service or other charge shall be made for any such registration of transfer or exchange.

Anything herein to the contrary notwithstanding, this Security shall not be transferable except to a successor Revenue Bond Trustee under the Revenue Bond Indenture specified above.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the absolute owner hereof for all purposes (subject to Sections 305 and 307 of the Indenture), whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and this Security shall be governed by and construed in accordance with the laws of the State of New York (including, without limitation, Section 5-1401 of the New York General Obligations Law or any successor to such statute), except to the extent that the Trust Indenture Act shall be applicable and except to the extent that the law of any other jurisdiction shall mandatorily govern.

As used herein, “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 this Security is located, are generally authorized or required by law, regulation or executive order to remain closed. All other terms used in this Security that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

As provided in the Indenture, no recourse shall be had for the payment of the principal of or premium, if any, or interest on any Securities, or any part thereof, or for any claim based thereon or otherwise in respect thereof, or of the indebtedness represented thereby, or upon any obligation, covenant or agreement under the Indenture, against, and no personal liability whatsoever shall attach to, or be incurred by, any incorporator, stockholder, member, officer or director, as such, past, present or future of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Securities are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of the Securities.

Unless the certificate of authentication hereon has been executed by the Trustee referred to herein by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Date of Security:

LOUISVILLE GAS AND ELECTRIC COMPANY

By:______________________________
Name:
Title:

____
Name:
Title:

ASSIGNMENT FORM

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

[please insert social security or other identifying number of assignee]

[please print or typewrite name and address of assignee]

the within Security of LOUISVILLE GAS AND ELECTRIC COMPANY and does hereby irrevocably constitute and appoint ____________________, Attorney, to transfer said Security on the books of the within-mentioned Company, with full power of substitution in the premises.

Dated: __________________

[signature of registered holder]

Notice: The signature to this assignment must correspond with the name as written upon the face of the Security in every particular without alteration or enlargement or any change whatsoever.

FORM 10-Q

PPL CORP - PPL

Filed: November 01, 2016 (period: September 30, 2016)

Quarterly report with a continuing view of a company's financial position

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended September 30, 2016

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _________ to ___________

Commission File Number	Registrant; State of Incorporation; Address and Telephone Number	IRS Employer Identification No.
1-11459	**PPL Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-2758192
1-905	**PPL Electric Utilities Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-0959590
333-173665	**LG&E and KU Energy LLC** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-2893	**Louisville Gas and Electric Company** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150
1-3464	**Kentucky Utilities Company** (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

PPL Corporation	Yes X	No ___
PPL Electric Utilities Corporation	Yes X	No ___
LG&E and KU Energy LLC	Yes X	No ___
Louisville Gas and Electric Company	Yes X	No ___
Kentucky Utilities Company	Yes X	No ___

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files).

PPL Corporation	Yes X	No ___
PPL Electric Utilities Corporation	Yes X	No ___
LG&E and KU Energy LLC	Yes X	No ___
Louisville Gas and Electric Company	Yes X	No ___
Kentucky Utilities Company	Yes X	No ___

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
PPL Corporation	[X]	[ ]	[ ]	[ ]
PPL Electric Utilities Corporation	[ ]	[ ]	[X]	[ ]
LG&E and KU Energy LLC	[ ]	[ ]	[X]	[ ]
Louisville Gas and Electric Company	[ ]	[ ]	[X]	[ ]
Kentucky Utilities Company	[ ]	[ ]	[X]	[ ]

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

PPL Corporation	Yes ___	No X
PPL Electric Utilities Corporation	Yes ___	No X
LG&E and KU Energy LLC	Yes ___	No X
Louisville Gas and Electric Company	Yes ___	No X
Kentucky Utilities Company	Yes ___	No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

PPL Corporation	Common stock, $0.01 par value, 679,627,323 shares outstanding at October 26, 2016.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at October 26, 2016.
LG&E and KU Energy LLC	PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC.
Louisville Gas and Electric Company	Common stock, no par value, 21,294,223 shares outstanding and all held by LG&E and KU Energy LLC at October 26, 2016.
Kentucky Utilities Company	Common stock, no par value, 37,817,878 shares outstanding and all held by LG&E and KU Energy LLC at October 26, 2016.

This document is available free of charge at the Investors section of PPL Corporation's website at www.pplweb.com. However, information on this website does not constitute a part of this Form 10-Q.

PPL CORPORATION
PPL ELECTRIC UTILITIES CORPORATION
LG&E AND KU ENERGY LLC
LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

FORM 10-Q
FOR THE QUARTER ENDED September 30, 2016

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This combined Form 10-Q is separately filed by the following Registrants in their individual capacity: PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant, except that information under "Forward-Looking Information" relating to subsidiaries of PPL Corporation is also attributed to PPL Corporation and information relating to the subsidiaries of LG&E and KU Energy LLC is also attributed to LG&E and KU Energy LLC.

Unless otherwise specified, references in this Report, individually, to PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company are references to such entities directly or to one or more of their subsidiaries, as the case may be, the financial results of which subsidiaries are consolidated into such Registrants in accordance with GAAP. This presentation has been applied where identification of particular subsidiaries is not material to the matter being disclosed, and to conform narrative disclosures to the presentation of financial information on a consolidated basis.

GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its subsidiaries

KU - Kentucky Utilities Company, a public utility subsidiary of LKE engaged in the regulated generation, transmission, distribution and sale of electricity, primarily in Kentucky.

LG&E - Louisville Gas and Electric Company, a public utility subsidiary of LKE engaged in the regulated generation, transmission, distribution and sale of electricity and the distribution and sale of natural gas in Kentucky.

LKE - LG&E and KU Energy LLC, a subsidiary of PPL and the parent of LG&E, KU and other subsidiaries.

LKS - LG&E and KU Services Company, a subsidiary of LKE that provides services to LKE and its subsidiaries.

PPL - PPL Corporation, the parent holding company of PPL Electric, PPL Energy Funding, PPL Capital Funding, LKE and other subsidiaries.

PPL Capital Funding - PPL Capital Funding, Inc., a financing subsidiary of PPL that provides financing for the operations of PPL and certain subsidiaries. Debt issued by PPL Capital Funding is guaranteed as to payment by PPL.

PPL Electric - PPL Electric Utilities Corporation, a public utility subsidiary of PPL engaged in the regulated transmission and distribution of electricity in its Pennsylvania service area and that provides electricity supply to its retail customers in this area as a PLR.

PPL Energy Funding - PPL Energy Funding Corporation, a subsidiary of PPL and the parent holding company of PPL Global and other subsidiaries.

PPL EU Services - PPL EU Services Corporation, a subsidiary of PPL that provides support services and corporate functions such as financial, supply chain, human resources and facilities management services primarily to PPL Electric and its affiliates.

PPL Global - PPL Global, LLC, a subsidiary of PPL Energy Funding that, primarily through its subsidiaries, owns and operates WPD, PPL's regulated electricity distribution businesses in the U.K.

PPL Services - PPL Services Corporation, a subsidiary of PPL that provides administrative, management and support services to PPL and its subsidiaries.

PPL WPD Limited - an indirect U.K. subsidiary of PPL Global and parent to WPD plc.

WPD - refers to PPL WPD Limited and its subsidiaries.

WPD (East Midlands) - Western Power Distribution (East Midlands) plc, a British regional electricity distribution utility company.

WPD plc - Western Power Distribution plc, a direct U.K. subsidiary of PPL WPD Limited. Its principal indirectly owned subsidiaries are WPD (East Midlands), WPD (South Wales), WPD (South West) and WPD (West Midlands).

WPD Midlands - refers to WPD (East Midlands) and WPD (West Midlands), collectively.

WPD (South Wales) - Western Power Distribution (South Wales) plc, a British regional electricity distribution utility company.

WPD (South West) - Western Power Distribution (South West) plc, a British regional electricity distribution utility company.

WPD (West Midlands) - Western Power Distribution (West Midlands) plc, a British regional electricity distribution utility company.

WKE - Western Kentucky Energy Corp., a subsidiary of LKE that leased certain non-utility generating plants in western Kentucky until July 2009.

Other terms and abbreviations

£ - British pound sterling.

2015 Form 10-K - Annual Report to the SEC on Form 10-K for the year ended December 31, 2015.

2001 Mortgage Indenture - PPL Electric's Indenture, dated as of August 1, 2001, to the Bank of New York Mellon (as successor to JPMorgan Chase Bank), as trustee, as supplemented.

Act 11 - Act 11 of 2012 that became effective on April 16, 2012. The Pennsylvania legislation authorizes the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, a DSIC.

Act 129 - Act 129 of 2008 that became effective in October 2008. The law amends the Pennsylvania Public Utility Code and creates an energy efficiency and conservation program and smart metering technology requirements, adopts new PLR electricity supply procurement rules, provides remedies for market misconduct and changes to the Alternative Energy Portfolio Standard (AEPS).

Advanced Metering System - meters and meter reading systems that provide two-way communication capabilities, which communicate usage and other relevant data to LG&E and KU at regular intervals, but also are able to receive information from LG&E and KU, such as software upgrades and requests to provide meter readings in real time.

AOCI - accumulated other comprehensive income or loss.

Article 50 of the Lisbon Treaty - The Treaty of Lisbon is an international agreement which amends the two treaties which form the constitutional basis of the European Union, and came into force on December 1, 2009. Under Article 50 of this treaty, any member state of the European Union may decide to withdraw from the Union in accordance with its own constitutional requirements.

ARO - asset retirement obligation.

ATM Program - At-the-Market stock offering program.

BSER - Best System of Emission Reduction. The degree of emission reduction that EPA determines has been adequately demonstrated when taking into account the cost of achieving such reduction and any non-air quality health and environmental impact and energy requirements.

CCR(s) - Coal Combustion Residual(s). CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes.

Clean Air Act - federal legislation enacted to address certain environmental issues related to air emissions, including acid rain, ozone and toxic air emissions.

Clean Water Act - federal legislation enacted to address certain environmental issues relating to water quality including effluent discharges, cooling water intake, and dredge and fill activities.

CPCN - Certificate of Public Convenience and Necessity. Authority granted by the KPSC pursuant to Kentucky Revised Statute 278.020 to provide utility service to or for the public or the construction of certain plant, equipment, property or facility for furnishing of utility service to the public.

Customer Choice Act - the Pennsylvania Electricity Generation Customer Choice and Competition Act, legislation enacted to restructure the state's electric utility industry to create retail access to a competitive market for generation of electricity.

Distribution Automation - advanced grid intelligence enabling LG&E and KU to perform remote monitoring and control, circuit segmentation and self-healing of select distribution system circuits, improving grid reliability and efficiency.

DNO - Distribution Network Operator in the U.K.

DPCR4 - Distribution Price Control Review 4, the U.K. five-year rate review period applicable to WPD that commenced April 1, 2005.

DPCR5 - Distribution Price Control Review 5, the U.K. five-year rate review period applicable to WPD that commenced April 1, 2010.

DRIP - PPL Amended and Restated Dividend Reinvestment and Direct Stock Purchase Plan.

DSIC - the Distribution System Improvement Charge authorized under Act 11, which is an alternative ratemaking mechanism providing more-timely cost recovery of qualifying distribution system capital expenditures.

DSM - Demand Side Management. Pursuant to Kentucky Revised Statute 278.285, the KPSC may determine the reasonableness of DSM plans proposed by any utility under its jurisdiction. Proposed DSM mechanisms may seek full recovery of costs and revenues lost by implementing DSM programs and/or incentives designed to provide financial rewards to the utility for implementing cost-effective DSM programs. The cost of such programs shall be assigned only to the class or classes of customers which benefit from the programs.

Earnings from Ongoing Operations - A non-GAAP financial measure of earnings adjusted for the impact of special items and used in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A).

ECR - Environmental Cost Recovery. Pursuant to Kentucky Revised Statute 278.183, Kentucky electric utilities are entitled to the current recovery of costs of complying with the Clean Air Act, as amended, and those federal, state or local environmental requirements that apply to coal combustion wastes and by-products from the production of energy from coal.

ELG(s) - Effluent Limitation Guidelines, regulations promulgated by the EPA.

EPA - Environmental Protection Agency, a U.S. government agency.

FERC - Federal Energy Regulatory Commission, the U.S. federal agency that regulates, among other things, interstate transmission and wholesale sales of electricity, hydroelectric power projects and related matters.

GAAP - Generally Accepted Accounting Principles in the U.S.

GBP - British pound sterling.

GLT - Gas Line Tracker. The KPSC approved mechanism for LG&E's recovery of costs associated with gas service lines, gas risers, leak mitigation, and gas main replacements.

IRS - Internal Revenue Service, a U.S. government agency.

KPSC - Kentucky Public Service Commission, the state agency that has jurisdiction over the regulation of rates and service of utilities in Kentucky.

LCIDA - Lehigh County Industrial Development Authority.

LIBOR - London Interbank Offered Rate.

Margins - A non-GAAP financial measure of performance used in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A).

MATS - Mercury and Air Toxics Standards, regulations promulgated by the EPA.

Moody's - Moody's Investors Service, Inc., a credit rating agency.

MW - megawatt, one thousand kilowatts.

NAAQS - National Ambient Air Quality Standards periodically adopted pursuant to the Clean Air Act.

NERC - North American Electric Reliability Corporation.

NGCC - Natural gas-fired combined-cycle generating plant.

NPNS - the normal purchases and normal sales exception as permitted by derivative accounting rules. Derivatives that qualify for this exception may receive accrual accounting treatment.

NSR - The new source review provisions of the Clean Air Act that impose stringent emission control requirements on new and modified sources of air emissions that result in emission increases beyond thresholds allowed by the Clean Air Act.

OCI - other comprehensive income or loss.

Ofgem - Office of Gas and Electricity Markets, the British agency that regulates transmission, distribution and wholesale sales of electricity and related matters.

OVEC - Ohio Valley Electric Corporation, located in Piketon, Ohio, an entity in which LKE indirectly owns an 8.13% interest (consists of LG&E's 5.63% and KU's 2.50% interests), which is accounted for as a cost-method investment. OVEC owns and operates two coal-fired power plants, the Kyger Creek plant in Ohio and the Clifty Creek plant in Indiana, with combined summer rating capacities of 2,120 MW.

PLR - Provider of Last Resort, the role of PPL Electric in providing default electricity supply within its delivery area to retail customers who have not chosen to select an alternative electricity supplier under the Customer Choice Act.

PP&E - property, plant and equipment.

PPL EnergyPlus - prior to the June 1, 2015 spinoff of PPL Energy Supply, PPL EnergyPlus, LLC, a subsidiary of PPL Energy Supply that marketed and traded wholesale and retail electricity and gas, and supplied energy and energy services in competitive markets.

PPL Energy Supply - prior to the June 1, 2015 spinoff, PPL Energy Supply, LLC, a subsidiary of PPL Energy Funding and the parent company of PPL EnergyPlus and other subsidiaries.

PUC - Pennsylvania Public Utility Commission, the state agency that regulates certain ratemaking, services, accounting and operations of Pennsylvania utilities.

RAV - regulatory asset value. This term, used within the U.K. regulatory environment, is also commonly known as RAB or regulatory asset base. RAV is based on historical investment costs at time of privatization, plus subsequent allowed additions less annual regulatory depreciation, and represents the value on which DNOs earn a return in accordance with the regulatory cost of capital. RAV is indexed to Retail Price Index (RPI) in order to allow for the effects of inflation. Since the beginning of DPCR5 in April 2010, RAV additions have been based on a percentage of annual total expenditures, which have continued from April 2015 under RIIO-ED1. RAV is intended to represent expenditures that have a long-term benefit to WPD (similar to capital projects for the U.S. regulated businesses that are generally included in rate base).

RCRA - Resource Conservation and Recovery Act of 1976.

Registrant(s) - refers to the Registrants named on the cover of this Report (each a "Registrant" and collectively, the "Registrants").

Regulation S-X - SEC regulation governing the form and content of and requirements for financial statements required to be filed pursuant to the federal securities laws.

RFC - ReliabilityFirst Corporation, one of eight regional entities with delegated authority from NERC that work to safeguard the reliability of the bulk power systems throughout North America.

RIIO-ED1 - RIIO represents "Revenues = Incentive + Innovation + Outputs." RIIO-ED1 refers to the initial eight-year rate review period applicable to WPD which commenced April 1, 2015.

Riverstone - Riverstone Holdings LLC, a Delaware limited liability company and ultimate parent company of the entities that own the competitive power generation business contributed to Talen Energy other than the competitive power generation business contributed by virtue of the spinoff of a newly formed parent of PPL Energy Supply.

RPI - Retail Price Index, is a measure of inflation in the United Kingdom published monthly by the Office for National Statistics.

SCRs - selective catalytic reduction, a pollution control process for the removal of nitrogen oxide from exhaust gas.

S&P - Standard & Poor's Ratings Services, a credit rating agency.

Sarbanes-Oxley- Sarbanes-Oxley Act of 2002, which sets requirements for management's assessment of internal controls for financial reporting. It also requires an independent auditor to make its own assessment.

Scrubber - an air pollution control device that can remove particulates and/or gases (primarily sulfur dioxide) from exhaust gases.

SEC - the U.S. Securities and Exchange Commission, a U.S. government agency primarily responsible to protect investors and maintain the integrity of the securities markets.

SERC - SERC Reliability Corporation, one of eight regional entities with delegated authority from NERC that work to safeguard the reliability of the bulk power systems throughout North America.

Smart meter - an electric meter that utilizes smart metering technology.

Smart metering technology - technology that can measure, among other things, time of electricity consumption to permit offering rate incentives for usage during lower cost or demand intervals. The use of this technology also has the potential to strengthen network reliability.

Superfund - federal environmental statute that addresses remediation of contaminated sites; states also have similar statutes.

Talen Energy - Talen Energy Corporation, the Delaware corporation formed to be the publicly traded company and owner of the competitive generation assets of PPL Energy Supply and certain affiliates of Riverstone.

Talen Energy Marketing - Talen Energy Marketing, LLC, the new name of PPL EnergyPlus subsequent to the spinoff of PPL Energy Supply.

Treasury Stock Method - A method applied to calculate diluted EPS that assumes any proceeds that could be obtained upon exercise of options and warrants (and their equivalents) would be used to purchase common stock at the average market price during the relevant period.

VSCC - Virginia State Corporation Commission, the state agency that has jurisdiction over the regulation of Virginia corporations, including utilities.

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Forward-looking Information

Statements contained in this Form 10-Q concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in each Registrant's 2015 Form 10-K and in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements.

- challenges by intervenors to the return on equity granted in existing rate structures;
- fuel supply and cost;
- continuing ability to recover fuel costs and environmental expenditures in a timely manner at LG&E and KU, and natural gas supply costs at LG&E;
- weather conditions affecting transmission and distribution operations, and customer energy use;
- availability and operating costs of existing generation facilities;
- the duration of and cost associated with outages at our generating facilities;
- generation, transmission and distribution system conditions, and operating costs;
- expansion of alternative and distributed sources of electricity generation and storage;
- collective labor bargaining negotiations;
- laws or regulations to reduce emissions of "greenhouse" gases or physical effects of climate change;
- the outcome of litigation against the Registrants and their subsidiaries;
- potential effects of threatened or actual terrorism, war or other hostilities, cyber-based intrusions or natural disasters;
- the commitments and liabilities of the Registrants and their subsidiaries;
- the effect of changes in RPI on WPD's revenues and index linked debt;
- the effectiveness of our risk management programs, including foreign currency and interest rate hedging;
- the effect of the June 23, 2016 referendum in the U.K. to withdraw from the European Union;
- our ability to attract and retain qualified employees;
- volatility in demand for electricity;
- market prices of commodity inputs for ongoing capital expenditures or key operational needs;
- capital market conditions, including the availability of capital or credit, changes in interest rates and certain economic indices, and decisions regarding capital structure;
- stock price performance of PPL;
- defaults by counterparties or suppliers for energy, capacity, coal, natural gas or key commodities, goods or services;
- volatility in the fair value of debt and equity securities and its impact on the value of assets in defined benefit plans, and the potential cash funding requirements if fair value declines;
- interest rates and their effect on pension and retiree medical liabilities and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial markets and economic conditions;
- new accounting requirements or new interpretations or applications of existing requirements;
- changes in securities and credit ratings;
- changes in foreign currency exchange rates for British pound sterling;
- current and future environmental conditions, regulations and other requirements and the related costs of compliance, including environmental capital expenditures, emission allowance costs and other expenses;
- changes in political, regulatory or economic conditions in states, regions or countries where the Registrants or their subsidiaries conduct business;
- receipt of necessary governmental permits, approvals and rate relief;
- new state, federal or foreign legislation or regulatory developments;
- the outcome of any rate cases or other cost recovery or revenue filings by PPL Electric, LG&E, KU or WPD;
- the achievement of performance targets set by Ofgem;
- the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures; and
- business dispositions or acquisitions and our ability to realize expected benefits from such business transactions.

Any such forward-looking statements should be considered in light of such important factors and in conjunction with other documents of the Registrants on file with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for the Registrants to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and the Registrants undertake no obligation to update the information contained in such statement to reflect subsequent developments or information.

PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, except share data)

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Operating Revenues	**$ 1,889**	$ 1,878	**$ 5,685**	$ 5,889
Operating Expenses				
Operation				
Fuel	**227**	228	**607**	695
Energy purchases	**151**	177	**531**	676
Other operation and maintenance	**417**	482	**1,292**	1,405
Depreciation	**232**	226	**692**	658
Taxes, other than income	**76**	79	**229**	241
Total Operating Expenses	**1,103**	1,192	**3,351**	3,675
Operating Income	**786**	686	**2,334**	2,214
Other Income (Expense) - net	**49**	75	**284**	61
Interest Expense	**223**	221	**671**	645
Income from Continuing Operations Before Income Taxes	**612**	540	**1,947**	1,630
Income Taxes	**139**	144	**510**	432
Income from Continuing Operations After Income Taxes	**473**	396	**1,437**	1,198
Income (Loss) from Discontinued Operations (net of income taxes) (Note 8)	**—**	(3)	**—**	(915)
Net Income	**$ 473**	$ 393	**$ 1,437**	$ 283
Earnings Per Share of Common Stock:				
Income from Continuing Operations After Income Taxes:				
Basic	**$ 0.70**	$ 0.59	**$ 2.12**	$ 1.78
Diluted	**$ 0.69**	$ 0.59	**$ 2.11**	$ 1.78
Net Income:				
Basic	**$ 0.70**	$ 0.58	**$ 2.12**	$ 0.42
Diluted	**$ 0.69**	$ 0.58	**$ 2.11**	$ 0.42
Dividends Declared Per Share of Common Stock	**$ 0.38**	$ 0.3775	**$ 1.14**	$ 1.1225
Weighted-Average Shares of Common Stock Outstanding (in thousands)				
Basic	**678,114**	670,763	**676,905**	668,731
Diluted	**680,348**	673,702	**679,969**	671,254

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	**$ 473**	$ 393	**$ 1,437**	$ 283
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Foreign currency translation adjustments, net of tax of ($2), ($3), ($4), ($2)	**(641)**	52	**(837)**	(97)
Available-for-sale securities, net of tax of $0, $0, $0, ($9)	**—**	—	**—**	7
Qualifying derivatives, net of tax of ($16), $11, ($9), $4	**62**	(19)	**57**	8
Defined benefit plans:				
Prior service costs, net of tax of $0, $0, $0, $4	**—**	—	**—**	(6)
Net actuarial gain (loss), net of tax of $4, $0, $3, ($36)	**(6)**	—	**(4)**	52
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Available-for-sale securities, net of tax of $0, $0, $0, $2	**—**	—	**—**	(2)
Qualifying derivatives, net of tax of $17, ($3), $15, ($23)	**(69)**	10	**(62)**	20
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $0, $1	**—**	—	**(1)**	(1)
Defined benefit plans:				
Prior service costs, net of tax of ($1), $0, ($1), $0	**—**	—	**1**	—
Net actuarial loss, net of tax of ($10), ($10), ($27), ($35)	**31**	35	**94**	111
Total other comprehensive income (loss)	**(623)**	78	**(752)**	92
Comprehensive income (loss)	**$ (150)**	$ 471	**$ 685**	$ 375

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Nine Months Ended September 30,	
	2016	**2015**
Cash Flows from Operating Activities		
Net income	$ **1,437**	$ 283
(Income) Loss from discontinued operations (net of income taxes)	**—**	915
Income from continuing operations (net of income taxes)	**1,437**	1,198
Adjustments to reconcile Income from continuing operations (net of taxes) to net cash provided by operating activities - continuing operations		
Depreciation	**692**	658
Amortization	**54**	46
Defined benefit plans - expense (income)	**(29)**	44
Deferred income taxes and investment tax credits	**436**	359
Unrealized (gains) losses on derivatives, and other hedging activities	**107**	(17)
Stock-based compensation expense	**23**	26
Other	**(12)**	9
Change in current assets and current liabilities		
Accounts receivable	**(29)**	(5)
Accounts payable	**(40)**	(180)
Unbilled revenues	**32**	91
Fuel, materials and supplies	**8**	60
Prepayments	**(34)**	(43)
Taxes payable	**40**	(142)
Regulatory assets and liabilities, net	**(32)**	46
Other	**(21)**	(5)
Other operating activities		
Defined benefit plans - funding	**(345)**	(396)
Settlement of interest rate swaps	**—**	(88)
Other assets	**18**	(42)
Other liabilities	**(75)**	69
Net cash provided by operating activities - continuing operations	**2,230**	1,688
Net cash provided by operating activities - discontinued operations	**—**	343
Net cash provided by operating activities	**2,230**	2,031
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(2,073)**	(2,560)
Expenditures for intangible assets	**(23)**	(32)
Proceeds from the sale of other investments	**2**	136
Other investing activities	**28**	(7)
Net cash provided by (used in) investing activities - continuing operations	**(2,066)**	(2,463)
Net cash provided by (used in) investing activities - discontinued operations	**—**	(149)
Net cash provided by (used in) investing activities	**(2,066)**	(2,612)
Cash Flows from Financing Activities		
Issuance of long-term debt	**1,241**	1,137
Retirement of long-term debt	**(905)**	—
Settlement of cross-currency swaps	**46**	—
Issuance of common stock	**133**	145
Payment of common stock dividends	**(772)**	(750)
Net increase (decrease) in short-term debt	**(268)**	(271)
Other financing activities	**(33)**	(30)
Net cash provided by (used in) financing activities - continuing operations	**(558)**	231
Net cash provided by (used in) financing activities - discontinued operations	**—**	(546)
Net cash distributions to parent from discontinued operations	**—**	132
Net cash provided by (used in) financing activities	**(558)**	(183)
Effect of Exchange Rates on Cash and Cash Equivalents	**(26)**	(6)

Net (Increase) Decrease in Cash and Cash Equivalents included in Discontinued Operations	—	352
Net Increase (Decrease) in Cash and Cash Equivalents	**(420)**	(418)
Cash and Cash Equivalents at Beginning of Period	**836**	1,399
Cash and Cash Equivalents at End of Period	**$ 416**	$ 981

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 416**	$ 836
Accounts receivable (less reserve: 2016, $48; 2015, $41)		
Customer	**687**	673
Other	**45**	59
Unbilled revenues	**393**	453
Fuel, materials and supplies	**346**	357
Prepayments	**97**	66
Price risk management assets	**78**	139
Other current assets	**37**	63
Total Current Assets	**2,099**	2,646
Property, Plant and Equipment		
Regulated utility plant	**34,427**	34,399
Less: accumulated depreciation - regulated utility plant	**5,938**	5,683
Regulated utility plant, net	**28,489**	28,716
Non-regulated property, plant and equipment	**451**	516
Less: accumulated depreciation - non-regulated property, plant and equipment	**155**	165
Non-regulated property, plant and equipment, net	**296**	351
Construction work in progress	**1,184**	1,315
Property, Plant and Equipment, net	**29,969**	30,382
Other Noncurrent Assets		
Regulatory assets	**1,765**	1,733
Goodwill	**3,175**	3,550
Other intangibles	**693**	679
Price risk management assets	**185**	156
Other noncurrent assets	**152**	155
Total Other Noncurrent Assets	**5,970**	6,273
Total Assets	**$ 38,038**	$ 39,301

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 636**	$ 916
Long-term debt due within one year	**443**	485
Accounts payable	**741**	812
Taxes	**117**	85
Interest	**315**	303
Dividends	**259**	255
Customer deposits	**302**	326
Regulatory liabilities	**120**	145
Other current liabilities	**479**	549
Total Current Liabilities	**3,412**	3,876
Long-term Debt	**18,069**	18,563
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**3,810**	3,440
Investment tax credits	**133**	128
Accrued pension obligations	**878**	1,405
Asset retirement obligations	**413**	536
Regulatory liabilities	**911**	945
Other deferred credits and noncurrent liabilities	**437**	489
Total Deferred Credits and Other Noncurrent Liabilities	**6,582**	6,943
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
Common stock - $0.01 par value (a)	**7**	7
Additional paid-in capital	**9,824**	9,687
Earnings reinvested	**3,624**	2,953
Accumulated other comprehensive loss	**(3,480)**	(2,728)
Total Equity	**9,975**	9,919
Total Liabilities and Equity	**$ 38,038**	$ 39,301

(a) 1,560,000 shares authorized; 679,268 shares issued and outstanding at September 30, 2016; 780,000 shares authorized; 673,857 shares issued and outstanding at December 31, 2015.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Total
December 31, 2015	673,857	$ 7	$ 9,687	$ 2,953	$ (2,728)	$ 9,919
Common stock issued	5,411		168			168
Stock-based compensation			(31)			(31)
Net income				1,437		1,437
Dividends and dividend equivalents				(773)		(773)
Other comprehensive income (loss)					(752)	(752)
Adoption of stock-based compensation guidance cumulative effect adjustment (Note 2)				7		7
September 30, 2016	679,268	$ 7	$ 9,824	$ 3,624	$ (3,480)	$ 9,975
December 31, 2014	665,849	$ 7	$ 9,433	$ 6,462	$ (2,274)	$ 13,628
Common stock issued	5,943		183			183
Stock-based compensation			14			14
Net income				283		283
Dividends and dividend equivalents				(754)		(754)
Distribution of PPL Energy Supply (Note 8)				(3,200)	(24)	(3,224)
Other comprehensive income (loss)					92	92
September 30, 2015	671,792	$ 7	$ 9,630	$ 2,791	$ (2,206)	$ 10,222

(a) Shares in thousands. Each share entitles the holder to one vote on any question presented at any shareowners' meeting.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Operating Revenues	**$ 539**	$ 519	**$ 1,619**	$ 1,625
Operating Expenses				
Operation				
Energy purchases	**129**	154	**414**	519
Energy purchases from affiliate	**—**	—	**—**	14
Other operation and maintenance	**144**	162	**431**	435
Depreciation	**64**	55	**185**	158
Taxes, other than income	**26**	27	**79**	87
Total Operating Expenses	**363**	398	**1,109**	1,213
Operating Income	**176**	121	**510**	412
Other Income (Expense) - net	**4**	1	**12**	5
Interest Expense	**32**	32	**97**	96
Income Before Income Taxes	**148**	90	**425**	321
Income Taxes	**58**	35	**162**	130
Net Income (a)	**$ 90**	$ 55	**$ 263**	$ 191

(a) Net income equals comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Nine Months Ended September 30,	
	2016	**2015**
Cash Flows from Operating Activities		
Net income	**$ 263**	$ 191
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**185**	158
Amortization	**19**	19
Defined benefit plans - expense	**9**	13
Deferred income taxes and investment tax credits	**151**	127
Other	**(14)**	(9)
Change in current assets and current liabilities		
Accounts receivable	**(6)**	18
Accounts payable	**(1)**	(140)
Unbilled revenue	**10**	28
Prepayments	**29**	(17)
Regulatory assets and liabilities	**(41)**	46
Taxes payable	**(6)**	(50)
Other	**(13)**	13
Other operating activities		
Defined benefit plans - funding	**—**	(33)
Other assets	**15**	(6)
Other liabilities	**(5)**	15
Net cash provided by operating activities	**595**	373
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(739)**	(758)
Expenditures for intangible assets	**—**	(9)
Other investing activities	**(1)**	3
Net cash provided by (used in) investing activities	**(740)**	(764)
Cash Flows from Financing Activities		
Issuance of long-term debt	**224**	—
Retirement of long-term debt	**(224)**	—
Contributions from parent	**200**	275
Payment of common stock dividends to parent	**(193)**	(140)
Net increase (decrease) in short-term debt	**130**	68
Other financing activities	**(3)**	—
Net cash provided by (used in) financing activities	**134**	203
Net Increase (Decrease) in Cash and Cash Equivalents	**(11)**	(188)
Cash and Cash Equivalents at Beginning of Period	**47**	214
Cash and Cash Equivalents at End of Period	**$ 36**	$ 26

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 36**	$ 47
Accounts receivable (less reserve: 2016, $22; 2015, $16)		
Customer	**290**	286
Other	**12**	10
Unbilled revenues	**81**	91
Materials and supplies	**28**	34
Prepayments	**37**	66
Other current assets	**15**	21
Total Current Assets	**499**	555
Property, Plant and Equipment		
Regulated utility plant	**9,360**	8,734
Less: accumulated depreciation - regulated utility plant	**2,698**	2,573
Regulated utility plant, net	**6,662**	6,161
Construction work in progress	**657**	530
Property, Plant and Equipment, net	**7,319**	6,691
Other Noncurrent Assets		
Regulatory assets	**991**	1,006
Intangibles	**247**	244
Other noncurrent assets	**14**	15
Total Other Noncurrent Assets	**1,252**	1,265
Total Assets	**$ 9,070**	$ 8,511

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 130**	$ —
Long-term debt due within one year	**224**	—
Accounts payable	**357**	288
Accounts payable to affiliates	**33**	35
Taxes	**18**	24
Interest	**31**	37
Regulatory liabilities	**94**	113
Customer deposits	**22**	31
Other current liabilities	**69**	77
Total Current Liabilities	**978**	605
Long-term Debt	**2,607**	2,828
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,823**	1,663
Accrued pension obligations	**185**	183
Regulatory liabilities	**—**	22
Other deferred credits and noncurrent liabilities	**88**	91
Total Deferred Credits and Other Noncurrent Liabilities	**2,096**	1,959
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
Common stock - no par value (a)	**364**	364
Additional paid-in capital	**2,134**	1,934
Earnings reinvested	**891**	821
Total Equity	**3,389**	3,119
Total Liabilities and Equity	**$ 9,070**	$ 8,511

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at September 30, 2016 and December 31, 2015.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2015	66,368	$ 364	$ 1,934	$ 821	$ 3,119
Net income				263	263
Capital contributions from PPL			200		200
Dividends declared on common stock				(193)	(193)
September 30, 2016	66,368	$ 364	$ 2,134	$ 891	$ 3,389
December 31, 2014	66,368	$ 364	$ 1,603	$ 750	$ 2,717
Net income				191	191
Capital contributions from PPL (b)			322		322
Dividends declared on common stock				(140)	(140)
September 30, 2015	66,368	$ 364	$ 1,925	$ 801	$ 3,090

(a) Shares in thousands. All common shares of PPL Electric stock are owned by PPL.
(b) Includes non-cash contributions of $47 million.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Operating Revenues	**$ 835**	$ 801	**$ 2,382**	$ 2,414
Operating Expenses				
Operation				
Fuel	**227**	228	**607**	695
Energy purchases	**24**	23	**118**	143
Other operation and maintenance	**197**	202	**603**	625
Depreciation	**102**	97	**301**	286
Taxes, other than income	**16**	14	**46**	43
Total Operating Expenses	**566**	564	**1,675**	1,792
Operating Income	**269**	237	**707**	622
Other Income (Expense) - net	**(3)**	(1)	**(9)**	(3)
Interest Expense	**50**	43	**147**	127
Interest Expense with Affiliate	**4**	—	**12**	1
Income Before Income Taxes	**212**	193	**539**	491
Income Taxes	**79**	73	**202**	194
Net Income	**$ 133**	$ 120	**$ 337**	$ 297

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	**$ 133**	$ 120	**$ 337**	$ 297
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Defined benefit plans:				
Net actuarial gain (loss), net of tax of $0, $0, ($1), $5	**—**	—	**1**	(8)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $0, $1	**—**	—	**(1)**	(1)
Defined benefit plans:				
Prior service costs, net of tax of ($1), $0, ($1), $0	**—**	—	**1**	1
Net actuarial loss, net of tax of $0, $0, ($1), ($1)	**1**	1	**3**	2
Total other comprehensive income (loss)	**1**	1	**4**	(6)
Comprehensive income (loss)	**$ 134**	$ 121	**$ 341**	$ 291

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Nine Months Ended September 30,	
	2016	**2015**
Cash Flows from Operating Activities		
Net income	**$ 337**	$ 297
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**301**	286
Amortization	**21**	18
Defined benefit plans - expense	**20**	29
Deferred income taxes and investment tax credits	**212**	199
Other	**—**	29
Change in current assets and current liabilities		
Accounts receivable	**(43)**	(1)
Accounts payable	**7**	(34)
Accounts payable to affiliates	**4**	(7)
Unbilled revenues	**6**	19
Fuel, materials and supplies	**7**	43
Income tax receivable	**—**	132
Accrued interest	**42**	37
Other	**(4)**	(2)
Other operating activities		
Defined benefit plans - funding	**(82)**	(66)
Expenditures for asset retirement obligations	**(15)**	(5)
Settlement of interest rate swaps	**—**	(88)
Other assets	**1**	(4)
Other liabilities	**2**	13
Net cash provided by operating activities	**816**	895
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(600)**	(928)
Other investing activities	1	7
Net cash provided by (used in) investing activities	**(599)**	(921)
Cash Flows from Financing Activities		
Net increase (decrease) in notes payable with affiliate	**84**	21
Issuance of long-term debt	**221**	1,050
Retirement of long-term debt	**(221)**	—
Net increase (decrease) in short-term debt	**(130)**	(500)
Debt issuance and credit facility costs	**(3)**	(9)
Distributions to member	**(224)**	(157)
Contributions from member	**37**	55
Net cash provided by (used in) financing activities	**(236)**	460
Net Increase (Decrease) in Cash and Cash Equivalents	**(19)**	434
Cash and Cash Equivalents at Beginning of Period	**30**	21
Cash and Cash Equivalents at End of Period	**$ 11**	$ 455

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
LG&E and KU Energy LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	September 30, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 11**	$ 30
Accounts receivable (less reserve: 2016, $24; 2015, $23)		
Customer	**250**	209
Other	**13**	17
Unbilled revenues	**141**	147
Fuel, materials and supplies	**292**	298
Prepayments	**31**	23
Regulatory assets	**18**	35
Other current assets	**1**	6
Total Current Assets	**757**	765
Property, Plant and Equipment		
Regulated utility plant	**12,510**	11,906
Less: accumulated depreciation - regulated utility plant	**1,382**	1,163
Regulated utility plant, net	**11,128**	10,743
Construction work in progress	**349**	660
Property, Plant and Equipment, net	**11,477**	11,403
Other Noncurrent Assets		
Regulatory assets	**774**	727
Goodwill	**996**	996
Other intangibles	**103**	123
Other noncurrent assets	**80**	76
Total Other Noncurrent Assets	**1,953**	1,922
Total Assets	**$ 14,187**	$ 14,090

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
LG&E and KU Energy LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	September 30, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 135**	$ 265
Long-term debt due within one year	**219**	25
Notes payable with affiliate	**138**	54
Accounts payable	**216**	266
Accounts payable to affiliates	**9**	5
Customer deposits	**55**	52
Taxes	**49**	46
Price risk management liabilities	**6**	5
Regulatory liabilities	**26**	32
Interest	**74**	32
Asset retirement obligations	**54**	50
Other current liabilities	**111**	135
Total Current Liabilities	**1,092**	967
Long-term Debt		
Long-term debt	**4,470**	4,663
Long-term debt to affiliate	**400**	400
Total Long-term Debt	**4,870**	5,063
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,673**	1,463
Investment tax credits	**132**	128
Accrued pension obligations	**242**	296
Asset retirement obligations	**368**	485
Regulatory liabilities	**911**	923
Price risk management liabilities	**48**	42
Other deferred credits and noncurrent liabilities	**180**	206
Total Deferred Credits and Other Noncurrent Liabilities	**3,554**	3,543
Commitments and Contingent Liabilities (Notes 6 and 10)		
Member's equity	**4,671**	4,517
Total Liabilities and Equity	**$ 14,187**	$ 14,090

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
LG&E and KU Energy LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

		Member's Equity
December 31, 2015	$	4,517
Net income		337
Contributions from member		37
Distributions to member		(224)
Other comprehensive income (loss)		4
September 30, 2016	$	4,671
December 31, 2014	$	4,248
Net income		297
Contributions from member		55
Distributions to member		(157)
Other comprehensive income (loss)		(6)
September 30, 2015	$	4,437

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED STATEMENTS OF INCOME
Louisville Gas and Electric Company

(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Operating Revenues				
Retail and wholesale	**$ 366**	$ 349	**$ 1,058**	$ 1,089
Electric revenue from affiliate	**2**	2	**19**	32
Total Operating Revenues	**368**	351	**1,077**	1,121
Operating Expenses				
Operation				
Fuel	**86**	82	**233**	267
Energy purchases	**19**	18	**104**	129
Energy purchases from affiliate	**5**	9	**10**	17
Other operation and maintenance	**85**	87	**264**	286
Depreciation	**43**	40	**126**	122
Taxes, other than income	**9**	7	**24**	21
Total Operating Expenses	**247**	243	**761**	842
Operating Income	**121**	108	**316**	279
Other Income (Expense) - net	**(1)**	(1)	**(6)**	(3)
Interest Expense	**18**	13	**53**	39
Income Before Income Taxes	**102**	94	**257**	237
Income Taxes	**39**	36	**98**	91
Net Income (a)	**$ 63**	$ 58	**$ 159**	$ 146

(a) Net income equals comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF CASH FLOWS
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars)

	Nine Months Ended September 30,	
	2016	2015
Cash Flows from Operating Activities		
Net income	**$ 159**	$ 146
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**126**	122
Amortization	**10**	9
Defined benefit plans - expense	**6**	10
Deferred income taxes and investment tax credits	**117**	93
Other	—	25
Change in current assets and current liabilities		
Accounts receivable	**(19)**	10
Accounts receivable from affiliates	**(11)**	4
Accounts payable	**24**	(14)
Accounts payable to affiliates	**(6)**	(1)
Unbilled revenues	**10**	13
Fuel, materials and supplies	**11**	21
Income tax receivable	**2**	74
Accrued interest	**13**	9
Other	**1**	8
Other operating activities		
Defined benefit plans - funding	**(45)**	(25)
Expenditures for asset retirement obligations	**(11)**	(4)
Settlement of interest rate swaps	—	(44)
Other assets	**(3)**	10
Other liabilities	**(1)**	3
Net cash provided by operating activities	**383**	469
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(343)**	(519)
Net cash provided by (used in) investing activities	**(343)**	(519)
Cash Flows from Financing Activities		
Issuance of long-term debt	**125**	550
Retirement of long-term debt	**(125)**	—
Net increase (decrease) in short-term debt	**(14)**	(264)
Debt issuance and credit facility costs	**(1)**	(5)
Payment of common stock dividends to parent	**(87)**	(81)
Contributions from parent	**47**	20
Net cash provided by (used in) financing activities	**(55)**	220
Net Increase (Decrease) in Cash and Cash Equivalents	**(15)**	170
Cash and Cash Equivalents at Beginning of Period	**19**	10
Cash and Cash Equivalents at End of Period	**$ 4**	$ 180

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	$ **4**	$ 19
Accounts receivable (less reserve: 2016, $1; 2015, $1)		
Customer	**109**	92
Other	**11**	11
Accounts receivable from affiliates	**23**	12
Unbilled revenues	**57**	67
Fuel, materials and supplies	**140**	151
Prepayments	**14**	5
Regulatory assets	**6**	16
Other current assets	**—**	2
Total Current Assets	**364**	375
Property, Plant and Equipment		
Regulated utility plant	**5,234**	4,804
Less: accumulated depreciation - regulated utility plant	**468**	404
Regulated utility plant, net	**4,766**	4,400
Construction work in progress	**155**	390
Property, Plant and Equipment, net	**4,921**	4,790
Other Noncurrent Assets		
Regulatory assets	**437**	424
Goodwill	**389**	389
Other intangibles	**63**	73
Other noncurrent assets	**21**	17
Total Other Noncurrent Assets	**910**	903
Total Assets	$ **6,195**	$ 6,068

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 128**	$ 142
Long-term debt due within one year	**219**	25
Accounts payable	**133**	157
Accounts payable to affiliates	**19**	25
Customer deposits	**26**	26
Taxes	**23**	20
Price risk management liabilities	**6**	5
Regulatory liabilities	**7**	13
Interest	**24**	11
Asset retirement obligations	**39**	25
Other current liabilities	**36**	39
Total Current Liabilities	**660**	488
Long-term Debt	**1,423**	1,617
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**944**	829
Investment tax credits	**37**	35
Accrued pension obligations	**18**	56
Asset retirement obligations	**107**	149
Regulatory liabilities	**424**	431
Price risk management liabilities	**48**	42
Other deferred credits and noncurrent liabilities	**85**	91
Total Deferred Credits and Other Noncurrent Liabilities	**1,663**	1,633
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	**424**	424
Additional paid-in capital	**1,658**	1,611
Earnings reinvested	**367**	295
Total Equity	**2,449**	2,330
Total Liabilities and Equity	**$ 6,195**	$ 6,068

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at September 30, 2016 and December 31, 2015.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF EQUITY
Louisville Gas and Electric Company

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)		Common stock		Additional paid-in capital		Earnings reinvested		Total
December 31, 2015	21,294	$	424	$	1,611	$	295	$	2,330
Net income							159		159
Capital contributions from LKE					47				47
Cash dividends declared on common stock							(87)		(87)
September 30, 2016	21,294	$	424	$	1,658	$	367	$	2,449
December 31, 2014	21,294	$	424	$	1,521	$	229	$	2,174
Net income							146		146
Capital contributions from LKE					20				20
Cash dividends declared on common stock							(81)		(81)
September 30, 2015	21,294	$	424	$	1,541	$	294	$	2,259

(a) Shares in thousands. All common shares of LG&E stock are owned by LKE.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED STATEMENTS OF INCOME
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Operating Revenues				
Retail and wholesale	**$ 469**	$ 452	**$ 1,324**	$ 1,325
Electric revenue from affiliate	**5**	9	**10**	17
Total Operating Revenues	**474**	461	**1,334**	1,342
Operating Expenses				
Operation				
Fuel	**141**	146	**374**	428
Energy purchases	**5**	5	**14**	14
Energy purchases from affiliate	**2**	2	**19**	32
Other operation and maintenance	**107**	108	**320**	321
Depreciation	**59**	57	**175**	164
Taxes, other than income	**7**	7	**22**	22
Total Operating Expenses	**321**	325	**924**	981
Operating Income	**153**	136	**410**	361
Other Income (Expense) - net	**(3)**	—	**(4)**	1
Interest Expense	**24**	20	**71**	58
Income Before Income Taxes	**126**	116	**335**	304
Income Taxes	**48**	44	**128**	115
Net Income (a)	**$ 78**	$ 72	**$ 207**	$ 189

(a) Net income approximates comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF CASH FLOWS
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars)

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Cash Flows from Operating Activities		
Net income	**$ 207**	$ 189
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**175**	164
Amortization	**10**	8
Defined benefit plans - expense	**4**	9
Deferred income taxes and investment tax credits	**122**	132
Other	**(1)**	4
Change in current assets and current liabilities		
Accounts receivable	**(24)**	(11)
Accounts payable	**(11)**	(18)
Accounts payable to affiliates	**2**	(7)
Unbilled revenues	**(4)**	6
Fuel, materials and supplies	**(4)**	22
Income tax receivable	**—**	60
Accrued interest	**22**	19
Other	**2**	6
Other operating activities		
Defined benefit plans - funding	**(19)**	(20)
Expenditures for asset retirement obligations	**(4)**	(1)
Settlement of interest rate swaps	**—**	(44)
Other assets	**(4)**	(9)
Other liabilities	**(4)**	1
Net cash provided by operating activities	**469**	510
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(255)**	(407)
Other investing activities	**1**	7
Net cash provided by (used in) investing activities	**(254)**	(400)
Cash Flows from Financing Activities		
Issuance of long-term debt	**96**	500
Retirement of long-term debt	**(96)**	—
Net increase (decrease) in short-term debt	**(41)**	(236)
Debt issuance and credit facility costs	**(1)**	(4)
Payment of common stock dividends to parent	**(197)**	(106)
Contributions from parent	**20**	—
Net cash provided by (used in) financing activities	**(219)**	154
Net Increase (Decrease) in Cash and Cash Equivalents	**(4)**	264
Cash and Cash Equivalents at Beginning of Period	**11**	11
Cash and Cash Equivalents at End of Period	**$ 7**	$ 275

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED BALANCE SHEETS
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 7**	$ 11
Accounts receivable (less reserve: 2016, $2; 2015, $2)		
Customer	**141**	117
Other	**3**	9
Accounts receivable from affiliates	1	1
Unbilled revenues	**84**	80
Fuel, materials and supplies	**152**	147
Prepayments	**16**	8
Regulatory assets	**12**	19
Other current assets	**1**	4
Total Current Assets	**417**	396
Property, Plant and Equipment		
Regulated utility plant	**7,270**	7,099
Less: accumulated depreciation - regulated utility plant	**913**	759
Regulated utility plant, net	**6,357**	6,340
Construction work in progress	**192**	267
Property, Plant and Equipment, net	**6,549**	6,607
Other Noncurrent Assets		
Regulatory assets	**337**	303
Goodwill	**607**	607
Other intangibles	**40**	50
Other noncurrent assets	**56**	48
Total Other Noncurrent Assets	**1,040**	1,008
Total Assets	**$ 8,006**	$ 8,011

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ **7**	$ 48
Accounts payable	**67**	88
Accounts payable to affiliates	**42**	39
Customer deposits	**29**	26
Taxes	**23**	20
Regulatory liabilities	**19**	19
Interest	**38**	16
Asset retirement obligations	**15**	25
Other current liabilities	**35**	44
Total Current Liabilities	**275**	325
Long-term Debt	**2,327**	2,326
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,166**	1,046
Investment tax credits	**95**	93
Accrued pension obligations	**33**	46
Asset retirement obligations	**261**	336
Regulatory liabilities	**487**	492
Other deferred credits and noncurrent liabilities	**46**	60
Total Deferred Credits and Other Noncurrent Liabilities	**2,088**	2,073
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	**308**	308
Additional paid-in capital	**2,616**	2,596
Accumulated other comprehensive loss	**(1)**	—
Earnings reinvested	**393**	383
Total Equity	**3,316**	3,287
Total Liabilities and Equity	$ **8,006**	$ 8,011

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at September 30, 2016 and December 31, 2015.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF EQUITY
Kentucky Utilities Company

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Total
December 31, 2015	37,818	$ 308	$ 2,596	$ 383	$ —	$ 3,287
Capital contributions from LKE			20			20
Net income				207		207
Cash dividends declared on common stock				(197)		(197)
Other comprehensive income (loss)					(1)	(1)
September 30, 2016	37,818	$ 308	$ 2,616	$ 393	$ (1)	$ 3,316
December 31, 2014	37,818	$ 308	$ 2,596	$ 302	$ —	$ 3,206
Net income				189		189
Cash dividends declared on common stock				(106)		(106)
Other comprehensive income (loss)					(1)	(1)
September 30, 2015	37,818	$ 308	$ 2,596	$ 385	$ (1)	$ 3,288

(a) Shares in thousands. All common shares of KU stock are owned by LKE.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

Combined Notes to Condensed Financial Statements (Unaudited)

1. Interim Financial Statements

(All Registrants)

Capitalized terms and abbreviations appearing in the unaudited combined notes to condensed financial statements are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure. Within combined disclosures, amounts are disclosed for any Registrant when significant.

The accompanying unaudited condensed financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnote disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation in accordance with GAAP are reflected in the condensed financial statements. All adjustments are of a normal recurring nature, except as otherwise disclosed. Each Registrant's Balance Sheet at December 31, 2015 is derived from that Registrant's 2015 audited Balance Sheet. The financial statements and notes thereto should be read in conjunction with the financial statements and notes contained in each Registrant's 2015 Form 10-K. The results of operations for the three and nine months ended September 30, 2016 are not necessarily indicative of the results to be expected for the full year ending December 31, 2016 or other future periods, because results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

The classification of certain prior period amounts has been changed to conform to the presentation in the September 30, 2016 financial statements.

(PPL)

"Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income includes the activities of PPL Energy Supply, substantially representing PPL's former Supply segment, which was spun off and distributed to PPL shareowners on June 1, 2015. In addition, the Statement of Cash Flows for the nine months ended September 30, 2015 separately reports the cash flows of the discontinued operations. See Note 8 for additional information.

2. Summary of Significant Accounting Policies

(All Registrants)

The following accounting policy disclosures represent updates to Note 1 to each indicated Registrant's 2015 Form 10-K and should be read in conjunction with those disclosures.

Accounts Receivable *(PPL and PPL Electric)*

In accordance with a PUC-approved purchase of accounts receivable program, PPL Electric purchases certain accounts receivable from alternative electricity suppliers at a discount, which reflects a provision for uncollectible accounts. The alternative electricity suppliers have no continuing involvement or interest in the purchased accounts receivable. The purchased accounts receivable are initially recorded at fair value using a market approach based on the purchase price paid and are classified as Level 2 in the fair value hierarchy. During the three and nine months ended September 30, 2016, PPL Electric purchased $365 million and $1.0 billion of accounts receivable from unaffiliated third parties. During the three and nine months ended September 30, 2015, PPL Electric purchased $361 million and $968 million of accounts receivable from unaffiliated third parties. PPL Electric's purchases from PPL EnergyPlus for the nine months ended September 30, 2015 were $146 million. As a result of the June 1, 2015 spinoff of PPL Energy Supply and creation of Talen Energy, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are included as purchases from an unaffiliated third party.

Discount Rate Change for U.K. Pension Plans *(PPL)*

In selecting the discount rate for its U.K. pension plans, WPD historically used a single weighted-average discount rate in the calculation of net periodic defined benefit cost. WPD began using individual spot rates to measure service cost and interest cost for the calculation of net periodic defined benefit cost in 2016. For the three and nine months ended September 30, 2016, this change in discount rate resulted in lower net periodic defined benefit costs recognized on PPL's Statements of Income of $10 million ($8 million after-tax or $0.01 per share) and $31 million ($25 million after-tax or $0.04 per share).

Foreign Currency Translation and Transactions *(PPL)*

WPD's functional currency is the GBP, which is the local currency in the U.K. As such, assets and liabilities are translated to U.S. dollars at the exchange rates on the date of consolidation and related revenues and expenses are generally translated at average exchange rates prevailing during the period included in PPL's results of operations. Adjustments resulting from foreign currency translation are recorded in AOCI.

Certain financial information provided for future periods in PPL’s 2015 Form 10-K is impacted by the decrease in the GBP to U.S. dollar exchange rate that occurred subsequent to the U.K.'s vote on June 23, 2016 to withdraw from the European Union.

New Accounting Guidance Adopted *(All Registrants)*

Accounting for Stock-Based Compensation

Effective January 1, 2016, the Registrants adopted accounting guidance to simplify the accounting for share-based payment transactions. The guidance requires excess tax benefits and tax deficiencies to be recorded as income tax benefit or expense on the statement of income, eliminates the requirement that excess tax benefits be realized before companies can recognize them and changes the threshold for statutory income tax withholding requirements to qualify for equity classification to the maximum statutory tax rates in the applicable jurisdictions. This guidance also changes the classification of excess tax benefits to an operating activity and employee taxes paid when shares are withheld to satisfy the employer's statutory income tax withholding obligation to a financing activity on the statement of cash flows and allows entities to make a policy election to either estimate forfeitures or recognize them when they occur. The adoption of this guidance had the following impacts:

- Using the required prospective method of transition, for the three and nine months ended September 30, 2016, PPL recorded tax benefits of $1 million and $12 million ($0.02 per share), and for the nine months ended September 30, 2016, PPL Electric recorded tax benefits of $7 million, related to excess tax benefits for awards that were exercised and vested for the periods ending September 30, 2016. These amounts were recorded to Income taxes on the Statements of Income and Deferred income taxes on the Balance Sheets. The impact on LKE was not significant.

- PPL elected to use the prospective method of transition for classifying excess tax benefits as an Operating activity on the Statement of Cash Flows. The amounts classified as Financing activities in the prior periods were not significant.

- Upon adoption, using the required modified retrospective method of transition, PPL recorded a cumulative effect adjustment of $7 million to increase Earnings reinvested and decrease Deferred income taxes on the Balance Sheet related to prior period unrecognized excess tax benefits.

- PPL has historically presented employee taxes paid for net settled awards as a Financing activity on the Statement of Cash Flows. Therefore, there is no transition impact for this requirement.

- PPL has elected to recognize forfeitures when they occur. Due to past experience of insignificant forfeitures, there is no transition impact of this policy election.

3. Segment and Related Information

(PPL)

See Note 2 in PPL's 2015 Form 10-K for a discussion of reportable segments and related information.

Financial data for the segments and reconciliation to PPL's consolidated results for the periods ended September 30 are:

	Three Months		Nine Months	
	2016	2015	2016	2015
Income Statement Data				
Revenues from external customers				
U.K. Regulated	$ 515	$ 552	$ 1,673	$ 1,836
Kentucky Regulated	835	801	2,382	2,414
Pennsylvania Regulated	539	519	1,619	1,625
Corporate and Other	—	6	11	14
Total	$ 1,889	$ 1,878	$ 5,685	$ 5,889
Net Income				
U.K. Regulated (a)	$ 281	$ 249	$ 915	$ 814
Kentucky Regulated	126	111	314	267
Pennsylvania Regulated	91	55	263	191
Corporate and Other (b)	(25)	(19)	(55)	(74)
Discontinued Operations (c)	—	(3)	—	(915)
Total	$ 473	$ 393	$ 1,437	$ 283

	September 30, 2016	December 31, 2015
Balance Sheet Data		
Assets		
U.K. Regulated (d)	$ 15,014	$ 16,669
Kentucky Regulated	13,853	13,756
Pennsylvania Regulated	9,070	8,511
Corporate and Other (e)	101	365
Total assets	$ 38,038	$ 39,301

(a) Includes unrealized gains and losses from hedging foreign-currency related economic activity. See Note 14 for additional information.
(b) The nine months ended September 30, 2015 includes transition costs to prepare the Talen Energy organization for the June 1, 2015 spinoff and reconfigure the remaining PPL Services functions. See Note 8 for additional information.
(c) See Note 8 for additional information.
(d) Includes $11.1 billion and $12.2 billion of net PP&E as of September 30, 2016 and December 31, 2015. WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP.
(e) Primarily consists of unallocated items, including cash, PP&E and the elimination of inter-segment transactions.

4. Earnings Per Share

(PPL)

Basic EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding during the applicable period. Diluted EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding, increased by incremental shares that would be outstanding if potentially dilutive non-participating securities were converted to common shares as calculated using the Treasury Stock Method. Incremental non-participating securities that have a dilutive impact are detailed in the table below.

Reconciliations of the amounts of income and shares of PPL common stock (in thousands) for the periods ended September 30 used in the EPS calculation are:

	Three Months		Nine Months	
	2016	2015	2016	2015
Income (Numerator)				
Income from continuing operations after income taxes	$ 473	$ 396	$ 1,437	$ 1,198
Less amounts allocated to participating securities	1	2	4	5
Income from continuing operations after income taxes available to PPL common shareowners - Basic and Diluted	$ 472	$ 394	$ 1,433	$ 1,193
Income (loss) from discontinued operations (net of income taxes) available to PPL common shareowners - Basic and Diluted	$ —	$ (3)	$ —	$ (915)
Net income	$ 473	$ 393	$ 1,437	$ 283
Less amounts allocated to participating securities	1	2	4	1
Net income available to PPL common shareowners - Basic and Diluted	$ 472	$ 391	$ 1,433	$ 282
Shares of Common Stock (Denominator)				
Weighted-average shares - Basic EPS	678,114	670,763	676,905	668,731
Add incremental non-participating securities:				
Share-based payment awards	2,234	2,939	3,064	2,523
Weighted-average shares - Diluted EPS	680,348	673,702	679,969	671,254
Basic EPS				
Available to PPL common shareowners:				
Income from continuing operations after income taxes	$ 0.70	$ 0.59	$ 2.12	$ 1.78
Income (loss) from discontinued operations (net of income taxes)	—	(0.01)	—	(1.36)
Net Income	$ 0.70	$ 0.58	$ 2.12	$ 0.42
Diluted EPS				
Available to PPL common shareowners:				
Income from continuing operations after income taxes	$ 0.69	$ 0.59	$ 2.11	$ 1.78
Income (loss) from discontinued operations (net of income taxes)	—	(0.01)	—	(1.36)
Net Income	$ 0.69	$ 0.58	$ 2.11	$ 0.42

For the periods ended September 30, PPL issued common stock related to stock-based compensation plans and the DRIP as follows (in thousands):

	Three Months		Nine Months	
	2016	2015	2016	2015
Stock-based compensation plans (a)	248	1,368	3,168	3,805
DRIP	761	475	1,533	1,318

(a) Includes stock options exercised, vesting of performance units, vesting of restricted stock and restricted stock units and conversion of stock units granted to directors.

See Note 7 for additional information on common stock issued under the ATM Program.

For the periods ended September 30, the following shares (in thousands) were excluded from the computations of diluted EPS because the effect would have been antidilutive.

	Three Months		Nine Months	
	2016	2015	2016	2015
Stock options	696	1,484	696	1,218
Performance units	316	—	210	49

5. Income Taxes

Reconciliations of income taxes for the periods ended September 30 are as follows.

(PPL)

	Three Months		Nine Months	
	2016	2015	2016	2015
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 35%	$ 214	$ 189	$ 681	$ 571
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	13	15	37	44
Valuation allowance adjustments	4	—	13	8
Impact of lower U.K. income tax rates	(37)	(40)	(136)	(138)
Federal and state tax reserve adjustments (a)	—	(9)	—	(21)
Enactment of the U.K. Finance Act 2016 (b)	(42)	—	(42)	—
Depreciation not normalized	—	—	(6)	(4)
Interest benefit on U.K. financing entities	(4)	(4)	(13)	(15)
Stock-based compensation (c)	(1)	—	(12)	—
Other	(8)	(7)	(12)	(13)
Total increase (decrease)	(75)	(45)	(171)	(139)
Total income taxes	$ 139	$ 144	$ 510	$ 432

(a) During the three and nine months ended September 30, 2015, PPL recorded a $9 million tax benefit related to a planned amendment of a prior period tax return.

During the nine months ended September 30, 2015, PPL recorded a $12 million tax benefit to adjust the settled refund amount approved by the Joint Committee on Taxation for the open audit years 1998 - 2011.

(b) The U.K. Finance Act 2016, enacted in September 2016, reduces the U.K. statutory income tax rate effective April 1, 2020 from 18% to 17%. As a result, PPL reduced its net deferred tax liabilities and recognized a deferred tax benefit during the three and nine months ended September 30, 2016.

(c) During the three and nine months ended September 30, 2016, PPL recorded lower income tax expense related to the application of new stock-based compensation accounting guidance. See Note 2 for additional information.

(PPL Electric)

	Three Months		Nine Months	
	2016	2015	2016	2015
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 52	$ 32	$ 149	$ 112
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	9	7	27	21
Depreciation not normalized	(2)	(1)	(5)	(3)
Stock-based compensation (a)	—	—	(7)	—
Other	(1)	(3)	(2)	—
Total increase (decrease)	6	3	13	18
Total income taxes	$ 58	$ 35	$ 162	$ 130

(a) During the nine months ended September 30, 2016, PPL Electric recorded lower income tax expense related to the application of new stock-based compensation accounting guidance. See Note 2 for additional information.

(LKE)

	Three Months		Nine Months	
	2016	2015	2016	2015
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 74	$ 68	$ 189	$ 172
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	8	7	20	18
Amortization of investment tax credit	(1)	(1)	(2)	(2)
Valuation allowance adjustments (a)	—	—	—	8
Stock-based compensation	(1)	—	(2)	—
Other	(1)	(1)	(3)	(2)
Total increase (decrease)	5	5	13	22
Total income taxes	$ 79	$ 73	$ 202	$ 194

(a) Represents a valuation allowance against tax credits expiring in 2016 and 2017 that are more likely than not to expire before being utilized.

(LG&E)

	Three Months		Nine Months	
	2016	2015	2016	2015
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 36	$ 33	$ 90	$ 83
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	4	4	10	9
Other	(1)	(1)	(2)	(1)
Total increase (decrease)	3	3	8	8
Total income taxes	$ 39	$ 36	$ 98	$ 91

(KU)

	Three Months		Nine Months	
	2016	2015	2016	2015
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 44	$ 41	$ 117	$ 106
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	5	4	12	11
Other	(1)	(1)	(1)	(2)
Total increase (decrease)	4	3	11	9
Total income taxes	$ 48	$ 44	$ 128	$ 115

Other *(PPL)*

In February 2015, PPL and the IRS Appeals Division reached a settlement on the amount of PPL's refund from its open audits for the years 1998 - 2011. In April 2015, PPL was notified that the Joint Committee on Taxation approved PPL's settlement. For the nine months ended September 30, 2015, PPL recorded a tax benefit of $24 million. Of this amount, $12 million was reflected in continuing operations. PPL finalized the settlement of interest in the second quarter of 2016 and recorded an additional $3 million tax benefit.

6. Utility Rate Regulation

(All Registrants)

The following table provides information about the regulatory assets and liabilities of cost-based rate-regulated utility operations.

	PPL		PPL Electric	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Current Regulatory Assets:				
Environmental cost recovery	$ 4	$ 24	$ —	$ —
Generation formula rate	12	7	—	—
Transmission service charge	8	10	8	10
Other	6	7	4	3
Total current regulatory assets (a)	$ 30	$ 48	$ 12	$ 13
Noncurrent Regulatory Assets:				
Defined benefit plans	$ 791	$ 809	$ 456	$ 469
Taxes recoverable through future rates	333	326	333	326
Storm costs	71	93	19	30
Unamortized loss on debt	62	68	39	42
Interest rate swaps	143	141	—	—
Accumulated cost of removal of utility plant	143	137	143	137
AROs	208	143	—	—
Other	14	16	1	2
Total noncurrent regulatory assets	$ 1,765	$ 1,733	$ 991	$ 1,006
Current Regulatory Liabilities:				
Generation supply charge	$ 22	$ 41	$ 22	$ 41
Demand side management	6	8	—	—
Gas supply clause	—	6	—	—
Universal service rider	10	5	10	5
Transmission formula rate	25	48	25	48
Fuel adjustment clause	14	14	—	—
Act 129 compliance rider	22	—	22	—
Storm damage expense	13	16	13	16
Other	8	7	2	3
Total current regulatory liabilities	$ 120	$ 145	$ 94	$ 113
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 698	$ 691	$ —	$ —
Coal contracts (b)	3	17	—	—
Power purchase agreement - OVEC (b)	77	83	—	—
Net deferred tax assets	23	23	—	—
Act 129 compliance rider	—	22	—	22
Defined benefit plans	27	24	—	—
Interest rate swaps	80	82	—	—
Other	3	3	—	—
Total noncurrent regulatory liabilities	$ 911	$ 945	$ —	$ 22

	LKE		LG&E		KU	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Current Regulatory Assets:						
Environmental cost recovery	$ 4	$ 24	$ 4	$ 13	$ —	$ 11
Generation formula rate	12	7	—	—	12	7
Other	2	4	2	3	—	1
Total current regulatory assets	$ 18	$ 35	$ 6	$ 16	$ 12	$ 19
Noncurrent Regulatory Assets:						
Defined benefit plans	$ 335	$ 340	$ 211	$ 215	$ 124	$ 125
Storm costs	52	63	29	35	23	28
Unamortized loss on debt	23	26	16	17	7	9
Interest rate swaps	143	141	102	98	41	43
AROs	208	143	77	57	131	86
Plant retirement costs	4	6	—	—	4	6
Other	9	8	2	2	7	6
Total noncurrent regulatory assets	$ 774	$ 727	$ 437	$ 424	$ 337	$ 303
Current Regulatory Liabilities:						
Demand side management	$ 6	$ 8	$ 4	$ 4	$ 2	$ 4
Gas supply clause	—	6	—	6	—	—
Fuel adjustment clause	14	14	2	2	12	12
Other	6	4	1	1	5	3
Total current regulatory liabilities	$ 26	$ 32	$ 7	$ 13	$ 19	$ 19
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal of utility plant	$ 698	$ 691	$ 306	$ 301	$ 392	$ 390
Coal contracts (b)	3	17	1	7	2	10
Power purchase agreement - OVEC (b)	77	83	53	57	24	26
Net deferred tax assets	23	23	23	23	—	—
Defined benefit plans	27	24	—	—	27	24
Interest rate swaps	80	82	40	41	40	41
Other	3	3	1	2	2	1
Total noncurrent regulatory liabilities	$ 911	$ 923	$ 424	$ 431	$ 487	$ 492

(a) These amounts are included in "Other current assets" on the Balance Sheets.
(b) These liabilities were recorded as offsets to certain intangible assets that were recorded at fair value upon the acquisition of LKE by PPL.

Regulatory Matters

U.K. Activities *(PPL)*

Ofgem Review of Line Loss Calculation

In 2014, Ofgem issued its final decision on the DPCR4 line loss incentives and penalties mechanism. WPD began refunding its liability for over-recovery of line losses to customers on April 1, 2015, which will continue through March 31, 2019. The liability at September 30, 2016 was $31 million.

Kentucky Activities

Rate Case Proceedings (PPL, LKE, LG&E and KU)

On November 1, 2016, LG&E and KU announced that on November 23, 2016, they anticipate filing requests with the KPSC for increases in annual base electricity rates of approximately $103 million at KU and an increase in annual base electricity and gas rates of approximately $94 million and $14 million at LG&E. The proposed base rate increases to be requested are an electricity rate increase of 6.4% at KU and electricity and gas rate increases of 8.5% and 4.2% at LG&E and would become effective in July 2017. LG&E's and KU's applications include requests for CPCNs for implementing an Advanced Metering System program and a Distribution Automation program. The applications are to be based on a forecasted test year of July 1, 2017 through June 30, 2018 and a requested return-on-equity of 10.23%. LG&E and KU cannot predict the outcome of these proceedings.

CPCN and ECR Filings (PPL, LKE, LG&E and KU)

On August 8, 2016, the KPSC issued an order approving CPCNs and ECR rate treatment regarding environmental construction projects relating to the EPA's regulations addressing the handling of coal combustion by-products and MATS. The construction projects began in 2016 and are expected to continue through 2023. The KPSC order established a 9.8% authorized return on equity for these projects. Recovery of costs has commenced with bills rendered on and after August 31, 2016.

Gas Franchise (LKE and LG&E)

LG&E's existing gas franchise agreement for the Louisville/Jefferson County service area expired on March 31, 2016. LG&E submitted a proposed bid for a new franchise agreement on June 9, 2016. On August 30, 2016, LG&E and Louisville/Jefferson County entered into a revised franchise agreement with a 5-year term (with renewal options). The franchise fee may be modified at Louisville/Jefferson County's election upon 60 days' notice. However, any franchise fee is capped at 3% of gross receipts for natural gas service within the franchise area. The agreement further provides that if the KPSC determines that the franchise fee should be recovered from LG&E's customers, the franchise fee shall revert to zero. On August 30, 2016, LG&E filed an application in a KPSC proceeding to review and rule upon the recoverability of the franchise fee.

Louisville/Jefferson County submitted a motion to dismiss the proceeding filed by LG&E, and further filed a KPSC complaint against LG&E relating to these issues. On October 19, 2016, the KPSC issued an order rejecting Louisville/Jefferson County's complaint and provided Louisville/Jefferson County 20 days to file an amended complaint. Until the KPSC issues orders in these proceedings, LG&E cannot predict the outcome of this matter but does not anticipate that it will have a material effect on its financial condition or results of operation. LG&E continues to provide gas service to customers in this franchise area at existing rates, but without collecting or remitting a franchise fee.

Pennsylvania Activities *(PPL and PPL Electric)*

Act 129

Act 129 requires Pennsylvania Electric Distribution Companies (EDCs) to meet, by specified dates, specified goals for reduction in customer electricity usage and peak demand. EDCs not meeting the requirements of Act 129 are subject to significant penalties. In November 2015, PPL Electric filed with the PUC its Act 129 Phase III Energy Efficiency and Conservation Plan for the period June 1, 2016 through May 31, 2021. In January 2016, PPL Electric and the other parties to the case reached a settlement of all major issues and filed that settlement with the Administrative Law Judge. In June 2016, the PUC issued a final order approving PPL Electric's Phase III Plan as modified by the settlement, allowing PPL Electric to recover, through the Act 129 compliance rider, a maximum $313 million in program cost over the five-year period June 1, 2016 through May 31, 2021.

Act 129 also requires Default Service Providers (DSP) to provide electricity generation supply service to customers pursuant to a PUC-approved default service procurement plan through auctions, requests for proposal and bilateral contracts at the sole discretion of the DSP. Act 129 requires a mix of spot market purchases, short-term contracts and long-term contracts (4 to 20 years), with long-term contracts limited to 25% of load unless otherwise approved by the PUC. A DSP is able to recover the costs associated with its default service procurement plan.

PPL Electric has received PUC approval of its biannual DSP procurement plans for all prior periods required under Act 129. In January 2016, PPL Electric filed a Petition for Approval of a new DSP procurement plan with the PUC for the period June 1, 2017 through May 31, 2021. The parties to the proceeding reached a settlement on all but one issue and a partial settlement agreement and briefs on the open issue were submitted to the Administrative Law Judge (ALJ) in July 2016. In August 2016, the ALJ issued an initial decision, and certain parties filed exceptions and reply exceptions. In October 2016, the PUC issued an order approving the partial settlement agreement and adopting the initial decision with minor modifications.

7. Financing Activities

Credit Arrangements and Short-term Debt

(All Registrants)

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. For reporting purposes, on a consolidated basis, the credit facilities and commercial paper programs of PPL Electric, LKE, LG&E and KU also apply to PPL and the credit facilities and commercial paper programs of LG&E and KU also apply to LKE. The amounts borrowed below are recorded as "Short-term debt" on the Balance Sheets. The following credit facilities were in place at:

	September 30, 2016					December 31, 2015	
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued
PPL							
U.K.							
WPD plc							
Syndicated Credit Facility	Jan 2021	£ 210	£ 153	£ —	£ 57	£ 133	£ —
WPD (South West)							
Syndicated Credit Facility	July 2021	245	100	—	145	—	—
WPD (East Midlands)							
Syndicated Credit Facility	July 2021	300	31	—	269	—	—
WPD (West Midlands)							
Syndicated Credit Facility	July 2021	300	—	—	300	—	—
Uncommitted Credit Facilities		40	—	4	36	—	4
Total U.K. Credit Facilities (a)		£ 1,095	£ 284	£ 4	£ 807	£ 133	£ 4
U.S.							
PPL Capital Funding							
Syndicated Credit Facility	Jan 2021	$ 700	$ —	$ —	$ 700	$ —	$ 151
Syndicated Credit Facility	Nov 2018	300	—	—	300	—	300
Bilateral Credit Facility	Mar 2017	150	—	17	133	—	20
Total PPL Capital Funding Credit Facilities		$ 1,150	$ —	$ 17	$ 1,133	$ —	$ 471
PPL Electric							
Syndicated Credit Facility	Jan 2021	$ 400	$ —	$ 131	$ 269	$ —	$ 1
LKE							
Syndicated Credit Facility (b)	Oct 2018	$ 75	$ —	$ —	$ 75	$ 75	$ —
LG&E							
Syndicated Credit Facility	Dec 2020	$ 500	$ —	$ 128	$ 372	$ —	$ 142
KU							
Syndicated Credit Facility	Dec 2020	$ 400	$ —	$ 7	$ 393	$ —	$ 48
Letter of Credit Facility	Oct 2017	198	—	198	—	—	198
Total KU Credit Facilities		$ 598	$ —	$ 205	$ 393	$ —	$ 246

(a) WPD plc's amounts borrowed at September 30, 2016 and December 31, 2015 were USD-denominated borrowings of $200 million for both periods, which bore interest at 1.35% and 1.83%. The unused capacity reflects the amount borrowed in GBP of £153 million as of the date borrowed. WPD (South West) amount borrowed at September 30, 2016 was a GBP-denominated borrowing which equated to $131 million and bore interest at 0.68%. WPD (East Midlands) amount borrowed at September 30, 2016 was a GBP-denominated borrowing which equated to $40 million and bore interest at 0.66%. At September 30, 2016, the unused capacity under the U.K. credit facilities was approximately $1.1 billion.
(b) LKE's interest rate on outstanding borrowings at December 31, 2015 was 1.68%.

PPL, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's Syndicated Credit Facility. The following commercial paper programs were in place at:

	September 30, 2016				December 31, 2015	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Capital Funding		$ 1,000	$ —	$ 1,000	0.78%	$ 451
PPL Electric	0.74%	400	130	270		—
LG&E	0.73%	350	128	222	0.71%	142
KU	0.66%	350	7	343	0.72%	48
Total		$ 2,100	$ 265	$ 1,835		$ 641

(LKE)

See Note 11 for discussion of intercompany borrowings.

Long-term Debt

(PPL)

In May 2016, PPL Capital Funding issued $650 million of 3.10% Senior Notes due 2026. PPL Capital Funding received proceeds of $645 million, net of a discount and underwriting fees, which will be used to invest in or make loans to subsidiaries of PPL, to repay short-term debt and for general corporate purposes.

In May 2016, WPD (East Midlands) borrowed £100 million at 0.4975% under a new ten-year index linked term loan agreement, which will be used for general corporate purposes.

In May 2016, WPD plc repaid the entire $460 million principal amount of its 3.90% Senior Notes upon maturity.

In October 2016, WPD (East Midlands) issued an additional £40 million of its 2.671% Index-linked Senior Notes due 2043. WPD (East Midlands) received proceeds of £83 million, which equated to $101 million at the time of issuance, net of fees and including a premium. The principal amount of the notes is adjusted based on changes in a specified index, as detailed in the terms of the related indentures. The proceeds will be used for general corporate purposes.

(PPL and PPL Electric)

In March 2016, the LCIDA issued $116 million of Pollution Control Revenue Refunding Bonds, Series 2016A due 2029 and $108 million of Pollution Control Revenue Refunding Bonds, Series 2016B due 2027 on behalf of PPL Electric. The bonds were issued bearing interest at an initial term rate of 0.90% through their mandatory purchase dates of September 1, 2017 and August 15, 2017. Thereafter, the method of determining the interest rate on the bonds may be converted from time to time at PPL Electric's option. The proceeds of the bonds were used to redeem $116 million of 4.70% Pollution Control Revenue Refunding Bonds, 2005 Series A due 2029 and $108 million of 4.75% Pollution Control Revenue Refunding Bonds, 2005 Series B due 2027 previously issued by the LCIDA on behalf of PPL Electric.

In connection with the issuance of each of these new series of LCIDA bonds, PPL Electric entered into a loan agreement with the LCIDA pursuant to which the LCIDA has loaned to PPL Electric the proceeds of the LCIDA bonds on payment terms that correspond to the LCIDA bonds. In order to secure its obligations under the loan agreement, PPL Electric issued $224 million of First Mortgage Bonds under its 2001 Mortgage Indenture, which also have payment terms that correspond to the LCIDA bonds.

(PPL, LKE and LG&E)

In September 2016, the County of Trimble, Kentucky issued $125 million of Pollution Control Revenue Refunding Bonds, 2016 Series A (Louisville Gas and Electric Company Project) due 2044 on behalf of LG&E. The bonds were issued with a floating interest rate that initially will reset weekly. The method of determining the interest rate on the bonds may be converted from time to time at LG&E's option. The proceeds of the bonds were used to redeem $83 million of Pollution Control Revenue Refunding Bonds, 2000 Series A (Louisville Gas and Electric Company Project) due 2030 and $42 million of Pollution Control Revenue Refunding Bonds, 2002 Series A (Louisville Gas and Electric Company Project) due 2032 previously issued by the County of Trimble, Kentucky on behalf of LG&E.

(PPL, LKE and KU)

In August 2016, the County of Carroll, Kentucky issued $96 million of Pollution Control Revenue Refunding Bonds, 2016 Series A (Kentucky Utilities Company Project) due 2042 on behalf of KU. The bonds were issued bearing interest at an initial term rate of 1.05% through their mandatory purchase date of September 1, 2019. Thereafter, the method of determining the interest rate on the bonds may be converted from time to time at KU's option. The proceeds of the bonds were used to redeem $96 million of Pollution Control Revenue Refunding Bonds, 2002 Series C (Kentucky Utilities Company Project) due 2032 previously issued by the County of Carroll, Kentucky on behalf of KU.

(PPL)

ATM Program

In February 2015, PPL filed a registration statement with the SEC and entered into two separate equity distribution agreements, pursuant to which PPL may sell, from time to time, up to an aggregate of $500 million of its common stock. For the periods ended September 30, PPL issued the following:

	Three Months		Nine Months	
	2016	2015	2016	2015
Number of shares (in thousands)	710	436	710	858
Average share price	$ 35.23	$ 32.95	$ 35.23	$ 33.33
Net Proceeds	$ 25	$ 14	$ 25	$ 28

Distributions

In August 2016, PPL declared a quarterly common stock dividend, payable October 3, 2016, of 38 cents per share (equivalent to $1.52 per annum). Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors.

8. Acquisitions, Development and Divestitures

(All Registrants)

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with, modify or terminate the projects. Any resulting transactions may impact future financial results. See Note 8 in the Registrants' 2015 Form 10-K for additional information.

(PPL)

Discontinued Operations

Spinoff of PPL Energy Supply

In June 2015, PPL completed the spinoff of PPL Energy Supply, which combined its competitive power generation businesses with those of Riverstone to form a new, stand-alone, publicly traded company named Talen Energy.

Following completion of the spinoff, PPL shareowners owned 65% of Talen Energy and affiliates of Riverstone owned 35%. The spinoff had no effect on the number of PPL common shares owned by PPL shareowners or the number of shares of PPL common stock outstanding. The transaction is intended to be tax-free to PPL and its shareowners for U.S. federal income tax purposes.

PPL has no continuing ownership interest in or control of Talen Energy and Talen Energy Supply (formerly PPL Energy Supply). See Note 8 in PPL's 2015 Form 10-K for additional information.

Loss on Spinoff

In June 2015, in conjunction with the accounting for the spinoff, PPL evaluated whether the fair value of the Supply segment's net assets was less than the carrying value as of the June 1, 2015 spinoff date.

PPL considered several valuation methodologies to derive a fair value estimate of its Supply segment at the spinoff date. These methodologies included considering the closing "when-issued" Talen Energy market value on June 1, 2015 (the spinoff date), adjusted for the proportional share of the equity value attributable to the Supply segment, as well as, the valuation methods consistently used in PPL's goodwill impairment assessments - an income approach using a discounted cash flow analysis of the Supply segment and an alternative market approach considering market multiples of comparable companies.

Although the Talen Energy market value approach utilized the most observable inputs of the three approaches, PPL considered certain limitations of the "when-issued" trading market for the spinoff transaction including the short trading duration, lack of liquidity in the market and anticipated initial Talen stock ownership base selling pressure, among other factors, and concluded that these factors limited this input being solely determinative of the fair value of the Supply segment. As such, PPL also considered the other valuation approaches in estimating the overall fair value, but ultimately assigned the highest weighting to the Talen Energy market value approach.

The following table summarizes PPL's fair value analysis:

Approach	Weighting	Weighted Fair Value (in billions)
Talen Energy Market Value	50%	$ 1.4
Income/Discounted Cash Flow	30%	1.1
Alternative Market (Comparable Company)	20%	0.7
Estimated Fair Value		$ 3.2

A key assumption included in the fair value estimate is the application of a control premium of 25% in the two market approaches. PPL concluded it was appropriate to apply a control premium in these approaches as the goodwill impairment testing guidance was followed in determining the estimated fair value of the Supply segment which had historically been a reporting unit for PPL. This guidance provides that the market price of an individual security (and thus the market capitalization of a reporting unit with publicly traded equity securities) may not be representative of the fair value of the reporting unit. This guidance also indicates that substantial value may arise to a controlling shareholder from the ability to take advantage of synergies and other benefits that arise from control over another entity, and that the market price of a company's individual share of stock does not reflect this additional value to a controlling shareholder. Therefore, the quoted market price need not be the sole measurement basis for determining the fair value, and including a control premium is appropriate in measuring the fair value of a reporting unit.

In determining the control premium, PPL reviewed premiums received during the prior five years in market sales transactions obtained from observable independent power producer and hybrid utility transactions greater than $1 billion. Premiums for these transactions ranged from 5% to 42% with a median of approximately 25%. Given these metrics, PPL concluded a control premium of 25% to be reasonable for both of the market valuation approaches used.

Assumptions used in the discounted cash flow analysis included forward energy prices, forecasted generation, and forecasted operation and maintenance expenditures that were consistent with assumptions used in the Energy Supply portion of the Talen Energy business planning process at that time and a market participant discount rate.

Using these methodologies and weightings, PPL determined the estimated fair value of the Supply segment (classified as Level 3) was below its carrying value of $4.1 billion and recorded a loss on the spinoff of $879 million in the second quarter of 2015, which is reflected in discontinued operations and is nondeductible for tax purposes. This amount served to reduce the basis of the net assets accounted for as a dividend at the June 1, 2015 spinoff date.

Costs of Spinoff

Employee-related costs incurred in the nine months ended September 30, 2015 primarily included accelerated stock-based compensation and pro-rated performance-based cash incentive and stock-based compensation awards, primarily for PPL Energy Supply employees and for PPL Services employees who became PPL Energy Supply employees in connection with the transaction. PPL Energy Supply recognized $24 million of these costs at the spinoff closing date, which are reflected in discontinued operations.

PPL also recorded $44 million of third-party costs related to this transaction during the nine months ended September 30, 2015. Of these costs, $31 million were primarily for bank advisory, legal and accounting fees to facilitate the transaction, and are reflected in discontinued operations. An additional $13 million of consulting and other costs were incurred to prepare the new Talen Energy organization for the spinoff and reconfigure the remaining PPL service functions. These costs are primarily recorded in "Other operation and maintenance" on the Statement of Income.

At the close of the transaction, $72 million ($42 million after-tax) of cash flow hedges, primarily unamortized losses on PPL interest rate swaps recorded in AOCI and designated as cash flow hedges of PPL Energy Supply's future interest payments, were reclassified into earnings and are reflected in discontinued operations for the nine months ended September 30, 2015.

Continuing Involvement (PPL and PPL Electric)

As a result of the spinoff, PPL and PPL Energy Supply entered into a Transition Services Agreement (TSA) that terminates no later than two years after the spinoff. Pursuant to the TSA, PPL is providing Talen Energy certain information technology, financial and accounting, human resource and other specified services. For the three and nine months ended September 30, 2016, the amounts PPL billed Talen Energy for these services were $9 million and $29 million. For the three and nine months ended September 30, 2015, the amounts PPL billed Talen Energy for these services were $11 million and $14 million. In general, the fees for the transition services allow the provider to recover its cost of the services, including overheads, but without margin or profit.

Additionally, prior to the spinoff, through the annual competitive solicitation process, PPL EnergyPlus was awarded supply contracts for a portion of the PLR generation supply for PPL Electric, which were retained by Talen Energy Marketing as part of the spinoff. PPL Electric's supply contracts with Talen Energy Marketing extend through November 2016. Energy purchases from PPL EnergyPlus were previously included in PPL Electric's Statements of Income as "Energy purchases from affiliate" but were eliminated in PPL's Consolidated Statements of Income.

For the three and nine months ended September 30, 2016, PPL Electric's energy purchases from Talen Energy Marketing were $15 million and $98 million. For the three and nine months ended September 30, 2015, PPL Electric's energy purchases from Talen Energy Marketing were not significant. These energy purchases are no longer considered affiliate transactions.

Summarized Results of Discontinued Operations (PPL)

The operations of the Supply segment prior to the spinoff on June 1, 2015 are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income. Following are the components of Discontinued Operations in the Statement of Income for the periods ended September 30, 2015:

	Three Months	Nine Months
Operating revenues	$ —	$ 1,427
Operating expenses	—	1,328
Other Income (Expense) - net	—	(22)
Interest expense (a)	—	150
Income (loss) before income taxes	—	(73)
Income tax expense (benefit)	3	(37)
Loss on spinoff	—	(879)
Income (Loss) from Discontinued Operations (net of income taxes)	$ (3)	$ (915)

(a) Includes interest associated with the Supply segment with no additional allocation as the Supply segment was sufficiently capitalized.

Development

Regional Transmission Line Expansion Plan *(PPL and PPL Electric)*

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 that includes three new substations and upgrades to adjacent facilities). The FERC granted the incentive for inclusion in rate base of all prudently incurred construction work in progress costs but denied the requested incentive for a 100 basis point adder to the return on equity.

In December 2012, PPL Electric submitted an application to the PUC requesting permission to site and construct the project. In January 2014, the PUC issued a final order approving the application. The line was energized in April 2016, completing the approximately $350 million project which includes additional substation security enhancements. Costs related to the project are included on the Balance Sheets, primarily in "Regulated utility plant."

9. Defined Benefits

(PPL, LKE and LG&E)

Certain net periodic defined benefit costs are applied to accounts that are further distributed among capital, expense and regulatory assets, including certain costs allocated to applicable subsidiaries for plans sponsored by PPL Services and LKE. Following are the net periodic defined benefit costs (credits) of the plans sponsored by PPL and its subsidiaries, LKE and its subsidiaries and LG&E for the periods ended September 30:

	Pension Benefits							
	Three Months				Nine Months			
	U.S.		U.K.		U.S.		U.K.	
	2016	2015	2016 (a)	2015	2016	2015	2016 (a)	2015
PPL								
Service cost	$ 16	$ 20	$ 17	$ 21	$ 49	$ 76	$ 53	$ 60
Interest cost	44	42	58	80	131	152	182	236
Expected return on plan assets	(57)	(56)	(124)	(133)	(171)	(201)	(389)	(393)
Amortization of:								
Prior service cost	2	1	—	—	6	5	—	—
Actuarial loss	12	18	34	39	37	65	107	118
Net periodic defined benefit costs (credits) before settlements	17	25	(15)	7	52	97	(47)	21
Settlements	3	—	—	—	3	—	—	—
Net periodic defined benefit costs (credits) (b)	$ 20	$ 25	$ (15)	$ 7	$ 55	$ 97	$ (47)	$ 21

	Pension Benefits							
	Three Months				Nine Months			
	U.S.		U.K.		U.S.		U.K.	
	2016	2015	2016 (a)	2015	2016	2015	2016 (a)	2015
LKE								
Service cost	$ 6	$ 7			$ 18	$ 20		
Interest cost	18	17			53	51		
Expected return on plan assets	(23)	(22)			(68)	(66)		
Amortization of:								
Prior service cost	2	1			6	5		
Actuarial loss	5	9			15	26		
Net periodic defined benefit costs	$ 8	$ 12			$ 24	$ 36		
LG&E								
Service cost	$ —	$ —			$ 1	$ 1		
Interest cost	4	3			11	10		
Expected return on plan assets	(5)	(5)			(15)	(15)		
Amortization of:								
Prior service cost	1	1			3	2		
Actuarial loss	2	3			5	9		
Net periodic defined benefit costs	$ 2	$ 2			$ 5	$ 7		

(a) See Note 2 for a discussion of changes to the discount rate used for the U.K. Pension Plans.
(b) For the nine months ended September 30, 2015, the total net periodic defined benefit cost includes $18 million reflected in discontinued operations related to costs allocated from PPL's plans to PPL Energy Supply prior to the spinoff.

	Other Postretirement Benefits			
	Three Months		Nine Months	
	2016	2015	2016	2015
PPL				
Service cost	$ 2	$ 2	$ 6	$ 9
Interest cost	6	6	19	20
Expected return on plan assets	(6)	(6)	(17)	(20)
Amortization of actuarial loss	1	—	1	—
Net periodic defined benefit costs	$ 3	$ 2	$ 9	$ 9
LKE				
Service cost	$ 1	$ 1	$ 3	$ 4
Interest cost	2	2	7	7
Expected return on plan assets	(2)	(1)	(5)	(4)
Amortization of prior service cost	1	1	2	2
Net periodic defined benefit costs	$ 2	$ 3	$ 7	$ 9

(PPL Electric, LG&E and KU)

In addition to the specific plans it sponsors, LG&E is allocated costs of defined benefit plans sponsored by LKE. PPL Electric and KU do not directly sponsor any defined benefit plans. PPL Electric is allocated costs of defined benefit plans sponsored by PPL Services and KU is allocated costs of defined benefit plans sponsored by LKE. These allocations are based on participation in those plans, which management believes are reasonable. For the periods ended September 30, PPL Services allocated the following net periodic defined benefit costs to PPL Electric, and LKE allocated the following net periodic defined benefit costs to LG&E and KU:

	Three Months		Nine Months	
	2016	2015	2016	2015
PPL Electric	$ 6	$ 8	$ 17	$ 24
LG&E	2	3	7	10
KU	2	4	8	13

Cash Flows - U.S. Pension Plans

(PPL & LKE)

During the nine months ended September 30, 2016, LKE contributed $66 million to its pension plans. LKE does not anticipate making any additional significant contributions to these plans in 2016.

(PPL, LKE and LG&E)

During the nine months ended September 30, 2016, LG&E contributed $35 million to its pension plan. LG&E does not anticipate making any additional contributions to the plan in 2016.

10. Commitments and Contingencies

Legal Matters

(All Registrants)

PPL and its subsidiaries are involved in legal proceedings, claims and litigation in the ordinary course of business. PPL and its subsidiaries cannot predict the outcome of such matters, or whether such matters may result in material liabilities, unless otherwise noted.

WKE Indemnification *(PPL and LKE)*

See footnote (e) to the table in "Guarantees and Other Assurances" below for information on an LKE indemnity relating to its former WKE lease, including related legal proceedings.

Cane Run Environmental Claims *(PPL, LKE and LG&E)*

In December 2013, six residents, on behalf of themselves and others similarly situated, filed a class action complaint against LG&E and PPL in the U.S. District Court for the Western District of Kentucky alleging violations of the Clean Air Act and RCRA. In addition, these plaintiffs assert common law claims of nuisance, trespass and negligence. These plaintiffs seek injunctive relief and civil penalties, plus costs and attorney fees, for the alleged statutory violations. Under the common law claims, these plaintiffs seek monetary compensation and punitive damages for property damage and diminished property values for a class consisting of residents within four miles of the Cane Run plant. In their individual capacities, these plaintiffs seek compensation for alleged adverse health effects. In response to a motion to dismiss filed by PPL and LG&E, in July 2014, the court dismissed the plaintiffs' RCRA claims and all but one Clean Air Act claim, but declined to dismiss their common law tort claims. Upon motion of LG&E and PPL, the district court certified for appellate review the issue of whether the state common law claims are preempted by federal statute. In December 2014, the U.S. Court of Appeals for the Sixth Circuit issued an order granting appellate review regarding the above matter. Oral argument before the Sixth Circuit was held in August 2015. In November 2015, the Sixth Circuit issued an opinion affirming the District Court's ruling that plaintiffs' state law claims are not preempted by the Clean Air Act and remanding the matter to the District Court for further proceedings. The District Court has issued an order setting a discovery schedule through the second quarter of 2017. PPL, LKE and LG&E cannot predict the outcome of this matter. LG&E retired one coal-fired unit at the Cane Run plant in March 2015 and the remaining two coal-fired units at the plant in June 2015.

Mill Creek Environmental Claims *(PPL, LKE and LG&E)*

In May 2014, the Sierra Club filed a citizen suit against LG&E in the U.S. District Court for the Western District of Kentucky for alleged violations of the Clean Water Act. The Sierra Club alleged that various discharges at the Mill Creek plant constituted violations of the plant's water discharge permit. The Sierra Club sought civil penalties, injunctive relief, costs and attorney's fees. The parties reached a proposed settlement in the matter on September 27, 2016, which has been submitted to the court. LG&E has agreed to limited alterations to outfall facilities and discharge practices and to fund $1 million in environmental enhancement projects focused on tree planting and water quality in Kentucky. The settlement includes no finding or agreement of any violation of law by LG&E and does not involve fines or civil penalties. The U.S. Department of Justice has 45 days to review the settlement before the court can approve. PPL, LKE and LG&E cannot predict the ultimate outcome of this matter, but do not presently expect the matter to have a material effect on plant operation, capital expenditures or operating costs, or to result in significant charges beyond the amounts previously recorded.

E.W. Brown Environmental Claims *(PPL, LKE and KU)*

In October 2015, KU received a notice of intent from Earthjustice and the Sierra Club informing certain federal and state agencies of the Sierra Club's intent to file a citizen suit, following expiration of the mandatory 60-day notification period, for alleged violations of the Clean Water Act. The claimants allege discharges at the E.W. Brown plant in violation of applicable rules and the plant's water discharge permit. The claimants assert that, unless the alleged discharges are promptly brought into compliance, it intends to seek civil penalties, injunctive relief and attorney's fees. In November 2015, the claimants submitted an amended notice of intent to add the Kentucky Waterways Alliance as a claimant. On October 26, 2016, the claimants submitted an additional notice of intent alleging management of waste in a manner that may present an imminent and substantial endangerment under the RCRA. PPL, LKE and KU cannot predict the outcome of this matter or the potential impact on the operations of the E. W. Brown plant, including increased capital or operating costs, if any.

(PPL, LKE, LG&E and KU)

Trimble County Unit 2 Air Permit

The Sierra Club and other environmental groups petitioned the Kentucky Environmental and Public Protection Cabinet to overturn the air permit issued for the Trimble County Unit 2 baseload coal-fired generating unit, but the agency upheld the permit in an order issued in September 2007. In response to subsequent petitions by environmental groups, the EPA ordered certain non-material changes to the permit which, in January 2010, were incorporated into a final revised permit issued by the Kentucky Division for Air Quality. In March 2010, the environmental groups petitioned the EPA to object to the revised state permit. Until the EPA issues a final ruling on the pending petition and all available appeals are exhausted, PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact on the operations of the Trimble County plant, including increased capital or operating costs, if any.

Trimble County Water Discharge Permit

In May 2010, the Kentucky Waterways Alliance and other environmental groups filed a petition with the Kentucky Energy and Environment Cabinet (KEEC) challenging the Kentucky Pollutant Discharge Elimination System permit issued in April 2010, which covers water discharges from the Trimble County plant. In November 2010, the KEEC issued a final order upholding the permit, which was subsequently appealed by the environmental groups. In September 2013, the Franklin Circuit Court reversed the KEEC order upholding the permit and remanded the permit to the agency for further proceedings. LG&E and the KEEC appealed the order to the Kentucky Court of Appeals. In July 2015, the Court of Appeals upheld the lower court ruling. On February 10, 2016, the Kentucky Supreme Court issued an order granting discretionary review and oral arguments were held on September 14, 2016. PPL, LKE, LG&E and KU are unable to predict the outcome of this matter or the potential impact on the operations of the Trimble County plant, including increased capital or operating costs, if any.

Regulatory Issues *(All Registrants)*

See Note 6 for information on regulatory matters related to utility rate regulation.

Electricity - Reliability Standards

The NERC is responsible for establishing and enforcing mandatory reliability standards (Reliability Standards) regarding the bulk electric system in North America. The FERC oversees this process and independently enforces the Reliability Standards.

The Reliability Standards have the force and effect of law and apply to certain users of the bulk electric system, including electric utility companies, generators and marketers. Under the Federal Power Act, the FERC may assess civil penalties for certain violations.

LG&E, KU and PPL Electric monitor their compliance with the Reliability Standards and self-report or self-log potential violations of applicable reliability requirements whenever identified, and submit accompanying mitigation plans, as required. The resolution of a small number of potential violations is pending. Penalties incurred to date have not been significant. Any Regional Reliability Entity (including RFC or SERC) determination concerning the resolution of violations of the Reliability Standards remains subject to the approval of the NERC and the FERC.

In the course of implementing their programs to ensure compliance with the Reliability Standards by those PPL affiliates subject to the standards, certain other instances of potential non-compliance may be identified from time to time. The Registrants cannot predict the outcome of these matters, and cannot estimate a range of reasonably possible losses, if any.

Environmental Matters

(All Registrants)

Due to the environmental issues discussed below or other environmental matters, it may be necessary for the Registrants to modify, curtail, replace or cease operation of certain facilities or performance of certain operations to comply with statutes, regulations and other requirements of regulatory bodies or courts. In addition, legal challenges to new environmental permits or rules add to the uncertainty of estimating the future cost of these permits and rules.

WPD's distribution businesses are subject to certain statutory and regulatory environmental requirements. In connection with the matters discussed below, it may be necessary for WPD to incur significant compliance costs, which costs may be recoverable through rates subject to the approval of Ofgem. PPL believes that WPD has taken and continues to take measures to comply with all applicable environmental laws and regulations.

LG&E and KU are entitled to recover, through the ECR mechanism, certain costs of complying with the Clean Air Act, as amended, and those federal, state, or local environmental requirements applicable to coal combustion wastes and by-products from facilities that generate electricity from coal in accordance with approved compliance plans. Costs not covered by the ECR mechanism for LG&E and KU and all such costs for PPL Electric are subject to rate recovery before the companies' respective state regulatory authorities, or the FERC, if applicable. Because neither WPD nor PPL Electric owns any generating plants, their exposure to related environmental compliance costs is reduced. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

Air

(PPL, LKE, LG&E and KU)

The Clean Air Act, which regulates air pollutants from mobile and stationary sources in the United States, has a significant impact on the operation of fossil fuel plants. The Clean Air Act requires the EPA periodically to review and establish concentration levels in the ambient air for six criteria pollutants to protect public health and welfare. These concentration levels are known as NAAQS. The six criteria pollutants are carbon monoxide, lead, nitrogen dioxide, ozone, particulate matter and sulfur dioxide.

Federal environmental regulation of these criteria pollutants require states to adopt implementation plans, known as state implementation plans, for certain pollutants, which detail how the state will attain the standards that are mandated by the relevant law or regulation. Each state identifies the areas within its boundaries that meet the NAAQS (attainment areas) and those that do not (non-attainment areas), and must develop a state implementation plan both to bring non-attainment areas into compliance with the NAAQS and to maintain good air quality in attainment areas. In addition, for attainment of ozone and fine particulates standards, states in the eastern portion of the country, including Kentucky, are subject to a regional program developed by the EPA known as the Cross-State Air Pollution Rule. The NAAQS, future revisions to the NAAQS and state implementation plans, or future revisions to regional programs, may require installation of additional pollution controls, the costs of which PPL, LKE, LG&E and KU believe are subject to cost recovery.

Although PPL, LKE, LG&E and KU do not anticipate significant costs to comply with these programs, changes in market or operating conditions could result in different costs than anticipated.

National Ambient Air Quality Standards (NAAQS)

Under the Clean Air Act, the EPA is required to reassess the NAAQS for certain air pollutants on a five-year schedule. In 2008, the EPA revised the NAAQS for ozone and proposed to further strengthen the standard in November 2014. The EPA released a new ozone standard on October 1, 2015. The states and EPA will determine attainment with the new ozone standard through review of relevant ambient air monitoring data, with attainment or nonattainment designations scheduled no later than October 2017. States are also obligated to address interstate transport issues associated with new ozone standards through the establishment of "good neighbor" state implementation plans for those states that are found to contribute significantly to another state's non-attainment. States that are not in the ozone transport region, including Kentucky, are working together to evaluate further nitrogen oxide reductions from fossil-fueled plants with SCRs. The nature and timing of any additional reductions resulting from these evaluations cannot be predicted at this time.

In 2010, the EPA finalized revised NAAQS for sulfur dioxide and required states to identify areas that meet those standards and areas that are in "non-attainment". In July 2013, the EPA finalized non-attainment designations for parts of the country, including part of Jefferson County in Kentucky. Attainment must be achieved by 2018. PPL, LKE, LG&E and KU anticipate that certain previously required compliance measures, such as upgraded or new sulfur dioxide Scrubbers at certain plants and the retirement of coal-fired generating units at LG&E's Cane Run plant and KU's Green River plant, will help to achieve compliance with the new sulfur dioxide and ozone standards. If additional reductions are required, the costs could be significant.

Mercury and Air Toxics Standards (MATS)

In February 2012, the EPA finalized the MATS rule requiring reductions of mercury and other hazardous air pollutants from fossil-fuel fired power plants, with an effective date of April 16, 2012. The MATS rule was challenged by industry groups and states and was upheld by the U.S. Court of Appeals for the D. C. Circuit Court (D.C. Circuit Court) in April 2014. A group of states subsequently petitioned the U.S. Supreme Court (Supreme Court) to review this decision and, in June 2015, the Supreme Court held that the EPA failed to properly consider costs when deciding to regulate hazardous air emissions from power plants under MATS. The Supreme Court remanded the matter to the D.C. Circuit Court, which in December 2015 remanded the rule to the EPA without vacating it. The EPA has proposed a supplemental finding regarding costs of the rule and has announced that it intends to make a final determination in 2016. The EPA's MATS rule remains in effect during the pendency of the ongoing proceedings.

LG&E and KU have installed significant controls in response to the MATS rule and in conjunction with compliance with other environmental requirements, including fabric-filter baghouses, upgraded Scrubbers or chemical additive systems for which appropriate KPSC authorization and/or ECR treatment has been received. LG&E and KU have received KPSC approval for a compliance plan providing for installation of additional MATS-related controls; however, the estimated cost of these controls is not expected to be significant for either LG&E or KU. PPL, LKE, LG&E and KU cannot predict the outcome of the MATS rule or its potential impact, if any, on plant operations, rate treatment or future capital or operating needs. See Note 6 for additional information.

New Source Review (NSR)

The NSR litigation brought by the EPA, states and environmental groups against coal-fired generating plants in past years continues to proceed through the courts. Although none of this litigation directly involves PPL, LKE, LG&E or KU, it can influence the permitting of large capital projects at LG&E's and KU's power plants, the costs of which cannot presently be determined but could be significant.

Climate Change

There is continuing world-wide attention focused on issues related to climate change. In June 2016, the President announced that the United States, Canada and Mexico have established the North American Climate, Clean Energy, and Environment Partnership Plan which specifies actions to promote clean energy, address climate change and protect the environment. The plan includes a goal to provide 50% of the energy used in North America from clean energy sources by 2025. The plan does not impose any nation-specific requirements.

In December 2015, 195 nations, including the U.S., signed the Paris Agreement on Climate which establishes a comprehensive framework for the reduction of greenhouse gas (GHG) emissions from both developed and developing nations. Although the agreement does not establish binding reduction requirements, it requires each nation to prepare, communicate and maintain GHG reduction commitments. Reductions can be achieved in a variety of ways, including energy conservation, power plant efficiency improvements, reduced utilization of coal-fired generation or replacing coal-fired generation with natural gas or renewable generation. Based on EPA's Clean Power Plan described below, the U.S. has committed to an initial reduction target of 26% to 28% below 2005 levels by 2025.

The U.K. has enacted binding carbon reduction requirements that are applicable to WPD. Under the U.K. law, WPD must purchase carbon allowances to offset emissions associated with WPD's operations. The cost of these allowances is included in WPD's current operating expenses. WPD expects these expenses to decrease as a result of energy efficiency measures and the removal of 18 fuel sources previously included in the allowance requirements.

The EPA's Rules under Section 111 of the Clean Air Act

As further described below, the EPA finalized rules imposing GHG emission standards for both new and existing power plants in the United States. The EPA has also issued a proposed federal implementation plan that would apply to any states that fail to submit an acceptable state implementation plan under these rules. The EPA's authority to promulgate these regulations under Section 111 of the Clean Air Act has been challenged in the D.C. Circuit Court by several states and industry groups. On February 9, 2016, the Supreme Court stayed the rule for existing plants (the Clean Power Plan) pending the D.C. Circuit Court's review and subsequent review by the Supreme Court if a writ of certiorari is filed and granted.

The EPA's rule for new power plants imposes separate emission standards for coal and natural gas units based on the application of different technologies. The coal standard is based on the application of partial carbon capture and sequestration technology, but because this technology is not presently commercially viable, the rule effectively precludes the construction of new coal-fired plants. The standard for NGCC power plants is the same as the EPA proposed in 2012 and is not continuously achievable. The preclusion of new coal-fired plants and the compliance difficulties posed for new natural gas-fired plants could have a significant industry-wide impact.

The EPA's Clean Power Plan

The EPA's rule for existing power plants, referred to as the Clean Power Plan, was published in the Federal Register in October 2015. The Clean Power Plan contains state-specific rate-based and mass-based reduction goals and guidelines for the development, submission and implementation of state implementation plans to achieve the state goals. State-specific goals were calculated from 2012 data by applying the EPA's broad interpretation and definition of the BSER, resulting in the most stringent targets to be met in 2030, with interim targets to be met beginning in 2022. The EPA believes it has offered some flexibility to the states as to how their compliance plans can be crafted, including the option to use a rate-based approach (limit emissions per megawatt hour) or a mass-based approach (limit total tons of emissions per year), and the option to demonstrate compliance through emissions trading and multi-state collaborations. Under the rate-based approach, Kentucky would need to make a 41% reduction from its 2012 emissions rate and under a mass-based approach it would need to make a 36% reduction. These reductions are significantly greater than initially proposed and present significant challenges to the state. If the Clean Power Plan is ultimately upheld and Kentucky fails to develop an approvable implementation plan by the applicable deadline, the EPA would impose a federal implementation plan that could be more stringent than what the state plan might provide. Depending on the provisions of the Kentucky implementation plan, LG&E and KU may need to modify their current portfolio of generating assets during the next decade and/or participate in an allowance trading program.

LG&E and KU are participating in the ongoing regulatory processes at the state and federal level. Various states, industry groups and individual companies including LKE have filed petitions for reconsideration with EPA and petitions for review with the D.C. Circuit Court challenging the Clean Power Plan. In February 2016, the U.S. Supreme Court stayed the rule pending the D.C. Circuit Court's review. A ruling from the D.C. Circuit Court may occur in late 2016 or in early 2017. PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact, if any, on plant operations, or future capital or operating costs. PPL, LKE, LG&E and KU believe that the costs, which could be significant, would be subject to rate recovery.

In April 2014, the Kentucky General Assembly passed legislation limiting the measures that the Kentucky Energy and Environment Cabinet may consider in setting performance standards to comply with the EPA's regulations governing GHG emissions from existing sources. The legislation provides that such state GHG performance standards shall be based on emission reductions, efficiency measures and other improvements available at each power plant, rather than renewable energy, end-use energy efficiency, fuel switching and re-dispatch. These statutory restrictions may make it more difficult for Kentucky to achieve the GHG reduction levels that the EPA has established for Kentucky.

Sulfuric Acid Mist Emissions (PPL, LKE and LG&E)

In June 2016, the EPA issued a notice of violation under the Clean Air Act alleging that LG&E violated applicable rules relating to sulfuric acid mist emissions at its Mill Creek plant. The notice alleges failure to install proper controls, failure to operate the facility consistent with good air pollution control practice, and causing emissions exceeding applicable requirements or constituting a nuisance or endangerment. LG&E believes it has complied with applicable regulations during the relevant time period. Discussions between the EPA and LG&E are ongoing. PPL, LKE and LG&E are unable to predict the outcome of this matter or the potential impact on operations of the Mill Creek plant, including increased capital or operating costs, and potential civil penalties or remedial measures, if any.

Water/Waste

(PPL, LKE, LG&E and KU)

Coal Combustion Residuals (CCRs)

In April 2015, the EPA published its final rule regulating CCRs. CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. The rule became effective in October 2015. It imposes extensive new requirements, including location restrictions, design and operating standards, groundwater monitoring and corrective action requirements, and closure and post-closure care requirements on CCR impoundments and landfills that are located on active power plants in the United States and not closed. Under the rule, the EPA will regulate CCRs as non-hazardous under Subtitle D of RCRA and allow beneficial use of CCRs, with some restrictions. The rule's requirements for covered CCR impoundments and landfills include implementation of groundwater monitoring and commencement or completion of closure activities generally between three and ten years from certain triggering events. This self-implementing rule requires posting of compliance documentation on a publicly accessible website and is enforceable solely through citizen suits. LG&E and KU are also subject to state rules applicable to CCR management which may potentially be modified to reflect some or all requirements of the federal rule. Industry groups, environmental groups, individual companies and others have filed legal challenges to the final rule which are pending before the D.C. Circuit Court of Appeals.

LG&E and KU have received KPSC approval for a compliance plan providing for construction of additional landfill capacity at the Brown Station, closure of impoundments at the Mill Creek, Trimble County, Brown, and Ghent stations, and construction of process water management facilities at those plants. In addition to the foregoing measures required for compliance with federal CCR rule requirements, LG&E and KU also received KPSC approval for their plans to close impoundments at the retired Green River, Pineville and Tyrone plants to comply with applicable state law requirements. See Note 6 for additional information.

In connection with the final CCR rule, LG&E and KU recorded adjustments to existing AROs during 2015 and 2016. See Note 16 for additional information. Further changes to AROs, current capital plans or operating costs may be required as estimates are refined based on closure developments, groundwater monitoring results, and regulatory or legal proceedings. Costs relating to this rule are subject to rate recovery.

Clean Water Act

Regulations under the federal Clean Water Act dictate permitting and mitigation requirements for facilities and construction projects in the United States. Many of those requirements relate to power plant operations, including requirements related to the treatment of pollutants in effluents prior to discharge, the temperature of effluent discharges and the location, design and construction of cooling water intake structures at generating facilities, standards intended to protect aquatic organisms by reducing capture in the screens attached to cooling water intake structures (impingement) at generating facilities and the water volume brought into the facilities (entrainment). The requirements could impose significant costs for LG&E and KU which are subject to rate recovery.

Effluent Limitations Guidelines (ELGs)

In September 2015, the EPA released its final effluent limitations guidelines for wastewater discharge permits for new and existing steam electricity generating facilities. The rule provides strict technology-based discharge limitations for control of pollutants in scrubber wastewater, fly ash and bottom ash transport water, mercury control wastewater, gasification wastewater and combustion residual leachate. The new guidelines require deployment of additional control technologies providing physical, chemical and biological treatment of wastewaters. The guidelines also mandate operational changes including "no discharge" requirements for fly ash and bottom ash transport waters and mercury control wastewaters. The implementation date for individual generating stations will be determined by the states on a case-by-case basis according to criteria provided by the EPA, but the requirements of the rule must be fully implemented no later than 2023. It has not been decided how Kentucky intends to integrate the ELGs into its routine permit renewal process. Industry groups, environmental groups, individual companies and others have filed legal challenges to the final rule which have been consolidated before the United States Fifth Circuit Court of Appeals. LG&E and KU are developing compliance strategies and schedules. PPL, LKE, LG&E and KU are unable to fully estimate compliance costs or timing at this time, although certain preliminary estimates are included in current capital forecasts for applicable periods. Costs to comply with ELGs or other discharge limits, which are expected to be significant, are subject to rate recovery.

Clean Water Act Section 316(b)

The EPA's final 316(b) rule for existing facilities became effective in October 2014, and regulates cooling water intake structures and their impact on aquatic organisms. States are allowed broad discretion to make site-specific determinations under the rule. The rule requires existing facilities to choose between several options to reduce the impact to aquatic organisms that become trapped against water intake screens (impingement) and to determine the intake structure's impact on aquatic organisms pulled through a plant's cooling water system (entrainment). Plants equipped with closed-cycle cooling, an acceptable option, would likely not incur substantial costs. Once-through systems would likely require additional technology to comply with the rule. Based on studies conducted by LG&E and KU to date, all plants will incur only insignificant operational costs. In addition, LG&E's Mill Creek Unit 1 is expected to incur capital costs. PPL, LKE, LG&E and KU are evaluating compliance strategies but do not presently expect the compliance costs, which are subject to rate recovery, to be significant.

(All Registrants)

Waters of the United States (WOTUS)

The U.S. Court of Appeals for the Sixth Circuit has issued a stay of EPA's rule on the definition of WOTUS pending the court's review of the rule. The effect of the stay is that the WOTUS rule is not in effect anywhere in the United States. The ultimate outcome of the court's review of the rule remains uncertain. Because of the strict permitting programs already in place in Kentucky and Pennsylvania, the Registrants do not expect the rule to have a significant impact on their operations.

Other Issues

The EPA is reassessing its polychlorinated biphenyls (PCB) regulations under the Toxic Substance Control Act, which was significantly updated in June 2016. In 2010, the EPA issued an Advanced Notice of Proposed Rulemaking for changes to these regulations. The rulemaking, which could lead to a phase-out in the United States of all or some equipment containing PCBs, is not likely to be affected by the revisions to the Toxic Substances Control Act. The EPA has postponed the release of revisions to its proposed rulemaking. The Registrants cannot predict at this time the outcome of the proposed EPA rulemaking and what impact, if any, it would have on their facilities, but the costs could be significant.

Superfund and Other Remediation *(All Registrants)*

PPL Electric is potentially responsible for a share of the costs at several sites listed by the EPA under the federal Superfund program, including the Columbia Gas Plant site and the Brodhead site. Clean-up actions have been or are being undertaken at all of these sites, the costs of which have not been significant to PPL Electric. Should the EPA require different or additional measures in the future, however, or should PPL Electric's share of costs at multi-party sites increase substantially more than expected, the costs could be significant.

PPL Electric, LG&E and KU are investigating, responding to agency inquiries, remediating, or have completed the remediation of, several sites that were not addressed under a regulatory program such as Superfund, but for which PPL Electric, LG&E and KU may be liable for remediation. These include a number of former coal gas manufacturing plants in Pennsylvania and Kentucky previously owned or operated or currently owned by predecessors or affiliates of PPL Electric, LG&E and KU. To date, the costs of these sites have not been significant.

There are additional sites, formerly owned or operated by PPL Electric, LG&E and KU predecessors or affiliates. LG&E and KU lack information on the condition of such additional sites and are therefore unable to estimate any potential liability they may have or a range of reasonably possible losses, if any, related to these sites. At September 30, 2016 and December 31, 2015, PPL Electric had a recorded liability of $10 million representing its best estimate of the probable loss incurred to remediate additional sites previously owned or operated by PPL Electric predecessors or affiliates. Depending on the outcome of investigations at sites where investigations have not begun or been completed, or developments at sites for which information is incomplete, the costs of remediation and other liabilities could be significant and may be as much as approximately $30 million.

The EPA is evaluating the risks associated with polycyclic aromatic hydrocarbons and naphthalene, chemical by-products of coal gas manufacturing. As a result of the EPA's evaluation, individual states may establish stricter standards for water quality and soil cleanup. This could require several PPL subsidiaries to take more extensive assessment and remedial actions at former coal gas manufacturing plants. PPL, PPL Electric, LKE, LG&E and KU cannot estimate a range of reasonably possible losses, if any, related to these matters.

From time to time, PPL's subsidiaries in the United States undertake remedial action in response to notices of violations, spills or other releases at various on-site and off-site locations, negotiate with the EPA and state and local agencies regarding actions necessary for compliance with applicable requirements, negotiate with property owners and other third parties alleging impacts from PPL's operations and undertake similar actions necessary to resolve environmental matters that arise in the course of normal operations. Based on analyses to date, resolution of these environmental matters is not expected to have a significant adverse impact on the operations of PPL Electric, LG&E and KU.

Future cleanup or remediation work at sites under review, or at sites not yet identified, may result in significant additional costs for PPL, PPL Electric, LKE, LG&E and KU. Insurance policies maintained by LKE, LG&E and KU may be applicable to certain of the costs or other obligations related to these matters but the amount of insurance coverage or reimbursement cannot be estimated or assured.

European Union Creosote Ban *(PPL)*

In 2011, the European Commission amended the European Union Biocides Directive to ban the use of creosote in contact with soil. Creosote is a wood preservative used to extend the life of wooden poles that support power lines. Although European Union member countries were required to pass implementing laws by 2012, the U.K. has not passed an implementing law and there are no legal penalties for failing to do so. The recent U.K. referendum in favor of the U.K.'s withdrawal from the European Union further reduces the likelihood that the U.K. will implement the European Union directive. In the unlikely event that the U.K. were to ban the use of creosote, WPD's creosote-treated wood poles would need to be replaced with an acceptable alternative at the time of routine replacement. Although the aggregate cost to replace poles could be significant, it would be incurred as poles are replaced in the ordinary course and would be subject to rate recovery. WPD has 1.4 million wood poles in its system. There are currently no alternative wood preservatives available that are acceptable to the industry and/or regulators.

Other

Guarantees and Other Assurances

(All Registrants)

In the normal course of business, the Registrants enter into agreements that provide financial performance assurance to third parties on behalf of certain subsidiaries. Such agreements include, for example, guarantees, stand-by letters of credit issued by financial institutions and surety bonds issued by insurance companies. These agreements are entered into primarily to support or enhance the creditworthiness attributed to a subsidiary on a stand-alone basis or to facilitate the commercial activities in which these subsidiaries engage.

(PPL)

PPL fully and unconditionally guarantees all of the debt securities of PPL Capital Funding.

(All Registrants)

The table below details guarantees provided as of September 30, 2016. "Exposure" represents the estimated maximum potential amount of future payments that could be required to be made under the guarantee. The probability of expected payment/performance under each of these guarantees is remote except for "WPD guarantee of pension and other obligations of unconsolidated entities" and "Indemnification of lease termination and other divestitures." The total recorded liability at September 30, 2016, was $22 million for PPL and $17 million for LKE. The total recorded liability at December 31, 2015, was $25 million for PPL and $18 million for LKE. For reporting purposes, on a consolidated basis, all guarantees of PPL Electric, LKE, LG&E and KU also apply to PPL, and all guarantees of LG&E and KU also apply to LKE.

		Exposure at September 30, 2016		Expiration Date
PPL				
Indemnifications related to the WPD Midlands acquisition			(a)	
WPD indemnifications for entities in liquidation and sales of assets	$	10	(b)	2019
WPD guarantee of pension and other obligations of unconsolidated entities		109	(c)	
PPL Electric				
Guarantee of inventory value		15	(d)	2018
LKE				
Indemnification of lease termination and other divestitures		301	(e)	2021 - 2023
LG&E and KU				
LG&E and KU guarantee of shortfall related to OVEC			(f)	

(a) Indemnifications related to certain liabilities, including a specific unresolved tax issue and those relating to properties and assets owned by the seller that were transferred to WPD Midlands in connection with the acquisition. A cross indemnity has been received from the seller on the tax issue. The maximum exposure and expiration of these indemnifications cannot be estimated because the maximum potential liability is not capped and the expiration date is not specified in the transaction documents.

(b) Indemnification to the liquidators and certain others for existing liabilities or expenses or liabilities arising during the liquidation process. The indemnifications are limited to distributions made from the subsidiary to its parent either prior or subsequent to liquidation or are not explicitly stated in the agreements. The indemnifications generally expire two to seven years subsequent to the date of dissolution of the entities. The exposure noted only includes those cases where the agreements provide for specific limits.
In connection with their sales of various businesses, WPD and its affiliates have provided the purchasers with indemnifications that are standard for such transactions, including indemnifications for certain pre-existing liabilities and environmental and tax matters or have agreed to continue their obligations under existing third-party guarantees, either for a set period of time following the transactions or upon the condition that the purchasers make reasonable efforts to terminate the guarantees. Additionally, WPD and its affiliates remain secondarily responsible for lease payments under certain leases that they have assigned to third parties.

(c) Relates to certain obligations of discontinued or modified electric associations that were guaranteed at the time of privatization by the participating members. Costs are allocated to the members and can be reallocated if an existing member becomes insolvent. At September 30, 2016, WPD has recorded an estimated discounted liability for which the expected payment/performance is probable. Neither the expiration date nor the maximum amount of potential payments for certain obligations is explicitly stated in the related agreements, and as a result, the exposure has been estimated.

(d) A third party logistics firm provides inventory procurement and fulfillment services. The logistics firm has title to the inventory, however, upon termination of the contracts, PPL Electric has guaranteed to purchase any remaining inventory that has not been used or sold.

(e) LKE provides certain indemnifications covering the due and punctual payment, performance and discharge by each party of its respective obligations. The most comprehensive of these guarantees is the LKE guarantee covering operational, regulatory and environmental commitments and indemnifications made by WKE under a 2009 Transaction Termination Agreement. This guarantee has a term of 12 years ending July 2021, and a maximum exposure of $200 million, exclusive of certain items such as government fines and penalties that fall outside the cap. Another WKE-related LKE guarantee covers other indemnifications related to the purchase price of excess power, has a term expiring in 2023, and a maximum exposure of $100 million. In May 2012, LKE's indemnitee received an unfavorable arbitration panel's decision interpreting this matter. In October 2014, LKE's indemnitee filed a motion for discretionary review with the Kentucky Supreme Court seeking to overturn the arbitration decision, and such motion was denied by the court in September 2015. In September 2015, a counterparty issued a demand letter to LKE's indemnitee. In February 2016, the counterparty filed a complaint in Henderson, Kentucky Circuit Court, seeking an award of damages in the matter. The proceeding is currently in the discovery phase. LKE does not believe appropriate contractual, legal or commercial grounds exist for the claim made and has disputed the demands. LKE believes its indemnification obligations in the WKE matter remain subject to various uncertainties, including additional legal and contractual developments, as well as future prices, availability and demand for the subject excess power. Although the parties have also conducted certain settlement discussions, 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, and LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. LKE cannot predict the ultimate outcomes of the various indemnification scenarios, but does not expect such outcomes to result in significant losses above the amounts recorded.

(f) Pursuant to the OVEC power purchase contract, LG&E and KU are obligated to pay for their share of OVEC's excess debt service, post-retirement and decommissioning costs, as well as any shortfall from amounts included within a demand charge designed and expected to cover these costs over the term of the contract. LKE's proportionate share of OVEC's outstanding debt was $124 million at September 30, 2016, consisting of LG&E's share of $86 million and KU's share of $38 million. The maximum exposure and the expiration date of these potential obligations are not presently determinable. See "Energy Purchase Commitments" and "Guarantees and Other Assurances" in Note 13 in PPL's, LKE's, LG&E's and KU's 2015 Form 10-K for additional information on the OVEC power purchase contract.

The Registrants provide other miscellaneous guarantees through contracts entered into in the normal course of business. These guarantees are primarily in the form of indemnification or warranties related to services or equipment and vary in duration. The amounts of these guarantees often are not explicitly stated, and the overall maximum amount of the obligation under such guarantees cannot be reasonably estimated. Historically, no significant payments have been made with respect to these types of guarantees and the probability of payment/performance under these guarantees is remote.

PPL, on behalf of itself and certain of its subsidiaries, maintains insurance that covers liability assumed under contract for bodily injury and property damage. The coverage provides maximum aggregate coverage of $225 million. This insurance may be applicable to obligations under certain of these contractual arrangements.

11. Related Party Transactions

Support Costs *(PPL Electric, LKE, LG&E and KU)*

PPL Services and LKS provide their respective PPL and LKE subsidiaries and each other with administrative, management and support services. PPL EU Services provides the majority of financial, supply chain, human resources and facilities management services primarily to PPL Electric. PPL Services provides certain corporate functions to PPL Electric. For all service companies, the costs of these services are charged to the respective recipients as direct support costs. General costs that cannot be directly attributed to a specific entity are allocated and charged to the respective recipients as indirect support costs. PPL Services and PPL EU Services use a three-factor methodology that includes the applicable recipients' invested capital, operation and maintenance expenses and number of employees to allocate indirect costs. LKS bases its indirect allocations on the subsidiaries' number of employees, total assets, revenues, number of customers and/or other statistical information. PPL Services, PPL EU Services and LKS charged the following amounts for the periods ended September 30, including amounts applied to accounts that are further distributed between capital and expense on the books of the recipients, based on methods that are believed to be reasonable.

	Three Months		Nine Months	
	2016	2015	2016	2015
PPL Electric from PPL Services	$ 33	$ 35	$ 98	$ 90
LKE from PPL Services	4	4	13	12
PPL Electric from PPL EU Services	17	12	50	44
LG&E from LKS	40	36	128	107
KU from LKS	46	43	151	127

In addition to the charges for services noted above, LKS makes payments on behalf of LG&E and KU for fuel purchases and other costs for products or services provided by third parties. LG&E and KU also provide services to each other and to LKS. Billings between LG&E and KU relate to labor and overheads associated with union and hourly employees performing work for the other company, charges related to jointly-owned generating units and other miscellaneous charges. Tax settlements between LKE and LG&E and LKE and KU are reimbursed through LKS.

Intercompany Borrowings *(LKE)*

LKE maintains a $225 million revolving line of credit with a PPL Energy Funding subsidiary whereby LKE can borrow funds on a short-term basis at market-based rates. At September 30, 2016 and December 31, 2015, $138 million and $54 million were outstanding and were reflected in "Notes payable with affiliate" on the Balance Sheets. The interest rate on borrowings is equal to one-month LIBOR plus a spread. The interest rates on the outstanding borrowing at September 30, 2016 and December 31, 2015 were 2.02% and 1.74%.

LKE has a $400 million ten-year note with a PPL affiliate with an interest rate of 3.5%. At September 30, 2016 and December 31, 2015, the note was reflected in "Long-term debt to affiliate" on the Balance Sheets.

Other *(PPL Electric, LG&E and KU)*

See Note 9 for discussions regarding intercompany allocations associated with defined benefits.

12. Other Income (Expense) - net

(PPL)

"Other Income (Expense) - net" for the three and nine months ended September 30, 2016 and 2015 consisted primarily of gains on foreign currency contracts to economically hedge PPL's translation risk related to its GBP denominated earnings in the U.K. See Note 14 for additional information on these derivatives.

13. Fair Value Measurements

(All Registrants)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models) and/or a cost approach (generally, replacement cost) are used to measure the fair value of an asset or liability, as appropriate. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk. The fair value of a group of financial assets and liabilities is measured on a net basis. Transfers between levels are recognized at end-of-reporting-period values. During the three and nine months ended September 30, 2016 and 2015, there were no transfers between Level 1 and Level 2. See Note 1 in each Registrant's 2015 Form 10-K for information on the levels in the fair value hierarchy.

Recurring Fair Value Measurements

The assets and liabilities measured at fair value were:

	September 30, 2016				December 31, 2015			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	$ 416	$ 416	$ —	$ —	$ 836	$ 836	$ —	$ —
Restricted cash and cash equivalents (a)	29	29	—	—	33	33	—	—
Price risk management assets (b):								
Foreign currency contracts	110	—	110	—	209	—	209	—
Cross-currency swaps	153	—	153	—	86	—	86	—
Total price risk management assets	263	—	263	—	295	—	295	—
Auction rate securities (c)	—	—	—	—	2	—	—	2
Total assets	$ 708	$ 445	$ 263	$ —	$ 1,166	$ 869	$ 295	$ 2
Liabilities								
Price risk management liabilities (b):								
Interest rate swaps	$ 54	$ —	$ 54	$ —	$ 71	$ —	$ 71	$ —
Foreign currency contracts	14	—	14	—	1	—	1	—
Total price risk management liabilities	$ 68	$ —	$ 68	$ —	$ 72	$ —	$ 72	$ —
PPL Electric								
Assets								
Cash and cash equivalents	$ 36	$ 36	$ —	$ —	$ 47	$ 47	$ —	$ —
Restricted cash and cash equivalents (a)	2	2	—	—	2	2	—	—
Total assets	$ 38	$ 38	$ —	$ —	$ 49	$ 49	$ —	$ —
LKE								
Assets								
Cash and cash equivalents	$ 11	$ 11	$ —	$ —	$ 30	$ 30	$ —	$ —
Cash collateral posted to counterparties (d)	8	8	—	—	9	9	—	—
Total assets	$ 19	$ 19	$ —	$ —	$ 39	$ 39	$ —	$ —

	September 30, 2016				December 31, 2015			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 54	$ —	$ 54	$ —	$ 47	$ —	$ 47	$ —
Total price risk management liabilities	$ 54	$ —	$ 54	$ —	$ 47	$ —	$ 47	$ —
LG&E								
Assets								
Cash and cash equivalents	$ 4	$ 4	$ —	$ —	$ 19	$ 19	$ —	$ —
Cash collateral posted to counterparties (d)	8	8	—	—	9	9	—	—
Total assets	$ 12	$ 12	$ —	$ —	$ 28	$ 28	$ —	$ —
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 54	$ —	$ 54	$ —	$ 47	$ —	$ 47	$ —
Total price risk management liabilities	$ 54	$ —	$ 54	$ —	$ 47	$ —	$ 47	$ —
KU								
Assets								
Cash and cash equivalents	$ 7	$ 7	$ —	$ —	$ 11	$ 11	$ —	$ —
Total assets	$ 7	$ 7	$ —	$ —	$ 11	$ 11	$ —	$ —

(a) Current portion is included in "Other current assets" and long-term portion is included in "Other noncurrent assets" on the Balance Sheets.
(b) Current portion is included in "Price risk management assets" and "Other current liabilities" and noncurrent portion is included in "Price risk management assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.
(c) Included in "Other noncurrent assets" on the Balance Sheets.
(d) Included in "Other noncurrent assets" on the Balance Sheets. Represents cash collateral posted to offset the exposure with counterparties related to certain interest rate swaps under master netting arrangements that are not offset.

Price Risk Management Assets/Liabilities - Interest Rate Swaps/Foreign Currency Contracts/Cross-Currency Swaps *(PPL, LKE, LG&E and KU)*

To manage interest rate risk, PPL, LKE, LG&E and KU use interest rate contracts such as forward-starting swaps, floating-to-fixed swaps and fixed-to-floating swaps. To manage foreign currency risk, PPL uses foreign currency contracts such as forwards, options and cross-currency swaps that contain characteristics of both interest rate and foreign currency contracts. An income approach is used to measure the fair value of these contracts, utilizing readily observable inputs, such as forward interest rates (e.g., LIBOR and government security rates) and forward foreign currency exchange rates (e.g., GBP), as well as inputs that may not be observable, such as credit valuation adjustments. In certain cases, market information cannot practicably be obtained to value credit risk and therefore internal models are relied upon. These models use projected probabilities of default and estimated recovery rates based on historical observances. When the credit valuation adjustment is significant to the overall valuation, the contracts are classified as Level 3.

Nonrecurring Fair Value Measurements *(PPL)*

See Note 8 for information regarding the estimated fair value of the Supply segment's net assets as of the June 1, 2015 spinoff date.

Financial Instruments Not Recorded at Fair Value *(All Registrants)*

The carrying amounts of long-term debt on the Balance Sheets and their estimated fair values are set forth below. The fair values were estimated using an income approach by discounting future cash flows at estimated current cost of funding rates, which incorporate the credit risk of the Registrants. Long-term debt is classified as Level 2. The effect of third-party credit enhancements is not included in the fair value measurement.

	September 30, 2016		December 31, 2015	
	Carrying Amount (a)	Fair Value	Carrying Amount (a)	Fair Value
PPL	$ 18,512	$ 23,180	$ 19,048	$ 21,218
PPL Electric	2,831	3,372	2,828	3,088
LKE	5,089	5,832	5,088	5,384
LG&E	1,642	1,852	1,642	1,704
KU	2,327	2,701	2,326	2,467

(a) Amounts are net of debt issuance costs.

The carrying value of short-term debt (including notes between affiliates), when outstanding, approximates fair value due to the variable interest rates associated with the short-term debt and is classified as Level 2.

14. Derivative Instruments and Hedging Activities

Risk Management Objectives

(All Registrants)

PPL has a risk management policy approved by the Board of Directors to manage market risk associated with commodities, interest rates on debt issuances and foreign exchange (including price, liquidity and volumetric risk) and credit risk (including non-performance risk and payment default risk). The Risk Management Committee, comprised of senior management and chaired by the Director-Risk Management, oversees the risk management function. Key risk control activities designed to ensure compliance with the risk policy and detailed programs include, but are not limited to, credit review and approval, validation of transactions, verification of risk and transaction limits, value-at-risk analyses (VaR, a statistical model that attempts to estimate the value of potential loss over a given holding period under normal market conditions at a given confidence level) and the coordination and reporting of the Enterprise Risk Management program.

Market Risk

Market risk includes the potential loss that may be incurred as a result of price changes associated with a particular financial or commodity instrument as well as market liquidity and volumetric risks. Forward contracts, futures contracts, options, swaps and structured transactions are utilized as part of risk management strategies to minimize unanticipated fluctuations in earnings caused by changes in commodity prices, interest rates and foreign currency exchange rates. Many of the contracts meet the definition of a derivative. All derivatives are recognized on the Balance Sheets at their fair value, unless NPNS is elected.

The following summarizes the market risks that affect PPL and its subsidiaries.

Interest rate risk

- PPL and its subsidiaries are exposed to interest rate risk associated with forecasted fixed-rate and existing floating-rate debt issuances. PPL and WPD hold over-the-counter cross currency swaps to limit exposure to market fluctuations on interest and principal payments from changes in foreign currency exchange rates and interest rates. LKE and LG&E utilize over-the-counter interest rate swaps to limit exposure to market fluctuations on floating-rate debt. PPL, LKE, LG&E and KU utilize forward starting interest rate swaps to hedge changes in benchmark interest rates, when appropriate, in connection with future debt issuances.
- PPL and its subsidiaries are exposed to interest rate risk associated with debt securities and derivatives held by defined benefit plans. This risk is significantly mitigated to the extent that the plans are sponsored at, or sponsored on behalf of, the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place.

Foreign currency risk

- PPL is exposed to foreign currency exchange risk primarily associated with its investments in and earnings of U.K. affiliates.

Commodity price risk

PPL is exposed to commodity price risk through its domestic subsidiaries as described below.

- PPL Electric is exposed to commodity price risk from its obligation as PLR; however, its PUC-approved cost recovery mechanism substantially eliminates its exposure to this risk. PPL Electric also mitigates its exposure to commodity price risk by entering into full-requirement supply agreements to serve its PLR customers. These supply agreements transfer the commodity price risk associated with the PLR obligation to the energy suppliers.
- LG&E's and KU's rates include certain mechanisms for fuel and fuel-related expenses. In addition, LG&E's rates include a mechanism for natural gas supply expenses. These mechanisms generally provide for timely recovery of market price fluctuations associated with these expenses.

Volumetric risk

PPL is exposed to volumetric risk through its subsidiaries as described below.

- WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K. Under the RIIO - ED1 price control period, recovery of such exposure occurs on a two year lag. See Note 1 in PPL's 2015 Form 10-K for additional information on revenue recognition under RIIO - ED1.
- PPL Electric, LG&E and KU are exposed to volumetric risk on retail sales, mainly due to weather and other economic conditions for which there is limited mitigation between rate cases.

Equity securities price risk

- PPL and its subsidiaries are exposed to equity securities price risk associated with defined benefit plans. This risk is significantly mitigated at the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place.
- PPL is exposed to equity securities price risk from future stock sales and/or purchases.

Credit Risk

Credit risk is the potential loss that may be incurred due to a counterparty's non-performance.

PPL is exposed to credit risk from "in-the-money" interest rate and foreign currency derivatives with financial institutions, as well as additional credit risk through certain of its subsidiaries, as discussed below.

In the event a supplier of LKE (through its subsidiaries LG&E and KU) or PPL Electric defaults on its obligation, those entities would be required to seek replacement power or replacement fuel in the market. In general, subject to regulatory review or other processes, appropriate incremental costs incurred by these entities would be recoverable from customers through applicable rate mechanisms, thus mitigating the financial risk for these entities.

PPL and its subsidiaries have credit policies in place to manage credit risk, including the use of an established credit approval process, daily monitoring of counterparty positions and the use of master netting agreements or provisions. These agreements generally include credit mitigation provisions, such as margin, prepayment or collateral requirements. PPL and its subsidiaries may request additional credit assurance, in certain circumstances, in the event that the counterparties' credit ratings fall below investment grade, their tangible net worth falls below specified percentages or their exposures exceed an established credit limit.

Master Netting Arrangements

Net derivative positions on the balance sheets are not offset against the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) under master netting arrangements.

PPL, LKE, LG&E and KU had no obligation to return cash collateral under master netting arrangements at September 30, 2016 and December 31, 2015.

PPL, LKE and LG&E posted $8 million of cash collateral under master netting arrangements at September 30, 2016 and $9 million of cash collateral under master netting arrangements at December 31, 2015.

KU did not post any cash collateral under master netting arrangements at September 30, 2016 and December 31, 2015.

See "Offsetting Derivative Instruments" below for a summary of derivative positions presented in the balance sheets where a right of setoff exists under these arrangements.

Interest Rate Risk

(All Registrants)

PPL and its subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. Various financial derivative instruments are utilized to adjust the mix of fixed and floating interest rates in their debt portfolio, adjust the duration of the debt portfolio and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under PPL's risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolio due to changes in benchmark interest rates. In addition, the interest rate risk of certain subsidiaries is potentially mitigated as a result of the existing regulatory framework or the timing of rate cases.

Cash Flow Hedges

(PPL)

Interest rate risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financings. Financial interest rate swap contracts that qualify as cash flow hedges may be entered into to hedge floating interest rate risk associated with both existing and anticipated debt issuances. PPL held no such contracts at September 30, 2016.

For the three months ended September 30, 2016, PPL had no hedge ineffectiveness associated with interest rate derivatives and an insignificant amount of hedge ineffectiveness for the three months ended September 30, 2015. For the nine months ended September 30, 2016 and 2015, PPL had an insignificant amount of ineffectiveness associated with interest rate derivatives.

At September 30, 2016, PPL held an aggregate notional value in cross-currency interest rate swap contracts of $802 million that range in maturity from 2017 through 2028 to hedge the interest payments and principal of WPD's U.S. dollar-denominated senior notes. In May 2016, $460 million of WPD's U.S. dollar-denominated senior notes were repaid upon maturity and $460 million notional value of cross-currency interest rate swap contracts matured. PPL recorded a $46 million gain upon settlement of the cross-currency interest rate swap contracts, which largely offset a loss recorded on the revaluation of U.S. dollar-denominated senior notes.

Cash flow hedges are discontinued if it is no longer probable that the original forecasted transaction will occur by the end of the originally specified time period and any amounts previously recorded in AOCI are reclassified into earnings once it is determined that the hedged transaction is not probable of occurring.

PPL had no cash flow hedges reclassified into earnings associated with discontinued cash flow hedges for the three and nine months ended September 30, 2016. As a result of the June 1, 2015 spinoff of PPL Energy Supply, all PPL cash flow hedges associated with PPL Energy Supply were ineffective and discontinued and therefore, reclassified into earnings during the second quarter 2015 and reflected in discontinued operations for the nine months ended September 30, 2015. See Note 8 for additional information.

At September 30, 2016, the accumulated net unrecognized after-tax gains (losses) on qualifying derivatives that are expected to be reclassified into earnings during the next 12 months were insignificant. Amounts are reclassified as the hedged interest expense is recorded.

Economic Activity *(PPL, LKE and LG&E)*

LG&E enters into interest rate swap contracts that economically hedge interest payments on variable rate debt. Because realized gains and losses from the swaps, including a terminated swap contract, are recoverable through regulated rates, any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities until they are realized as interest expense. Realized gains and losses are recognized in "Interest Expense" on the Statements of Income at the time the underlying hedged interest expense is recorded. At September 30, 2016, LG&E held contracts with a notional amount of $179 million that range in maturity through 2033.

Foreign Currency Risk

(PPL)

PPL is exposed to foreign currency risk, primarily through investments in and earnings of U.K. affiliates. PPL has adopted a foreign currency risk management program designed to hedge certain foreign currency exposures, including firm commitments, recognized assets or liabilities, anticipated transactions and net investments. In addition, PPL enters into financial instruments to protect against foreign currency translation risk of expected GBP earnings.

Net Investment Hedges

PPL enters into foreign currency contracts on behalf of a subsidiary to protect the value of a portion of its net investment in WPD. There were no such contracts outstanding at September 30, 2016.

At September 30, 2016, PPL had $22 million of accumulated net investment hedge after tax gains (losses) that were included in the foreign currency translation adjustment component of AOCI, compared to $19 million at December 31, 2015.

Economic Activity

PPL enters into foreign currency contracts on behalf of a subsidiary to economically hedge GBP-denominated anticipated earnings. At September 30, 2016, the total exposure hedged by PPL was approximately £1.8 billion (approximately $2.4 billion based on contracted rates). These contracts had termination dates ranging from October 2016 through December 2018.

In the third quarter of 2016, PPL settled foreign currency hedges related to 2017 and 2018 anticipated earnings, resulting in receipt of approximately $310 million of cash, and entered into new hedges at current market rates. The notional amount of the settled hedges was approximately £1.3 billion (approximately $2.0 billion based on contracted rates) with termination dates from January 2017 through November 2018. The settlement did not have a significant impact on net income as the hedge values were previously marked to fair value and recognized in "Other Income (Expense) - net" on the Statement of Income.

Accounting and Reporting

(All Registrants)

All derivative instruments are recorded at fair value on the Balance Sheet as an asset or liability unless NPNS is elected. NPNS contracts for PPL and PPL Electric include certain full-requirement purchase contracts and other physical purchase contracts. Changes in the fair value of derivatives not designated as NPNS are recognized in earnings unless specific hedge accounting criteria are met and designated as such, except for the changes in fair values of LG&E's and KU's interest rate swaps that are recognized as regulatory assets or regulatory liabilities. See Note 6 for amounts recorded in regulatory assets and regulatory liabilities at September 30, 2016 and December 31, 2015.

See Notes 1 and 17 in each Registrant's 2015 Form 10-K for additional information on accounting policies related to derivative instruments.

(PPL)

The following table presents the fair value and location of derivative instruments recorded on the Balance Sheets.

	September 30, 2016				December 31, 2015			
	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments		Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current:								
Price Risk Management								
Assets/Liabilities (a):								
Interest rate swaps (b)	$ —	$ —	$ —	$ 6	$ —	$ 24	$ —	$ 5
Cross-currency swaps (b)	6	—	—	—	35	—	—	—
Foreign currency contracts	—	—	72	2	10	—	94	1
Total current	6	—	72	8	45	24	94	6
Noncurrent:								
Price Risk Management								
Assets/Liabilities (a):								
Interest rate swaps (b)	—	—	—	48	—	—	—	42
Cross-currency swaps (b)	147	—	—	—	51	—	—	—
Foreign currency contracts	—	—	38	12	—	—	105	—
Total noncurrent	147	—	38	60	51	—	105	42
Total derivatives	$ 153	$ —	$ 110	$ 68	$ 96	$ 24	$ 199	$ 48

(a) Current portion is included in "Price risk management assets" and "Other current liabilities" and noncurrent portion is included in "Price risk management assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.
(b) Excludes accrued interest, if applicable.

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities for the periods ended September 30, 2016.

	Derivative Gain (Loss) Recognized in OCI (Effective Portion)			Three Months		Nine Months	
Derivative Relationships	Three Months	Nine Months	Location of Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Cash Flow Hedges:							
Interest rate swaps	$ —	$ (21)	Interest expense	$ (2)	$ —	$ (5)	$ —
Cross-currency swaps	78	87	Interest expense	2	—	2	—
			Other income (expense) - net	86	—	80	—
Total	$ 78	$ 66		$ 86	$ —	$ 77	$ —
Net Investment Hedges:							
Foreign currency contracts	$ —	$ 4					

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Nine Months
Foreign currency contracts	Other income (expense) - net	$ 49	$ 280
Interest rate swaps	Interest expense	(2)	(6)
	Total	$ 47	$ 274

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ 2	$ (7)

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities for the periods ended September 30, 2015.

Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion) Three Months	Derivative Gain (Loss) Recognized in OCI (Effective Portion) Nine Months	Location of Gain (Loss) Recognized in Income on Derivative	Three Months: Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Three Months: Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Nine Months: Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Nine Months: Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Cash Flow Hedges:							
Interest rate swaps	$ (27)	$ (29)	Interest expense	$ (2)	$ —	$ (9)	$ —
			Discontinued operations	—	—	—	(77)
Cross-currency swaps	(3)	33	Interest expense	(1)	—	1	—
			Other income (expense) - net	(10)	—	22	—
Commodity contracts	—	—	Discontinued operations	—	—	13	7
Total	$ (30)	$ 4		$ (13)	$ —	$ 27	$ (70)
Net Investment Hedges:							
Foreign currency contracts	$ 7	$ 6					

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Nine Months
Foreign currency contracts	Other income (expense) - net	$ 78	$ 64
Interest rate swaps	Interest expense	(2)	(6)
	Total	$ 76	$ 58

Derivatives Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (42)	$ (22)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (5)	$ (2)

(LKE)

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets for the periods ended September 30, 2015. All derivative instruments designated as cash flow hedges were terminated in 2015 and there is no activity in the current period.

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (42)	$ (22)

(LG&E)

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets for the periods ended September 30, 2015. All derivative instruments designated as cash flow hedges were terminated in 2015 and there is no activity in the current period.

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (21)	$ (11)

(KU)

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets for the periods ended September 30, 2015. All derivative instruments designated as cash flow hedges were terminated in 2015 and there is no activity in the current period.

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (21)	$ (11)

(LKE and LG&E)

The following table presents the fair value and the location on the Balance Sheets of derivatives not designated as hedging instruments.

	September 30, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	$ —	$ 6	$ —	$ 5
Total current	—	6	—	5
Noncurrent:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	—	48	—	42
Total noncurrent	—	48	—	42
Total derivatives	$ —	$ 54	$ —	$ 47

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets for the periods ended September 30, 2016.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months	Nine Months
Interest rate swaps	Interest expense	$ (2)	$ (6)

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ 2	$ (7)

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets for the periods ended September 30, 2015.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months	Nine Months
Interest rate swaps	Interest expense	$ (2)	$ (6)

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (5)	$ (2)

(PPL, LKE, LG&E and KU)

Offsetting Derivative Instruments

PPL, LKE, LG&E and KU or certain of their subsidiaries have master netting arrangements in place and also enter into agreements pursuant to which they purchase or sell certain energy and other products. Under the agreements, upon termination of the agreement as a result of a default or other termination event, the non-defaulting party typically would have a right to set off amounts owed under the agreement against any other obligations arising between the two parties (whether under the agreement or not), whether matured or contingent and irrespective of the currency, place of payment or place of booking of the obligation.

PPL, LKE, LG&E and KU have elected not to offset derivative assets and liabilities and not to offset net derivative positions against the right to reclaim cash collateral pledged (an asset) or the obligation to return cash collateral received (a liability) under derivatives agreements. The table below summarizes the derivative positions presented in the balance sheets where a right of setoff exists under these arrangements and related cash collateral received or pledged.

	Assets				Liabilities			
		Eligible for Offset				Eligible for Offset		
	Gross	Derivative Instruments	Cash Collateral Received	Net	Gross	Derivative Instruments	Cash Collateral Pledged	Net
September 30, 2016								
Treasury Derivatives								
PPL	$ 263	$ 14	$ —	$ 249	$ 68	$ 14	$ 8	$ 46
LKE	—	—	—	—	54	—	8	46
LG&E	—	—	—	—	54	—	8	46
December 31, 2015								
Treasury Derivatives								
PPL	$ 295	$ 25	$ —	$ 270	$ 72	$ 25	$ 9	$ 38
LKE	—	—	—	—	47	—	9	38
LG&E	—	—	—	—	47	—	9	38

Credit Risk-Related Contingent Features

Certain derivative contracts contain credit risk-related contingent features which, when in a net liability position, would permit the counterparties to require the transfer of additional collateral upon a decrease in the credit ratings of PPL, LKE, LG&E and

KU or certain of their subsidiaries. Most of these features would require the transfer of additional collateral or permit the counterparty to terminate the contract if the applicable credit rating were to fall below investment grade. Some of these features also would allow the counterparty to require additional collateral upon each downgrade in credit rating at levels that remain above investment grade. In either case, if the applicable credit rating were to fall below investment grade, and assuming no assignment to an investment grade affiliate were allowed, most of these credit contingent features require either immediate payment of the net liability as a termination payment or immediate and ongoing full collateralization on derivative instruments in net liability positions.

Additionally, certain derivative contracts contain credit risk-related contingent features that require adequate assurance of performance be provided if the other party has reasonable concerns regarding the performance of PPL's, LKE's, LG&E's, and KU's obligations under the contracts. A counterparty demanding adequate assurance could require a transfer of additional collateral or other security, including letters of credit, cash and guarantees from a creditworthy entity. This would typically involve negotiations among the parties. However, amounts disclosed below represent assumed immediate payment or immediate and ongoing full collateralization for derivative instruments in net liability positions with "adequate assurance" features.

(PPL, LKE and LG&E)

At September 30, 2016, derivative contracts in a net liability position that contain credit risk-related contingent features, collateral posted on those positions and the related effect of a decrease in credit ratings below investment grade are summarized as follows:

	PPL	LKE	LG&E
Aggregate fair value of derivative instruments in a net liability position with credit risk-related contingent features	$ 29	$ 29	$ 29
Aggregate fair value of collateral posted on these derivative instruments	7	7	7
Aggregate fair value of additional collateral requirements in the event of a credit downgrade below investment grade (a)	22	22	22

(a) Includes the effect of net receivables and payables already recorded on the Balance Sheet.

15. Goodwill and Other Intangible Assets

(PPL)

The change in the carrying amount of goodwill for the nine months ended September 30, 2016 was due to the effect of foreign currency exchange rates on the U.K. Regulated segment.

The change in the other intangible assets for the nine months ended September 30, 2016 was primarily due to an increase in the gross carrying amount of indefinite lived intangibles at WPD attributable to new easements of $73 million, partially offset by the effect of foreign currency exchange rates.

16. Asset Retirement Obligations

(PPL, LKE, LG&E and KU)

The changes in the carrying amounts of AROs were as follows.

	PPL	LKE	LG&E	KU
Balance at December 31, 2015	$ 586	$ 535	$ 175	$ 360
Accretion	20	18	6	12
Effect of foreign currency exchange rates	(7)	—	—	—
Changes in estimated timing or cost	(116)	(116)	(24)	(92)
Obligations settled	(15)	(15)	(11)	(4)
Balance at September 30, 2016	$ 468	$ 422	$ 146	$ 276

LG&E and KU recorded decreases to existing ARO balances of $118 million ($24 million at LG&E and $94 million at KU) during the three and nine months ended September 30, 2016 due to revisions in the amounts and timing of future expected costs related to the closure of CCR impoundments. These revisions are the result of changes in closure plans related to expected costs and timing of closure. Further changes to AROs, capital plans or operating costs may be required as estimates of future cash flows are refined based on closure developments and regulatory or legal proceedings.

PPL's, LKE's, LG&E's and KU's ARO liabilities are primarily related to CCR closure costs. See Note 10 for information on the final CCR rule and Note 6 for information on the rate recovery applications with the KPSC. LG&E's and KU's accretion and ARO-related depreciation expense are recorded as a regulatory asset, such that there is no net earnings impact.

17. Accumulated Other Comprehensive Income (Loss)

(PPL and LKE)

The after-tax changes in AOCI by component for the periods ended September 30 were as follows.

	Foreign currency translation adjustments	Unrealized gains (losses)		Equity investees' AOCI	Defined benefit plans		Total
		Available-for-sale securities	Qualifying derivatives		Prior service costs	Actuarial gain (loss)	
PPL							
June 30, 2016	$ (716)	$ —	$ (5)	$ (1)	$ (5)	$ (2,130)	$ (2,857)
Amounts arising during the period	(641)	—	62	—	—	(6)	(585)
Reclassifications from AOCI	—	—	(69)	—	—	31	(38)
Net OCI during the period	(641)	—	(7)	—	—	25	(623)
September 30, 2016	$ (1,357)	$ —	$ (12)	$ (1)	$ (5)	$ (2,105)	$ (3,480)
December 31, 2015	$ (520)	$ —	$ (7)	$ —	$ (6)	$ (2,195)	$ (2,728)
Amounts arising during the period	(837)	—	57	—	—	(4)	(784)
Reclassifications from AOCI	—	—	(62)	(1)	1	94	32
Net OCI during the period	(837)	—	(5)	(1)	1	90	(752)
September 30, 2016	$ (1,357)	$ —	$ (12)	$ (1)	$ (5)	$ (2,105)	$ (3,480)
June 30, 2015	$ (435)	$ —	$ 2	$ —	$ (3)	$ (1,848)	$ (2,284)
Amounts arising during the period	52	—	(19)	—	—	—	33
Reclassifications from AOCI	—	—	10	—	—	35	45
Net OCI during the period	52	—	(9)	—	—	35	78
September 30, 2015	$ (383)	$ —	$ (7)	$ —	$ (3)	$ (1,813)	$ (2,206)
December 31, 2014	$ (286)	$ 202	$ 20	$ 1	$ 3	$ (2,214)	$ (2,274)
Amounts arising during the period	(97)	7	8	—	(6)	52	(36)
Reclassifications from AOCI	—	(2)	20	(1)	—	111	128
Net OCI during the period	(97)	5	28	(1)	(6)	163	92
Distribution of PPL Energy Supply (Note 8)	—	(207)	(55)	—	—	238	(24)
September 30, 2015	$ (383)	$ —	$ (7)	$ —	$ (3)	$ (1,813)	$ (2,206)
LKE							
June 30, 2016				$ (1)	$ (9)	$ (33)	$ (43)
Amounts arising during the period				—	—	—	—
Reclassifications from AOCI				—	—	1	1
Net OCI during the period				—	—	1	1
September 30, 2016				$ (1)	$ (9)	$ (32)	$ (42)

	Foreign currency translation adjustments	Unrealized gains (losses) Available-for-sale securities	Qualifying derivatives	Equity investees' AOCI	Defined benefit plans Prior service costs	Actuarial gain (loss)	Total
December 31, 2015				$ —	$ (10)	$ (36)	$ (46)
Amounts arising during the period				—	—	1	1
Reclassifications from AOCI				(1)	1	3	3
Net OCI during the period				(1)	1	4	4
September 30, 2016				$ (1)	$ (9)	$ (32)	$ (42)
June 30, 2015				$ (1)	$ (7)	$ (44)	$ (52)
Amounts arising during the period				—	—	—	—
Reclassifications from AOCI				—	—	1	1
Net OCI during the period				—	—	1	1
September 30, 2015				$ (1)	$ (7)	$ (43)	$ (51)
December 31, 2014				$ —	$ (8)	$ (37)	$ (45)
Amounts arising during the period				—	—	(8)	(8)
Reclassifications from AOCI				(1)	1	2	2
Net OCI during the period				(1)	1	(6)	(6)
September 30, 2015				$ (1)	$ (7)	$ (43)	$ (51)

(PPL)

The following table presents the gains (losses) and related income taxes for reclassifications from AOCI for the periods ended September 30. The defined benefit plan components of AOCI are not reflected in their entirety in the Statement of Income during the periods; rather, they are included in the computation of net periodic defined benefit costs (credits) and subject to capitalization. See Note 9 for additional information.

Details about AOCI	Three Months 2016	Three Months 2015	Nine Months 2016	Nine Months 2015	Affected Line Item on the Statements of Income
Available-for-sale securities	$ —	$ —	$ —	$ 4	Other Income (Expense) - net
Total Pre-tax	—	—	—	4	
Income Taxes	—	—	—	(2)	
Total After-tax	—	—	—	2	
Qualifying derivatives					
Interest rate swaps	(2)	(2)	(5)	(9)	Interest Expense
	—	—	—	(77)	Discontinued operations
Cross-currency swaps	86	(10)	80	22	Other Income (Expense) - net
	2	(1)	2	1	Interest Expense
Commodity contracts	—	—	—	20	Discontinued operations
Total Pre-tax	86	(13)	77	(43)	
Income Taxes	(17)	3	(15)	23	
Total After-tax	69	(10)	62	(20)	

Details about AOCI	Three Months 2016	Three Months 2015	Nine Months 2016	Nine Months 2015	Affected Line Item on the Statements of Income
Equity investees' AOCI	—	—	1	2	Other Income (Expense) - net
Total Pre-tax	—	—	1	2	
Income Taxes	—	—	—	(1)	
Total After-tax	—	—	1	1	
Defined benefit plans					
Prior service costs	(1)	—	(2)	—	
Net actuarial loss	(41)	(45)	(121)	(146)	
Total Pre-tax	(42)	(45)	(123)	(146)	
Income Taxes	11	10	28	35	
Total After-tax	(31)	(35)	(95)	(111)	
Total reclassifications during the period	$ 38	$ (45)	$ (32)	$ (128)	

18. New Accounting Guidance Pending Adoption

(All Registrants)

Accounting for Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued accounting guidance that establishes a comprehensive new model for the recognition of revenue from contracts with customers. This model is based on the core principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

For public business entities, this guidance can be applied using either a full retrospective or modified retrospective transition method, beginning in annual reporting periods after December 15, 2017 and interim periods within those years. Public business entities may early adopt this guidance in annual reporting periods beginning after December 15, 2016. The Registrants expect to adopt this guidance effective January 1, 2018.

The Registrants continue to assess the impact of adopting this guidance, as well as the transition method they will use, and are monitoring the development of industry specific application guidance which could impact those assessments.

Accounting for Leases

In February 2016, the FASB issued accounting guidance for leases. This new guidance requires lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). For income statement purposes, the FASB retained a dual model for lessees, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines.

Lessor accounting under the new guidance is similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard. Similar to current practice, lessors will classify leases as operating, direct financing, or sales-type.

The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented.

The Registrants are currently assessing the impact of adopting this guidance.

Accounting for Financial Instrument Credit Losses

In June 2016, the FASB issued accounting guidance that requires the use of a current expected credit loss (CECL) model for the measurement of credit losses on financial instruments within the scope of this guidance, which includes accounts receivable. The CECL model requires an entity to measure credit losses using historical information, current information and reasonable and supportable forecasts of future events, rather than the incurred loss impairment model required under current GAAP.

For public business entities, this guidance will be applied using a modified retrospective approach and is effective for fiscal years beginning after December 15, 2019, and interim periods within those years. All entities may early adopt this guidance beginning after December 15, 2018, including interim periods within those years.

The Registrants are currently assessing the impact of adopting this guidance and the period that they will adopt this guidance.

Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations

(All Registrants)

This "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" is separately filed by PPL, PPL Electric, LKE, LG&E and KU. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure for each Registrant's related activities and disclosures. Within combined disclosures, amounts are disclosed for individual Registrants when significant.

The following should be read in conjunction with the Registrants' Condensed Consolidated Financial Statements and the accompanying Notes and with the Registrants' 2015 Form 10-K. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted.

"Management's Discussion and Analysis of Financial Condition and Results of Operations" includes the following information:

- "Overview" provides a description of each Registrant's business strategy and a discussion of important financial and operational developments.

- "Results of Operations" for all Registrants includes a "Statement of Income Analysis" which discusses significant changes in principal line items on the Statements of Income, comparing the three and nine months ended September 30, 2016 with the same periods in 2015. For PPL, it also provides a detailed analysis of earnings by segment and a description of key factors expected to impact future earnings. The segment earnings discussion includes financial information prepared in accordance with GAAP as well as non-GAAP financial measures including "Earnings from Ongoing Operations" and "Margins". This discussion provides explanations of the non-GAAP financial measures and a reconciliation of the non-GAAP financial measures to the most comparable GAAP measure. For PPL Electric, LKE, LG&E and KU, a summary of earnings is also provided.

- "Financial Condition - Liquidity and Capital Resources" provides an analysis of the Registrants' liquidity positions and credit profiles. This section also includes a discussion of rating agency actions.

- "Financial Condition - Risk Management" provides an explanation of the Registrants' risk management programs relating to market and credit risk.

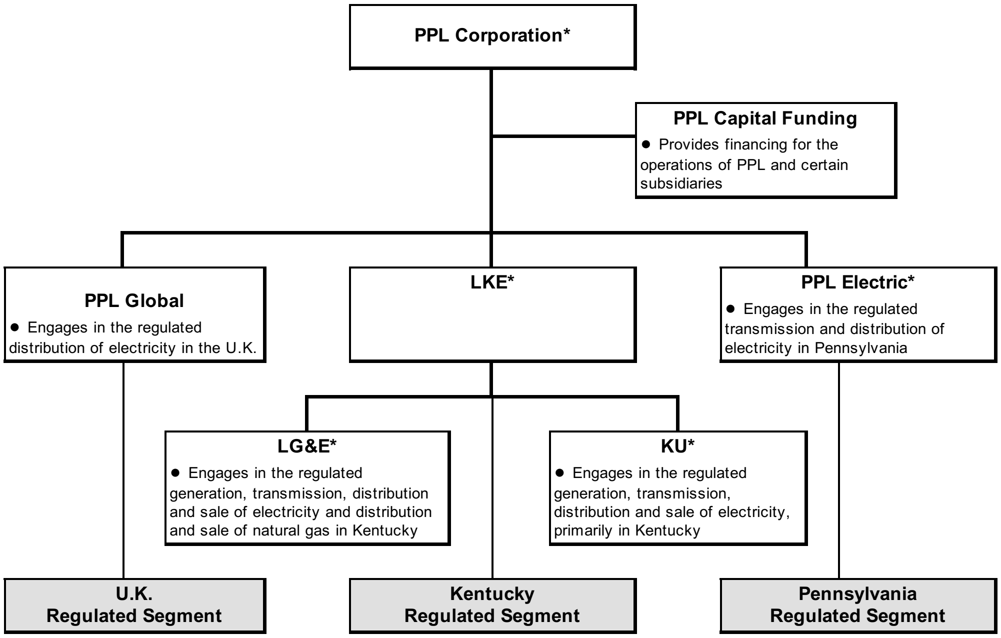
Overview

Introduction

(PPL)

PPL, headquartered in Allentown, Pennsylvania, is a utility holding company. PPL, through its regulated utility subsidiaries, delivers electricity to customers in the U.K., Pennsylvania, Kentucky, Virginia and Tennessee; delivers natural gas to customers in Kentucky; and generates electricity from power plants in Kentucky. In June 2015, PPL completed the spinoff of PPL Energy Supply which combined its competitive power generation businesses with those of Riverstone to form a new, stand-alone, publicly traded company named Talen Energy. See Note 8 in PPL's 2015 Form 10-K for additional information.

PPL's principal subsidiaries are shown below (* denotes SEC registrant).



PPL's reportable segments' results primarily represent the results of PPL Global, LKE and PPL Electric, except that the reportable segments are also allocated certain corporate level financing and other costs that are not included in the results of PPL Global, LKE and PPL Electric. PPL Global is not a registrant, however PPL Global's unaudited annual consolidated financial statements are furnished on a Form 8-K with the SEC.

In addition to PPL, the other Registrants included in this filing are as follows.

(PPL Electric)

PPL Electric, headquartered in Allentown, Pennsylvania, is a direct wholly owned subsidiary of PPL and a regulated public utility that is an electricity transmission and distribution service provider in eastern and central Pennsylvania. PPL Electric is subject to regulation as a public utility by the PUC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act. PPL Electric delivers electricity in its Pennsylvania service area and provides electricity supply to retail customers in that area as a PLR under the Customer Choice Act.

(LKE)

LKE, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of PPL and a holding company that owns regulated utility operations through its subsidiaries, LG&E and KU, which constitute substantially all of LKE's assets. LG&E and KU are engaged in the generation, transmission, distribution and sale of electricity. LG&E also engages in the distribution and sale of natural gas. LG&E and KU maintain separate corporate identities and serve customers in Kentucky under their respective names. KU also serves customers in Virginia under the Old Dominion Power name and in Tennessee under the KU name.

(LG&E)

LG&E, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity and distribution and sale of natural gas in Kentucky. LG&E is subject to regulation as a public utility by the KPSC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act.

(KU)

KU, headquartered in Lexington, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity in Kentucky, Virginia and Tennessee. KU is subject to regulation as a public utility by the KPSC, the VSCC and the Tennessee Regulatory Authority, and certain of its transmission and wholesale power activities are subject to the jurisdiction of the FERC under the Federal Power Act. KU serves its Virginia customers under the Old Dominion Power name and its Kentucky and Tennessee customers under the KU name.

Business Strategy

(All Registrants)

Following the June 1, 2015 spinoff of PPL Energy Supply, PPL completed its strategic transformation to a fully regulated business model consisting of seven diverse, high-performing utilities. These utilities are located in the U.K., Pennsylvania and Kentucky and each jurisdiction has different regulatory structures and customer classes. The Company believes this diverse portfolio provides strong earnings and dividend growth potential that will create significant value for its shareowners and positions PPL well for continued growth and success.

PPL's businesses of WPD, PPL Electric, LG&E and KU plan to achieve growth by providing efficient, reliable and safe operations and strong customer service, maintaining constructive regulatory relationships and achieving timely recovery of costs. These businesses are expected to achieve strong, long-term growth in rate base and RAV, as applicable, driven by planned significant capital expenditures to maintain existing assets and improve system reliability and, for LKE, LG&E and KU, to comply with federal and state environmental regulations related to coal-fired electricity generation facilities. Additionally, significant transmission rate base growth is expected through 2020 at PPL Electric.

For the U.S. businesses, our strategy is to recover capital project costs efficiently through various rate-making mechanisms, including periodic base rate case proceedings using forward test years, annual FERC formula rate mechanisms and other regulatory agency-approved recovery mechanisms designed to limit regulatory lag. In Kentucky, the KPSC has adopted a series of regulatory mechanisms (ECR, DSM, GLT, fuel adjustment clause, gas supply clause and recovery on construction work in progress) that reduce regulatory lag and provide timely recovery of and return on, as appropriate, prudently incurred costs. In addition, the KPSC requires a utility to obtain a CPCN prior to constructing a facility, unless the construction is an ordinary extension of existing facilities in the usual course of business or does not involve sufficient capital outlay to materially affect the utility's financial condition. Although such KPSC proceedings do not directly address cost recovery issues, the KPSC, in awarding a CPCN, concludes that the public convenience and necessity require the construction of the facility on the basis that the facility is the lowest reasonable cost alternative to address the need. In Pennsylvania, the FERC transmission formula rate, DSIC mechanism, Smart Meter Rider and other recovery mechanisms are in place to reduce regulatory lag and provide for timely recovery of and a return on prudently incurred costs.

Rate base growth in the domestic utilities is expected to result in strong earnings growth for the foreseeable future. Net income from the U.K. Regulated segment is expected to be relatively flat through 2016. In 2017, earnings are expected to decline for the U.K. Regulated segment mainly due to the unfavorable impact of lower GBP to U.S. dollar exchange rates. RAV growth is expected in the U.K. Regulated segment through the RIIO-ED1 price control period and earnings are expected to grow after 2017 commensurate with RAV growth. See "Item 1. Business - Segment Information - U.K. Regulated Segment" of PPL's 2015 Form 10-K for additional information on RIIO-ED1.

To manage financing costs and access to credit markets, and to fund capital expenditures, a key objective of the Registrants is to maintain their investment grade credit ratings and adequate liquidity positions. In addition, the Registrants have financial and operational risk management programs that, among other things, are designed to monitor and manage exposure to earnings and cash flow volatility, as applicable, related to changes in interest rates, foreign currency exchange rates and counterparty credit quality. To manage these risks, PPL generally uses contracts such as forwards, options and swaps. See "Financial Condition - Risk Management" below for further information.

Earnings generated by PPL's U.K. subsidiaries are subject to foreign currency translation risk. Due to the significant earnings contributed from WPD, PPL enters into foreign currency contracts to economically hedge the value of the GBP versus the U.S. dollar. See "Financial and Operational Developments - U.K. Membership in European Union" for a discussion of the U.K. earnings hedging activity in the third and fourth quarters of 2016.

The U.K. subsidiaries also have currency exposure to the U.S. dollar to the extent of their U.S. dollar denominated debt. To manage these risks, PPL generally uses contracts such as forwards, options and cross-currency swaps that contain characteristics of both interest rate and foreign currency exchange contracts.

As discussed above, a key component of this strategy is to maintain constructive relationships with regulators in all jurisdictions in which we operate (U.K., U.S. federal and state). This is supported by our strong culture of integrity and delivering on commitments to customers, regulators and shareowners, and a commitment to continue to improve our customer service, reliability and efficiency of operations.

Financial and Operational Developments
(PPL)

U.K. Membership in European Union

Significant uncertainty exists concerning the effects of the June 23, 2016 referendum in favor of the U.K. withdrawal from the European Union (EU). In October 2016, the U.K. Prime Minister, Theresa May, announced her intent to invoke Article 50 of the Lisbon Treaty (Article 50) by March 31, 2017. Article 50 specifies that if a member state decides to withdraw from the EU, it should notify the European Council of its intention to leave the EU, negotiate the terms of withdrawal and establish the legal grounds for its future relationship with the EU. Article 50 provides two years from the date of the Article 50 notification to conclude negotiations. Failure to complete negotiations within two years, unless negotiations are extended, would result in the treaties governing the EU no longer being applicable to the U.K. with there being no agreement in place governing the U.K.'s relationship with the EU. Under the terms of Article 50, negotiations can only be extended beyond two years if all of the 27 remaining EU states agree to an extension. Any withdrawal agreement will need to be approved by both the European Council and the European Parliament. There remains significant uncertainty as to whether the events referred to in the Prime Minister's announcement will occur within the times suggested as well as the ultimate outcome of the withdrawal negotiations and the related impact on the U.K. economy and the GBP to U.S. dollar exchange rate.

In response to the decrease in the GBP to U.S. dollar exchange rate that occurred subsequent to the U.K.'s vote to withdraw from the EU, PPL has executed additional hedges to mitigate the foreign currency exposure to the Company's U.K. earnings. In the third quarter of 2016, PPL settled existing hedges related to 2017 and 2018 anticipated earnings, resulting in receipt of approximately $310 million of cash, and entered into new hedges at current market rates. The notional amount of the settled hedges was approximately £1.3 billion (approximately $2.0 billion based on contracted rates) with termination dates from January 2017 through November 2018. The settlement did not have a significant impact on net income as the hedge values were previously marked to fair value and recognized in "Other Income (Expense) - net" on the Statement of Income.

Additionally, in the third and fourth quarters of 2016, PPL restructured existing hedges related to 2016 and 2017 anticipated earnings and entered into additional hedges using forward contracts for 2018. This restructuring did not have a significant impact on 2016 expected net income as the hedge values continue to be marked to fair value. As of October 31, 2016, PPL's foreign currency exposure related to budgeted earnings is 91% hedged for the remainder of 2016 at an average rate of $1.29 per GBP, 94% hedged for 2017 at an average rate of $1.25 per GBP and 93% hedged for 2018 at an average rate of $1.42 per GBP.

PPL cannot predict either the short-term or long-term impact to foreign exchange rates or long-term impact on PPL's financial condition that may be experienced as a result of any actions that may be taken by the U.K. government to withdraw from the EU, although such impacts could be significant.

Regulatory Requirements

(All Registrants)

The Registrants cannot predict the impact that future regulatory requirements may have on their financial condition or results of operations.

(PPL, LKE, LG&E and KU)

The businesses of LKE, LG&E and KU are subject to extensive federal, state and local environmental laws, rules and regulations, including those pertaining to CCRs, GHGs, ELGs, MATS and the Clean Power Plan. See Note 6, Note 10 and Note 16 to the Financial Statements for a discussion of the other significant environmental matters.

(PPL)

Discontinued Operations

The operations of PPL's Supply segment prior to its June 1, 2015, spinoff are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the September 2015 Statements of Income.

See Note 8 to the Financial Statements for additional information related to the spinoff of PPL Energy Supply, including the components of Discontinued Operations.

U.K. Distribution Revenue Reduction

In December 2013, WPD and other U.K. DNOs announced agreements with the U.K. Department of Energy and Climate Change and Ofgem to a reduction of £5 per residential customer of electricity distribution revenues that otherwise would have been collected in the regulatory year beginning April 1, 2014. Full recovery of the revenue reduction in GBP, together with the associated carrying cost will occur in the regulatory year which began April 1, 2016. Under GAAP, WPD does not record a receivable for under-recovery of regulated income (which this reduction represents). As a result, revenues for the U.K. Regulated segment were adversely affected by $19 million ($15 million after-tax or $0.02 per share) in 2015 and $40 million ($31 million after-tax or $0.05 per share) in 2014. Revenues for the U.K. Regulated segment were positively affected by $14 million ($11 million after-tax or $0.02 per share) and $24 million ($19 million after-tax or $0.03 per share) for the three and nine months ended September 30, 2016. PPL projects revenues in 2016 will be positively affected by $37 million ($29 million after-tax or $0.04 per share) and revenues for 2017 will be positively affected by $17 million ($14 million after-tax or $0.02 per share).

U.K. Tax Rate Change

The U.K. Finance Act 2016, enacted in September 2016, reduces the U.K. statutory income tax rate effective April 1, 2020 from 18% to 17%. As a result of this change, PPL reduced its net deferred tax liabilities and recognized an income tax benefit of $42 million in the third quarter of 2016. Of this amount, $37 million relates to deferred taxes recorded in prior years and is treated as a special item.

Discount Rate Change for U.K. Pension Plans

In selecting the discount rate for its U.K. pension plans, WPD historically used a single weighted-average discount rate in the calculation of net periodic defined benefit cost. WPD began using individual spot rates to measure service cost and interest cost for the calculation of net periodic defined benefit cost in 2016. For the three and nine months ended September 30, 2016, this change in discount rate resulted in lower net periodic defined benefit costs recognized on PPL's Statement of Income of $10 million ($8 million after-tax or $0.01 per share) and $31 million ($25 million after-tax or $0.04 per share). Based on current estimates, PPL expects this change to reduce net periodic defined benefit costs recognized on PPL's Statement of Income by $40 million ($32 million after-tax or $0.05 per share) in 2016. See "Application of Critical Accounting Policies-Defined Benefits" in PPL's 2015 Form 10-K for additional information.

Rate Case Proceedings

(PPL, LKE, LG&E and KU)

On November 1, 2016, LG&E and KU announced that on November 23, 2016, they anticipate filing requests with the KPSC for increases in annual base electricity rates of approximately $103 million at KU and an increase in annual base electricity and gas rates of approximately $94 million and $14 million at LG&E. The proposed base rate increases to be requested are an electricity rate increase of 6.4% at KU and electricity and gas rate increases of 8.5% and 4.2% at LG&E and would become effective in July 2017. LG&E's and KU's applications include requests for CPCNs for implementing an Advanced Metering System program and a Distribution Automation program. The applications are to be based on a forecasted test year of July 1, 2017 through June 30, 2018 and a requested return-on-equity of 10.23%. LG&E and KU cannot predict the outcome of these proceedings.

(LKE and KU)

On October 31, 2016, KU filed a request with the FERC to modify its formula rates to provide for the recovery of CCR impoundment closure costs from its departing municipal customers. The filing was made in accordance with FERC Order No. 631 whereby a rate filing is required to include the costs of ARO's in rates. If approved, KU will begin including the closure costs in its annual true-up filing for 2016 for new rates effective July 1, 2017. The filing is not expected to have a material impact on KU.

Results of Operations

(PPL)

The "Statement of Income Analysis" discussion addresses significant changes in principal line items on PPL's Statements of Income, comparing the three and nine months ended September 30, 2016 with the same periods in 2015. The discussion for PPL provides a review of results by reportable segment. The "Segment Earnings" discussion includes financial information prepared in accordance with GAAP as well as non-GAAP financial measures, including "Earnings from Ongoing Operations" and "Margins". This discussion provides explanations of the non-GAAP financial measures and a reconciliation of those measures to the most comparable GAAP measure.

Tables analyzing changes in amounts between periods within "Statement of Income Analysis" and "Segment Earnings" are presented on a constant U.K. foreign currency exchange rate basis, where applicable, in order to isolate the impact of the change in the exchange rate on the item being explained. Results computed on a constant U.K. foreign currency exchange rate basis are calculated by translating current year results at the prior year weighted-average U.K. foreign currency exchange rate.

(PPL Electric, LKE, LG&E and KU)

A "Statement of Income Analysis, Earnings and Margins" is presented separately for PPL Electric, LKE, LG&E and KU.
The "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income comparing the three and nine months ended September 30, 2016 with the same periods in 2015 and provides a summary of earnings. The "Margins" discussion includes a reconciliation of non-GAAP financial measures to "Operating Income."

(All Registrants)

The results for interim periods can be disproportionately influenced by numerous factors and developments and by seasonal variations. As such, the results of operations for interim periods do not necessarily indicate results or trends for the year or future periods.

PPL Statement of Income Analysis, Segment Earnings and Margins

Statement of Income Analysis

Net income for the periods ended September 30 includes the following results.

	Three Months			Nine Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating Revenues	$ 1,889	$ 1,878	$ 11	$ 5,685	$ 5,889	$ (204)
Operating Expenses						
Operation						
Fuel	227	228	(1)	607	695	(88)
Energy purchases	151	177	(26)	531	676	(145)
Other operation and maintenance	417	482	(65)	1,292	1,405	(113)
Depreciation	232	226	6	692	658	34
Taxes, other than income	76	79	(3)	229	241	(12)
Total Operating Expenses	1,103	1,192	(89)	3,351	3,675	(324)
Other Income (Expense) - net	49	75	(26)	284	61	223
Interest Expense	223	221	2	671	645	26
Income Taxes	139	144	(5)	510	432	78
Income from Continuing Operations After Income Taxes	473	396	77	1,437	1,198	239
Income (Loss) from Discontinued Operations (net of income taxes)	—	(3)	3	—	(915)	915
Net Income	$ 473	$ 393	$ 80	$ 1,437	$ 283	$ 1,154

Operating Revenues

The increase (decrease) in operating revenues for the periods ended September 30, 2016 compared with 2015 was due to:

	Three Months	Nine Months
Domestic:		
PPL Electric Distribution price (a)	$ 23	$ 97
PPL Electric Distribution volume	11	(23)
PPL Electric PLR Revenue (b)	(21)	(125)
PPL Electric Transmission Formula Rate	12	47
LKE Base rates	—	68
LKE Volumes	32	(38)
LKE Fuel and other energy prices (b)	(11)	(85)
LKE ECR	8	30
Other	(6)	(12)
Total Domestic	48	(41)
U.K.:		
Price	59	29
Volume	(16)	(37)
Foreign currency exchange rates	(77)	(139)
Other	(3)	(16)
Total U.K.	(37)	(163)
Total	$ 11	$ (204)

(a) Distribution rate case effective January 1, 2016, resulted in increases of $41 million and $121 million for the three and nine months ended September 30, 2016.

(b) Decreases due to lower recoveries of fuel and energy purchases due to lower commodity costs at LKE and lower recoveries of energy purchases at PPL Electric.

Fuel

Fuel decreased $88 million for the nine months ended September 30, 2016 compared with 2015, primarily due to a decrease in market prices for coal and natural gas.

Energy Purchases

Energy purchases decreased by $26 million for the three months ended September 30, 2016 compared with 2015, primarily due to a $37 million decrease in PLR prices, partially offset by a $14 million increase in PLR volumes at PPL Electric.

Energy purchases decreased by $145 million for the nine months ended September 30, 2016 compared with 2015, primarily due to a $90 million decrease in PLR prices and a $23 million decrease in PLR volumes at PPL Electric, a $14 million decrease in natural gas volumes and a $13 million decrease in natural gas prices at LKE.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended September 30, 2016 compared with 2015 was due to:

	Three Months	Nine Months
Domestic:		
LKE coal plant operations and maintenance (a)	$ 2	$ (12)
LKE pension expense (b)	(2)	(10)
PPL Electric Act 129 costs incurred	(7)	(14)
PPL Electric vegetation management	(5)	1
PPL Electric payroll-related costs	(7)	(19)
PPL Electric storm costs	1	7
PPL Electric bad debts	(5)	(6)
Corporate costs previously included in discontinued operations (c)	1	10
Other	(3)	5
U.K.:		
Network maintenance	(2)	13
Foreign currency exchange rates	(10)	(19)
Pension (d)	(21)	(64)
Other	(7)	(5)
Total	$ (65)	$ (113)

(a) The decrease for the nine month period was primarily due to a reduction of costs associated with the 2015 retirement of units at the Cane Run and Green River plants, partially offset by Cane Run 7 operations.
(b) The decrease for the nine month period was primarily due to higher discount rates and deferred amortization of actuarial losses.
(c) The increase for the nine month period was due to corporate costs allocated to PPL Energy Supply (and included in discontinued operations) prior to the June 2015 spinoff. As a result of the spinoff on June 1, 2015, these corporate costs now remain in continuing operations.
(d) The decreases were primarily due to an increase in estimated returns on higher asset balances and lower interest costs due to a change in the discount rate methodology.

Depreciation

Depreciation increased by $6 million and $34 million for the three and nine months ended September 30, 2016 compared with 2015, primarily due to additional assets placed into service, partially offset by the impact of foreign currency exchange rates at WPD, net of retirements.

Other Income (Expense) - net

Other income (expense) - net decreased by $26 million and increased by $223 million for the three and nine months ended September 30, 2016 compared with 2015, primarily due to changes in realized and unrealized gains on foreign currency contracts to economically hedge GBP denominated earnings from WPD.

Interest Expense

The increase (decrease) in interest expense for the periods ended September 30, 2016 compared with 2015 was due to:

	Three Months	Nine Months
Long-term debt interest expense (a)	$ 17	$ 58
Foreign currency exchange rates	(14)	(25)
Other	(1)	(7)
Total	$ 2	$ 26

(a) The increase in both periods was primarily due to debt issuances at WPD in November 2015, LG&E and KU in September 2015 and PPL Capital Funding in May 2016 as well as higher interest rates on bonds refinanced in September 2015 at LG&E and KU.

Income Taxes

The increase (decrease) in income taxes for the periods ended September 30, 2016 compared with 2015 was due to:

	Three Months	Nine Months
Change in pre-tax income at current period tax rates	$ 23	$ 103
Valuation allowances adjustments	4	5
Impact of U.K. income tax rates	3	2
Federal and state tax reserve adjustments (a)	9	21
U.K. Finance Act 2016 adjustment (b)	(42)	(42)
Stock-based compensation (c)	(1)	(12)
Other	(1)	1
Total	$ (5)	$ 78

(a) During the three and nine months ended September 30, 2015, PPL recorded a $9 million tax benefit related to a planned amendment of a prior period tax return.

During the nine months ended September 30, 2015, PPL recorded a tax benefit to adjust the settled refund amount approved by the Joint Committee on Taxation for the open audit years 1998-2011.

(b) The U.K. Finance Act 2016, enacted in September 2016, reduces the U.K. statutory income tax rate effective April 1, 2020 from 18% to 17%. As a result, PPL reduced its net deferred tax liabilities and recognized a deferred tax benefit during the three and nine months ended September 30, 2016.

(c) During the three and nine months ended September 30, 2016, PPL recorded lower income tax expense related to the application of new stock-based compensation accounting guidance. See Note 2 to the Financial Statements for additional information.

See Note 5 to the Financial Statements for additional information.

Income (Loss) from Discontinued Operations (net of income taxes)

Income (Loss) from Discontinued Operations (net of income taxes) includes the results of operations of PPL Energy Supply, which was spun off from PPL on June 1, 2015 and substantially represents PPL's former Supply segment. See "Discontinued Operations" in Note 8 to the Financial Statements for additional information.

Segment Earnings

PPL's net income by reportable segments for the periods ended September 30 were as follows:

	Three Months			Nine Months		
	2016	2015	$ Change	2016	2015	$ Change
U.K. Regulated	$ 281	$ 249	$ 32	$ 915	$ 814	$ 101
Kentucky Regulated	126	111	15	314	267	47
Pennsylvania Regulated	91	55	36	263	191	72
Corporate and Other (a)	(25)	(19)	(6)	(55)	(74)	19
Discontinued Operations (b)	—	(3)	3	—	(915)	915
Net Income	$ 473	$ 393	$ 80	$ 1,437	$ 283	$ 1,154

(a) Primarily represents financing and certain other costs incurred at the corporate level that have not been allocated or assigned to the segments, which are presented to reconcile segment information to PPL's consolidated results. The nine months ended September 30, 2015 also includes certain costs related to the spinoff of PPL Energy Supply. See Note 8 to the Financial Statements for additional information.

(b) As a result of the spinoff of PPL Energy Supply, substantially representing PPL's former Supply segment, the earnings of the Supply segment prior to the spinoff are included in Discontinued Operations. The nine months ended September 30, 2015 includes an $879 million charge reflecting the difference between PPL's recorded value for the Supply segment and its estimated fair value as of the spinoff date, determined in accordance with applicable accounting rules under GAAP. See Note 8 to the Financial Statements for additional information.

Earnings from Ongoing Operations

Management utilizes "Earnings from Ongoing Operations" as a non-GAAP financial measure that should not be considered as an alternative to net income, an indicator of operating performance determined in accordance with GAAP. PPL believes that Earnings from Ongoing Operations is useful and meaningful to investors because it provides management's view of PPL's earnings performance as another criterion in making investment decisions. In addition, PPL's management uses Earnings from Ongoing Operations in measuring achievement of certain corporate performance goals, including targets for certain executive incentive compensation. Other companies may use different measures to present financial performance.

Earnings from Ongoing Operations is adjusted for the impact of special items. Special items are presented in the financial tables on an after-tax basis with the related income taxes on special items separately disclosed. Income taxes on special items, when applicable, are calculated based on the effective tax rate of the entity where the activity is recorded. Special items include:

• Unrealized gains or losses on foreign currency-related economic hedges (as discussed below).
• Supply segment discontinued operations.
• Gains and losses on sales of assets not in the ordinary course of business.
• Impairment charges.
• Workforce reduction and other restructuring effects.
• Acquisition and divestiture-related adjustments.
• Other charges or credits that are, in management's view, non-recurring or otherwise not reflective of the company's ongoing operations.

Unrealized gains or losses on foreign currency economic hedges include the changes in fair value of foreign currency contracts used to hedge GBP-denominated anticipated earnings. The changes in fair value of these contracts are recognized immediately within GAAP earnings. Management believes that excluding these amounts from Earnings from Ongoing Operations until settlement of the contracts provides a better matching of the financial impacts of those contracts with the economic value of PPL's underlying hedged earnings. See Note 14 to the Financial Statements and "Risk Management" below for additional information on foreign currency-related economic activity.

PPL's Earnings from Ongoing Operations by reportable segment for the periods ended September 30 were as follows:

	Three Months			Nine Months		
	2016	2015	$ Change	2016	2015	$ Change
U.K. Regulated	$ 235	$ 195	$ 40	$ 741	$ 774	$ (33)
Kentucky Regulated	126	112	14	314	280	34
Pennsylvania Regulated	91	55	36	263	191	72
Corporate and Other	(25)	(15)	(10)	(53)	(50)	(3)
Earnings from Ongoing Operations	$ 427	$ 347	$ 80	$ 1,265	$ 1,195	$ 70

See "Reconciliation of Earnings from Ongoing Operations" below for a reconciliation of this non-GAAP financial measure to Net Income.

U.K. Regulated Segment

The U.K. Regulated segment consists of PPL Global, which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from GBP into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs and allocated financing costs. The U.K. Regulated segment represents 64% of PPL's Net Income for the nine months ended September 30, 2016 and 39% of PPL's assets at September 30, 2016.

Net Income and Earnings from Ongoing Operations for the periods ended September 30 include the following results.

	Three Months			Nine Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating revenues	$ 515	$ 552	$ (37)	$ 1,673	$ 1,836	$ (163)
Other operation and maintenance	78	118	(40)	260	332	(72)
Depreciation	58	63	(5)	178	181	(3)
Taxes, other than income	34	38	(4)	104	111	(7)
Total operating expenses	170	219	(49)	542	624	(82)
Other Income (Expense) - net	50	77	(27)	283	65	218
Interest Expense	100	109	(9)	310	312	(2)
Income Taxes	14	52	(38)	189	151	38
Net Income	281	249	32	915	814	101
Less: Special Items	46	54	(8)	174	40	134
Earnings from Ongoing Operations	$ 235	$ 195	$ 40	$ 741	$ 774	$ (33)

The following after-tax gains (losses), which management considers special items, impacted the U.K. Regulated segment's results and are excluded from Earnings from Ongoing Operations during the periods ended September 30.

	Income Statement Line Item	Three Months		Nine Months	
		2016	2015	2016	2015
Foreign currency-related economic hedges, net of tax of $103, ($29), $34, ($10) (a)	Other Income (Expense) - net	$ (193)	$ 54	$ (65)	$ 20
Settlement of foreign currency contracts, net of tax of ($108), $0, ($108), $0 (b)	Other Income (Expense) - net	202	—	202	—
Change in U.K. tax rate (c)	Income Taxes	37	—	37	—
WPD Midlands acquisition-related adjustment, net of tax of $0, $0, $0, ($1)	Other operation and maintenance	—	—	—	2
Settlement of certain income tax positions (d)	Income Taxes	—	—	—	18
Total special items		$ 46	$ 54	$ 174	$ 40

(a) Represents unrealized gains (losses) on contracts that economically hedge anticipated GBP-denominated earnings. The three and nine months ended September 30, 2016 include the reversal of $310 million ($202 million after-tax) of unrealized gains related to the settlement of 2017 and 2018 contracts.

(b) In the third quarter of 2016, PPL settled 2017 and 2018 foreign currency contracts, resulting in $310 million of cash received ($202 million after-tax). The settlement did not have a material impact on net income as the contracts were previously marked to fair value and recognized in "Other Income (Expense)-net" on the Statement of Income.
(c) The U.K. Finance Act 2016, enacted in September 2016, reduces the U.K. statutory income tax rate effective April 1, 2020 from 18% to 17%. As a result of this change, PPL reduced its net deferred tax liabilities and recognized an income tax benefit of $42 million in the third quarter of 2016. Of this amount, $37 million relates to deferred taxes recorded in prior years and was treated as a special item.
(d) Relates to the April 2015 settlement of the IRS audit for the tax years 1998-2011. See Note 5 to the Financial Statements for additional information.

The changes in the components of the U.K. Regulated segment's results between these periods are due to the factors set forth below, which reflect amounts classified as U.K. Gross Margins, the items that management considers special and the effects of movements in foreign currency exchange, including the effects of foreign currency hedge contracts, on separate lines and not in their respective Statement of Income line items.

	Three Months	Nine Months
U.K.		
Gross margins	$ 45	$ (11)
Other operation and maintenance	26	49
Depreciation	(3)	(12)
Interest expense	(5)	(23)
Other	(1)	(3)
Income taxes	(5)	13
U.S.		
Interest expense and other	2	(3)
Income taxes	(10)	(5)
Foreign currency exchange, after-tax	(9)	(38)
Earnings from Ongoing Operations	40	(33)
Special items, after-tax	(8)	134
Net Income	$ 32	$ 101

U.K.

- See "Margins - Changes in Margins" for an explanation of U.K. Gross Margins.

- Lower other operation and maintenance expense for the three month period primarily due to $21 million from lower pension expense due to an increase in estimated returns on higher asset balances and lower interest costs due to a change in the discount rate methodology and $2 million from lower network maintenance expense.

- Lower other operation and maintenance expense for the nine month period primarily due to $64 million from lower pension expense due to an increase in estimated returns on higher asset balances and lower interest costs due to a change in the discount rate methodology, partially offset by $13 million from higher network maintenance expense.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations of LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain financing costs are allocated to the Kentucky Regulated segment. The Kentucky Regulated segment represents 22% of PPL's Net Income for the nine months ended September 30, 2016 and 36% of PPL's assets at September 30, 2016.

Net Income and Earnings from Ongoing Operations for the periods ended September 30 include the following results.

	Three Months			Nine Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating revenues	$ 835	$ 801	$ 34	$ 2,382	$ 2,414	$ (32)
Fuel	227	228	(1)	607	695	(88)
Energy purchases	24	23	1	118	143	(25)
Other operation and maintenance	197	202	(5)	603	625	(22)
Depreciation	102	97	5	301	286	15
Taxes, other than income	16	14	2	46	43	3
Total operating expenses	566	564	2	1,675	1,792	(117)
Other Income (Expense) - net	(3)	(2)	(1)	(9)	(8)	(1)
Interest Expense	65	56	9	194	167	27
Income Taxes	75	68	7	190	180	10
Net Income	126	111	15	314	267	47
Less: Special Items	—	(1)	1	—	(13)	13
Earnings from Ongoing Operations	$ 126	$ 112	$ 14	$ 314	$ 280	$ 34

The following after-tax gains (losses), which management considers special items, impacted the Kentucky Regulated segment's results and are excluded from Earnings from Ongoing Operations during the periods ended September 30.

	Income Statement Line Item	Three Months		Nine Months	
		2016	2015	2016	2015
LKE acquisition-related adjustment, net of tax of $0, $0, $0, $0 (a)	Other Income (Expense) - net	$ —	$ (1)	$ —	$ (5)
Certain valuation allowances, net of tax of $0, $0, $0, $0 (b)	Income Taxes	—	—	—	(8)
Total Special Items		$ —	$ (1)	$ —	$ (13)

(a) Recorded at PPL and allocated to the Kentucky Regulated segment. The amount represents a settlement between E.ON AG (a German corporation and the indirect parent of E.ON US Investments Corp., the former parent of LKE) and PPL for a tax matter.
(b) Recorded at LKE and represents a valuation allowance against tax credits expiring in 2016 and 2017 that are more likely than not to expire before being utilized.

The changes in the components of the Kentucky Regulated segment's results between these periods are due to the factors set forth below, which reflect amounts classified as Kentucky Gross Margins and the items that management considers special on separate lines and not in their respective Statement of Income line items.

	Three Months	Nine Months
Kentucky Gross Margins	$ 27	$ 63
Other operation and maintenance	10	26
Depreciation	(2)	(1)
Taxes, other than income	(3)	(3)
Other Income (Expense) - net	(2)	(6)
Interest Expense	(9)	(27)
Income Taxes	(7)	(18)
Special items, after-tax	1	13
Net Income	$ 15	$ 47

- See "Margins - Changes in Margins" for an explanation of Kentucky Gross Margins.
- Lower other operation and maintenance expense for the nine month period primarily due to $12 million of lower coal plant operations and maintenance expense as a result of units retired in 2015 at the Cane Run and Green River plants and $10 million of lower pension expense mainly due to higher discount rates and deferred amortization of actuarial losses.
- Higher interest expense for the three and nine month periods primarily due to the September 2015 issuance of $550 million of incremental First Mortgage Bonds by LG&E and KU, higher interest rates on the September 2015 issuance of $500

million of First Mortgage Bonds by LG&E and KU used to retire the same amount of First Mortgage Bonds in November 2015 and $400 million of notes refinanced by LKE in November 2015.

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric. In addition, certain costs are allocated to the Pennsylvania Regulated segment. The Pennsylvania Regulated segment represents 18% of PPL's Net Income for the nine months ended September 30, 2016 and 24% of PPL's assets at September 30, 2016.

Net Income and Earnings from Ongoing Operations for the periods ended September 30 include the following results.

	Three Months			Nine Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating revenues	$ 539	$ 519	$ 20	$ 1,619	$ 1,625	$ (6)
Energy purchases						
External	129	154	(25)	414	519	(105)
Intersegment	—	—	—	—	14	(14)
Other operation and maintenance	143	162	(19)	431	435	(4)
Depreciation	64	55	9	185	158	27
Taxes, other than income	26	27	(1)	79	87	(8)
Total operating expenses	362	398	(36)	1,109	1,213	(104)
Other Income (Expense) - net	4	1	3	12	5	7
Interest Expense	32	32	—	97	96	1
Income Taxes	58	35	23	162	130	32
Net Income	91	55	36	263	191	72
Less: Special Items (a)	—	—	—	—	—	—
Earnings from Ongoing Operations	$ 91	$ 55	$ 36	$ 263	$ 191	$ 72

(a) There are no items that management considers special for the periods presented.

The changes in the components of the Pennsylvania Regulated segment's results between these periods were due to the factors set forth below, which reflect amounts classified as Pennsylvania Gross Delivery Margins on a separate line and not in their respective Statement of Income line items.

	Three Months	Nine Months
Pennsylvania Gross Delivery Margins	$ 52	$ 126
Other operation and maintenance	12	(3)
Depreciation	(9)	(27)
Taxes, other than income	1	2
Other Income (Expense) - net	3	7
Interest Expense	—	(1)
Income Taxes	(23)	(32)
Net Income	$ 36	$ 72

- See "Margins - Changes in Margins" for an explanation of Pennsylvania Gross Delivery Margins.
- Lower other operation and maintenance expense for the three month period primarily due to $6 million of lower payroll related costs and $6 million of lower bad debt expenses.
- Higher other operation and maintenance expense for the nine month period primarily due to $10 million of higher corporate service costs allocated to PPL Electric and $9 million of higher costs for additional work done by outside vendors, offset by $19 million of lower payroll related costs.
- Higher depreciation expense for the three and nine month periods primarily due to transmission and distribution additions placed into service related to the ongoing efforts to improve reliability and replace aging infrastructure, net of retirements.

- Higher income taxes for the three and nine month periods primarily due to higher pre-tax income.

Reconciliation of Earnings from Ongoing Operations

The following tables contain after-tax gains (losses), in total, which management considers special items, that are excluded from Earnings from Ongoing Operations and a reconciliation to PPL's "Net Income" for the periods ended September 30.

	2016 Three Months					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income	$ 281	$ 126	$ 91	$ (25)	$ —	$ 473
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges, net of tax of $103	(193)	—	—	—	—	(193)
Other:						
Settlement of foreign currency contracts, net of tax of ($108)	202	—	—	—	—	202
Change in U.K. tax rate	37	—	—	—	—	37
Total Special Items	46	—	—	—	—	46
Earnings from Ongoing Operations	$ 235	$ 126	$ 91	$ (25)	$ —	$ 427

	2015 Three Months					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income	$ 249	$ 111	$ 55	$ (18)	$ (4)	$ 393
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges, net of tax of ($29)	54	—	—	—	—	54
Spinoff of the Supply segment:						
Discontinued operations, net of tax of ($3)	—	—	—	—	(4)	(4)
Transition and transaction costs, net of tax of $1	—	—	—	(1)	—	(1)
Employee transitional services, net of tax of $1	—	—	—	(1)	—	(1)
Separation benefits, net of tax of $0	—	—	—	(1)	—	(1)
Other:						
LKE acquisition-related adjustment, net of tax of $0	—	(1)	—	—	—	(1)
Total Special Items	54	(1)	—	(3)	(4)	46
Earnings from Ongoing Operations	$ 195	$ 112	$ 55	$ (15)	$ —	$ 347

	2016 Nine Months					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income	$ 915	$ 314	$ 263	$ (55)	$ —	$ 1,437
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges, net of tax of $34	(65)	—	—	—	—	(65)
Spinoff of the Supply segment, net of tax of $2	—	—	—	(2)	—	(2)
Other:						
Settlement of foreign currency contracts, net of tax of ($108)	202	—	—	—	—	202
Change in U.K. tax rate	37	—	—	—	—	37
Total Special Items	174	—	—	(2)	—	172
Earnings from Ongoing Operations	$ 741	$ 314	$ 263	$ (53)	$ —	$ 1,265

	2015 Nine Months					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income	$ 814	$ 267	$ 191	$ (73)	$ (916)	$ 283
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges, net of tax of ($10)	20	—	—	—	—	20
Spinoff of the Supply segment:						
Discontinued operations, net of tax of $37	—	—	—	—	(916)	(916)
Transition and transaction costs, net of tax of $0	—	—	—	(16)	—	(16)
Employee transitional services, net of tax of $2	—	—	—	(4)	—	(4)
Separation benefits, net of tax of $1	—	—	—	(3)	—	(3)
Other:						
WPD Midlands acquisition-related adjustment, net of tax of ($1)	2	—	—	—	—	2
Settlement of certain income tax positions	18	—	—	—	—	18
Certain valuation allowances, net of tax of $0	—	(8)	—	—	—	(8)
LKE acquisition-related adjustment, net of tax of $0	—	(5)	—	—	—	(5)
Total Special Items	40	(13)	—	(23)	(916)	(912)
Earnings from Ongoing Operations	$ 774	$ 280	$ 191	$ (50)	$ —	$ 1,195

Margins

Management also utilizes the following non-GAAP financial measures as indicators of performance for its businesses:

- "U.K. Gross Margins" is a single financial performance measure of the electricity distribution operations of the U.K. Regulated segment. In calculating this measure, direct costs such as connection charges from National Grid, which owns and manages the electricity transmission network in England and Wales, and Ofgem license fees (recorded in "Other operation and maintenance" on the Statements of Income) are deducted from operating revenues, as they are costs passed through to customers. As a result, this measure represents the net revenues from the delivery of electricity across WPD's distribution network in the U.K. and directly related activities.

- "Kentucky Gross Margins" is a single financial performance measure of the electricity generation, transmission and distribution operations of the Kentucky Regulated segment, LKE, LG&E and KU, as well as the Kentucky Regulated segment's, LKE's and LG&E's distribution and sale of natural gas. In calculating this measure, fuel, energy purchases and certain variable costs of production (recorded in "Other operation and maintenance" on the Statements of Income) are deducted from revenues. In addition, certain other expenses, recorded in "Other operation and maintenance", "Depreciation" and "Taxes, other than income" on the Statements of Income, associated with approved cost recovery mechanisms are offset against the recovery of those expenses, which are included in revenues. These mechanisms allow for direct recovery of these expenses and, in some cases, returns on capital investments and performance incentives. As a result, this measure represents the net revenues from electricity and gas operations.

- "Pennsylvania Gross Delivery Margins" is a single financial performance measure of the electricity transmission and distribution delivery operations of the Pennsylvania Regulated segment and PPL Electric. In calculating this measure, utility revenues and expenses associated with approved recovery mechanisms, including energy provided as a PLR, are offset with minimal impact on earnings. Costs associated with these mechanisms are recorded in "Energy purchases," "Other operation and maintenance," (which are primarily Act 129 and Universal Service program costs), and "Taxes, other than income," which is primarily gross receipts tax. This performance measure includes PLR energy purchases by PPL Electric from PPL EnergyPlus, which are reflected in "Energy purchases from affiliate" in the reconciliation tables. As a result of the June 2015 spinoff of PPL Energy Supply and the formation of Talen Energy, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are reflected in "Energy Purchases" in the reconciliation tables. This measure represents the net revenues from the Pennsylvania Regulated segment's and PPL Electric's electricity delivery operations.

These measures are not intended to replace "Operating Income," which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and report their results of operations.

Management believes these measures provide additional useful criteria to make investment decisions. These performance measures are used, in conjunction with other information, by senior management and PPL's Board of Directors to manage operations and analyze actual results compared with budget.

Changes in Margins

The following table shows Margins by PPL's reportable segment and by component, as applicable, for the periods ended September 30 as well as the change between periods. The factors that gave rise to the changes are described following the table.

	Three Months			Nine Months		
	2016	2015	$ Change	2016	2015	$ Change
U.K.						
U.K. Gross Margins	$ 476	$ 505	$ (29)	$ 1,566	$ 1,709	$ (143)
Impact of changes in foreign currency exchange rates			(74)			(132)
Change in U.K. Gross Margins excluding impact of foreign currency exchange rates			$ 45			$ (11)
Kentucky Regulated						
Kentucky Gross Margins						
LG&E	$ 237	$ 225	$ 12	$ 676	$ 661	$ 15
KU	300	285	15	857	809	48
LKE	$ 537	$ 510	$ 27	$ 1,533	$ 1,470	$ 63
Pennsylvania Regulated						
Pennsylvania Gross Delivery Margins						
Distribution	$ 246	$ 207	$ 39	$ 721	$ 642	$ 79
Transmission	115	102	13	332	285	47
Total	$ 361	$ 309	$ 52	$ 1,053	$ 927	$ 126

U.K. Gross Margins

U.K. Gross Margins, excluding the impact of changes in foreign currency exchange rates, increased for the three months ended September 30, 2016 compared with 2015 primarily due to $59 million from the April 1, 2016 price increase, which includes $14 million of the recovery of prior customer rebates, partially offset by $16 million of lower volumes.

U.K. Gross Margins, excluding the impact of changes in foreign currency exchange rates, decreased for the nine months ended September 30, 2016 compared with 2015 primarily due to $89 million from the April 1, 2015 price decrease resulting from the commencement of RIIO-ED1 and lower volumes of $37 million, partially offset by $97 million from the April 1, 2016 price increase, which includes $24 million of the recovery of prior customer rebates, and $21 million of other revenue adjustments in 2016.

Kentucky Gross Margins

Kentucky Gross Margins increased for the three months ended September 30, 2016 compared with 2015 primarily due to $22 million of increased sales volumes ($9 million at LG&E and $13 million at KU) driven by warmer weather.

Kentucky Gross Margins increased for the nine months ended September 30, 2016 compared with 2015 primarily due to higher base rates of $68 million ($4 million at LG&E and $64 million at KU) and returns on additional environmental capital investments of $11 million at LG&E. The increase in base rates was the result of new rates approved by the KPSC effective July 1, 2015. These increases were partially offset by lower sales volumes of $10 million ($2 million at LG&E and $8 million at KU) driven by milder weather in the first quarter of 2016.

Pennsylvania Gross Delivery Margins

Distribution

Distribution margins increased for the three months ended September 30, 2016 compared with 2015 primarily due to $30 million of higher base rates, effective January 1, 2016 as a result of the 2015 rate case combined with a $12 million favorable impact of warmer summer weather.

Distribution margins increased for the nine months ended September 30, 2016 compared with 2015 primarily due to $93 million of higher base rates, effective January 1, 2016, partially offset by a $13 million unfavorable impact of milder winter weather.

Transmission

Transmission margins increased for the three and nine month periods ended September 30, 2016 compared with 2015 primarily due to returns on additional capital investments focused on replacing aging infrastructure and improving reliability.

Reconciliation of Margins

The following table contains the components from the Statement of Income that are included in the non-GAAP financial measures and a reconciliation to PPL's "Operating Income" for the periods ended September 30.

	2016 Three Months					2015 Three Months				
	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 504 (c)	$ 835	$ 539	$ 11	$ 1,889	$ 540 (c)	$ 801	$ 519	$ 18	$ 1,878
Operating Expenses										
Fuel	—	227	—	—	227	—	228	—	—	228
Energy purchases	—	24	129	(2)	151	—	23	154	—	177
Other operation and maintenance	28	33	24	332	417	35	28	31	388	482
Depreciation	—	14	—	218	232	—	11	—	215	226
Taxes, other than income	—	—	25	51	76	—	1	25	53	79
Total Operating Expenses	28	298	178	599	1,103	35	291	210	656	1,192
Total	$ 476	$ 537	$ 361	$ (588)	$ 786	$ 505	$ 510	$ 309	$ (638)	$ 686

	2016 Nine Months					2015 Nine Months				
	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,641 (c)	$ 2,382	$ 1,619	$ 43	$ 5,685	$ 1,801 (c)	$ 2,414	$ 1,625	$ 49	$ 5,889
Operating Expenses										
Fuel	—	607	—	—	607	—	695	—	—	695
Energy purchases	—	118	414	(1)	531	—	143	519	14	676
Energy purchases from affiliate	—	—	—	—	—	—	—	14	(14)	—
Other operation and maintenance	75	81	77	1,059	1,292	92	77	84	1,152	1,405
Depreciation	—	40	—	652	692	—	26	—	632	658
Taxes, other than income	—	3	75	151	229	—	3	81	157	241
Total Operating Expenses	75	849	566	1,861	3,351	92	944	698	1,941	3,675
Total	$ 1,566	$ 1,533	$ 1,053	$ (1,818)	$ 2,334	$ 1,709	$ 1,470	$ 927	$ (1,892)	$ 2,214

(a) Represents amounts excluded from Margins.

(b) As reported on the Statements of Income.
(c) Excludes ancillary revenues of $11 million and $32 million for the three and nine months ended September 30, 2016 and $12 million and $35 million for the three and nine months ended September 30, 2015.

2016 Outlook

(PPL)

Higher net income is expected in 2016 compared with 2015, primarily attributable to the results of the 2015 spinoff of the Supply segment. Higher Earnings from Ongoing Operations are expected in 2016 compared with 2015, primarily attributable to increases in the Pennsylvania Regulated and Kentucky Regulated segments. The following projections and factors underlying these projections are provided for PPL's segments and the Corporate and Other category and the related Registrants.

(PPL's U.K. Regulated Segment)

Net income is expected to be relatively flat in 2016 compared with 2015. Lower Earnings from Ongoing Operations are projected in 2016 compared with 2015 due to the unfavorable impact of lower GBP exchange rates, higher interest expense and depreciation, partially offset by higher revenues and lower operation and maintenance expense, including pension expense.

(PPL's Kentucky Regulated Segment and LKE, LG&E and KU)

Higher net income and Earnings from Ongoing Operations are projected in 2016 compared with 2015, primarily driven by electric and gas base rate increases effective July 1, 2015, higher returns on additional environmental capital investments, and lower operation and maintenance expense, partially offset by higher depreciation and higher interest expense.

(PPL's Pennsylvania Regulated Segment and PPL Electric)

Higher net income and Earnings from Ongoing Operations are projected in 2016 compared with 2015, primarily driven by higher base electricity rates for distribution effective January 1, 2016, and higher transmission earnings from additional capital investments, partially offset by higher depreciation and a benefit received in 2015 from the release of a gross receipts tax reserve.

(PPL's Corporate and Other Category)

Relatively flat costs are projected in 2016 compared with 2015.

(All Registrants)

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," the rest of this Item 2, Notes 6 and 10 to the Financial Statements and "Item 1A. Risk Factors" in this Form 10-Q (as applicable) and "Item 1. Business" and "Item 1A. Risk Factors" in the Registrants' 2015 Form 10-K for a discussion of the risks, uncertainties and factors that may impact future earnings.

PPL Electric: Statement of Income Analysis, Earnings and Margins

Statement of Income Analysis

Net income for the periods ended September 30 includes the following results.

	Three Months			Nine Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating Revenues	$ 539	$ 519	$ 20	$ 1,619	$ 1,625	$ (6)
Operating Expenses						
Operation						
Energy purchases	129	154	(25)	414	519	(105)
Energy purchases from affiliate	—	—	—	—	14	(14)
Other operation and maintenance	144	162	(18)	431	435	(4)
Depreciation	64	55	9	185	158	27
Taxes, other than income	26	27	(1)	79	87	(8)
Total Operating Expenses	363	398	(35)	1,109	1,213	(104)
Other Income (Expense) - net	4	1	3	12	5	7
Interest Expense	32	32	—	97	96	1
Income Taxes	58	35	23	162	130	32
Net Income	$ 90	$ 55	$ 35	$ 263	$ 191	$ 72

Operating Revenues

The increase (decrease) in operating revenues for the periods ended September 30, 2016 compared with 2015 was due to:

	Three Months	Nine Months
Distribution Price (a)	$ 23	$ 97
Distribution volume	11	(23)
PLR (b)	(21)	(125)
Transmission Formula Rate	12	47
Other	(5)	(2)
Total	$ 20	$ (6)

(a) Distribution rate case effective January 1, 2016, resulted in increases of $41 million and $121 million for the three and nine months ended September 30, 2016.
(b) Decreases due to lower recoveries of energy purchases as described below.

Energy Purchases

Energy purchases decreased by $25 million for the three months ended September 30, 2016 compared with 2015 due to lower PLR prices of $37 million, partially offset by higher PLR volumes of $14 million.

Energy purchases decreased by $105 million for the nine months ended September 30, 2016 compared with 2015 due to lower PLR prices of $90 million, lower PLR volumes of $11 million and lower capacity volumes of $4 million.

Energy Purchases from Affiliate

Energy purchases from affiliate decreased by $14 million for the nine months ended September 30, 2016 compared with 2015 as a result of the June 1, 2015 PPL Energy Supply spinoff.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended September 30, 2016 compared with 2015 was due to:

	Three Months	Nine Months
Corporate service costs	$ 1	$ 10
Contractor-related expenses	6	12
Vegetation management	(5)	1
Storm costs	1	7
Payroll-related costs	(7)	(19)
Act 129	(7)	(14)
Universal service programs	—	3
Bad Debts	(5)	(6)
Other	(2)	2
Total	$ (18)	$ (4)

Depreciation

Depreciation increased by $9 million and $27 million for the three and nine months ended September 30, 2016 compared with 2015, primarily due to additional assets placed into service, related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure, net of retirements.

Income Taxes

The increase (decrease) in income taxes for the periods ended September 30, 2016 compared with 2015 was due to:

	Three Months	Nine Months
Change in pre-tax income at current period tax rates	$ 22	$ 43
Stock-based compensation (a)	—	(7)
Other	1	(4)
Total	$ 23	$ 32

(a) During the nine months ended September 30, 2016, PPL Electric recorded lower income tax expense related to the application of new stock-based compensation accounting guidance. See Note 2 to the Financial Statements for additional information.

See Note 5 to the Financial Statements for additional information.

Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net Income	$ 90	$ 55	$ 263	$ 191
Special item, gains (losses), after-tax (a)	—	—	—	—

(a) There are no items management considers special for the periods presented.

Earnings increased for the three month period in 2016 compared with 2015 primarily due to higher base electricity rates for distribution effective January 1, 2016, a favorable impact of weather, higher transmission margins from additional capital investments, and lower other operation and maintenance expense, partially offset by higher depreciation.

Earnings increased for the nine month period in 2016 compared with 2015 primarily due to higher base electricity rates for distribution effective January 1, 2016, and higher transmission margins, partially offset by higher depreciation.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Pennsylvania Gross Delivery Margins on a separate line and not in their respective Statement of Income line items.

	Three Months	Nine Months
Pennsylvania Gross Delivery Margins	$ 52	$ 126
Other operation and maintenance	11	(3)
Depreciation	(9)	(27)
Taxes, other than income	1	2
Other Income (Expense) - net	3	7
Interest Expense	—	(1)
Income Taxes	(23)	(32)
Net Income	$ 35	$ 72

Margins

"Pennsylvania Gross Delivery Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for information on why management believes this measure is useful and for explanations of the underlying drivers of the changes between periods.

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended September 30.

	2016 Three Months			2015 Three Months		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 539	$ —	$ 539	$ 519	$ —	$ 519
Operating Expenses						
Energy purchases	129	—	129	154	—	154
Other operation and maintenance	24	120	144	31	131	162
Depreciation	—	64	64	—	55	55
Taxes, other than income	25	1	26	25	2	27
Total Operating Expenses	178	185	363	210	188	398
Total	$ 361	$ (185)	$ 176	$ 309	$ (188)	$ 121

	2016 Nine Months			2015 Nine Months		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,619	$ —	$ 1,619	$ 1,625	$ —	$ 1,625
Operating Expenses						
Energy purchases	414	—	414	519	—	519
Energy purchases from affiliate	—	—	—	14	—	14
Other operation and maintenance	77	354	431	84	351	435
Depreciation	—	185	185	—	158	158
Taxes, other than income	75	4	79	81	6	87
Total Operating Expenses	566	543	1,109	698	515	1,213
Total	$ 1,053	$ (543)	$ 510	$ 927	$ (515)	$ 412

(a) Represents amounts excluded from Margins.

(b) As reported on the Statements of Income.

LKE: Statement of Income Analysis, Earnings and Margins

Statement of Income Analysis

Net income for the periods ended September 30 includes the following results.

	Three Months			Nine Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating Revenues	$ 835	$ 801	$ 34	$ 2,382	$ 2,414	$ (32)
Operating Expenses						
Operation						
Fuel	227	228	(1)	607	695	(88)
Energy purchases	24	23	1	118	143	(25)
Other operation and maintenance	197	202	(5)	603	625	(22)
Depreciation	102	97	5	301	286	15
Taxes, other than income	16	14	2	46	43	3
Total Operating Expenses	566	564	2	1,675	1,792	(117)
Other Income (Expense) - net	(3)	(1)	(2)	(9)	(3)	(6)
Interest Expense	50	43	7	147	127	20
Interest Expense with Affiliate	4	—	4	12	1	11
Income Taxes	79	73	6	202	194	8
Net Income	$ 133	$ 120	$ 13	$ 337	$ 297	$ 40

Operating Revenues

The increase (decrease) in operating revenues for the periods ended September 30, 2016 compared with 2015 was due to:

	Three Months	Nine Months
Base rates	$ —	$ 68
Volumes	32	(38)
Fuel and other energy prices (a)	(11)	(85)
ECR	8	30
Other	5	(7)
Total	$ 34	$ (32)

(a) The decrease for the nine month period was due to lower recoveries of fuel and energy purchases due to lower commodity costs as described below.

Fuel

Fuel decreased $88 million for the nine months ended September 30, 2016 compared with 2015, primarily due to a decrease in market prices for coal and natural gas.

Energy Purchases

Energy purchases decreased $25 million for the nine months ended September 30, 2016 compared with 2015 primarily due to a $14 million decrease in natural gas volumes, driven by milder weather in the first quarter of 2016, and $13 million of lower natural gas prices.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended September 30, 2016 compared with 2015 was due to:

	Three Months	Nine Months
Coal plant operations and maintenance (a)	$ 2	$ (12)
Pension (b)	(2)	(10)
Other	(5)	—
Total	$ (5)	$ (22)

(a) The decrease for the nine month period was primarily due to a reduction of costs associated with the 2015 retirement of units at the Cane Run and Green River plants, partially offset by Cane Run 7 operations.
(b) The decrease for the nine month period was primarily due to higher discount rates and deferred amortization of actuarial losses.

Depreciation

Depreciation increased $15 million for the nine months ended September 30, 2016 compared with 2015 primarily due to additional assets placed into service, net of retirements.

Interest Expense

Interest expense increased $11 million and $31 million for the three and nine months ended September 30, 2016 compared with 2015 primarily due to the September 2015 issuance of $550 million of incremental First Mortgage Bonds by LG&E and KU, higher interest rates on the September 2015 issuance of $500 million of First Mortgage Bonds by LG&E and KU used to retire the same amount of First Mortgage Bonds in November 2015 and $400 million of notes refinanced in November 2015.

Income Taxes

The increase (decrease) in income taxes for the periods ended September 30, 2016 compared with 2015 was due to:

	Three Months	Nine Months
Change in pre-tax income at current period tax rates	$ 7	$ 19
Certain valuation allowances (a)	—	(8)
Other	(1)	(3)
Total	$ 6	$ 8

(a) The decrease for the nine month period represents a valuation allowance, established in 2015, against tax credits expiring in 2016 and 2017 that are more likely than not to expire before being utilized.

Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net Income	$ 133	$ 120	$ 337	$ 297
Special items, gains (losses), after-tax	—	—	—	(8)

Earnings increased for the three month period in 2016 compared with 2015 primarily due to higher sales volumes, driven by warmer weather, and lower other operation and maintenance expense, partially offset by higher interest expense.

Excluding special items, earnings increased for the nine month period in 2016 compared with 2015 primarily due to higher base electricity rates effective July 1, 2015, lower other operation and maintenance expense and higher returns on additional environmental capital investments, partially offset by higher interest expense and lower sales volumes driven by milder weather in the first quarter of 2016.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins and an item that management considers special on separate lines and not in their respective Statement of Income line items.

	Three Months	Nine Months
Margins	$ 27	$ 63
Other operation and maintenance	10	26
Depreciation	(2)	(1)
Taxes, other than income	(3)	(3)
Other Income (Expense) - net	(2)	(6)
Interest Expense	(11)	(31)
Income Taxes	(6)	(16)
Special items, gains (losses), after-tax	—	8
Net Income	$ 13	$ 40

(a) See PPL's "Results of Operations - Segment Earnings - Kentucky Regulated Segment" for details of the special item.

Margins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for an explanation of why management believes this measure is useful and the factors underlying changes between periods. Within PPL's discussion, LKE's Margins are referred to as "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended September 30.

	2016 Three Months			2015 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 835	$ —	$ 835	$ 801	$ —	$ 801
Operating Expenses						
Fuel	227	—	227	228	—	228
Energy purchases	24	—	24	23	—	23
Other operation and maintenance	33	164	197	28	174	202
Depreciation	14	88	102	11	86	97
Taxes, other than income	—	16	16	1	13	14
Total Operating Expenses	298	268	566	291	273	564
Total	$ 537	$ (268)	$ 269	$ 510	$ (273)	$ 237

	2016 Nine Months			2015 Nine Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 2,382	$ —	$ 2,382	$ 2,414	$ —	$ 2,414
Operating Expenses						
Fuel	607	—	607	695	—	695
Energy purchases	118	—	118	143	—	143
Other operation and maintenance	81	522	603	77	548	625
Depreciation	40	261	301	26	260	286
Taxes, other than income	3	43	46	3	40	43
Total Operating Expenses	849	826	1,675	944	848	1,792
Total	$ 1,533	$ (826)	$ 707	$ 1,470	$ (848)	$ 622

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

LG&E: Statement of Income Analysis, Earnings and Margins

Statement of Income Analysis

Net income for the periods ended September 30 includes the following results.

	Three Months			Nine Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating Revenues						
Retail and wholesale	$ 366	$ 349	$ 17	$ 1,058	$ 1,089	$ (31)
Electric revenue from affiliate	2	2	—	19	32	(13)
Total Operating Revenues	368	351	17	1,077	1,121	(44)
Operating Expenses						
Operation						
Fuel	86	82	4	233	267	(34)
Energy purchases	19	18	1	104	129	(25)
Energy purchases from affiliate	5	9	(4)	10	17	(7)
Other operation and maintenance	85	87	(2)	264	286	(22)
Depreciation	43	40	3	126	122	4
Taxes, other than income	9	7	2	24	21	3
Total Operating Expenses	247	243	4	761	842	(81)
Other Income (Expense) - net	(1)	(1)	—	(6)	(3)	(3)
Interest Expense	18	13	5	53	39	14
Income Taxes	39	36	3	98	91	7
Net Income	$ 63	$ 58	$ 5	$ 159	$ 146	$ 13

Operating Revenues

The increase (decrease) in operating revenues for the periods ended September 30, 2016 compared with 2015 was due to:

	Three Months	Nine Months
Base rates	$ —	$ 4
Volumes	15	(30)
Fuel and other energy prices (a)	(4)	(36)
ECR	5	21
Other	1	(3)
Total	$ 17	$ (44)

(a) The decrease for the three and nine month periods was due to lower recoveries of fuel and energy purchases due to lower commodity costs, as described below.

Fuel

Fuel increased $4 million for the three months ended September 30, 2016 compared with 2015, due to an $11 million increase in volumes, driven by warmer weather, partially offset by a $7 million decrease in commodity costs, as a result of a decrease in market prices for coal and natural gas.

Fuel decreased $34 million for the nine months ended September 30, 2016 compared with 2015, due to a $25 million decrease in commodity costs, as a result of a decrease in market prices for coal and natural gas, and a $9 million decrease in volumes, driven by milder weather in the first quarter of 2016.

Energy purchases

Energy purchases decreased $25 million for the nine months ended September 30, 2016 compared with 2015 primarily due to a $14 million decrease in natural gas volumes, driven by milder weather during the first quarter of 2016, and $13 million of lower natural gas prices.

Energy purchases from affiliate

Energy purchases from affiliate decreased $4 million for the three months ended September 30, 2016 compared with 2015 primarily due to decreased generation available from KU.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended September 30, 2016 compared with 2015 was due to:

	Three Months	Nine Months
Coal plant operations and maintenance (a)	$ (1)	$ (13)
Pension (b)	—	(6)
Other	(1)	(3)
Total	$ (2)	$ (22)

(a) The decrease for the nine month period was primarily due to a reduction of costs associated with the 2015 retirement of units at the Cane Run plant, partially offset by Cane Run 7 operations.
(b) The decrease for the nine month period was primarily due to higher discount rates and deferred amortization of actuarial losses.

Interest Expense

Interest expense increased $5 million and $14 million for the three and nine months ended September 30, 2016 compared with 2015 primarily due to the September 2015 issuance of $300 million of incremental First Mortgage Bonds and higher interest rates on the September 2015 issuance of $250 million of First Mortgage Bonds used to retire the same amount of First Mortgage Bonds in November 2015.

Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net Income	$ 63	$ 58	$ 159	$ 146
Special items, gains (losses), after-tax (a)	—	—	—	—

(a) There are no items management considers special for the periods presented.

Earnings increased for the three month period in 2016 compared with 2015 primarily due to higher sales volumes, driven by warmer weather, and lower other operation and maintenance expense, partially offset by higher interest expense.

Earnings increased for the nine month period in 2016 compared with 2015 primarily due to higher returns on additional environmental capital investments and lower other operation and maintenance expense, partially offset by higher interest expense.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins on a separate line and not in their respective Statement of Income line items.

	Three Months	Nine Months
Margins	$ 12	$ 15
Other operation and maintenance	4	21
Depreciation	—	4
Taxes, other than income	(3)	(3)
Other Income (Expense) - net	—	(3)
Interest Expense	(5)	(14)
Income Taxes	(3)	(7)
Net Income	$ 5	$ 13

Margins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for an explanation of why management believes this measure is useful and the factors underlying changes between periods. Within PPL's discussion, LG&E's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended September 30.

	2016 Three Months			2015 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 368	$ —	$ 368	$ 351	$ —	$ 351
Operating Expenses						
Fuel	86	—	86	82	—	82
Energy purchases, including affiliate	24	—	24	27	—	27
Other operation and maintenance	13	72	85	11	76	87
Depreciation	8	35	43	5	35	40
Taxes, other than income	—	9	9	1	6	7
Total Operating Expenses	131	116	247	126	117	243
Total	$ 237	$ (116)	$ 121	$ 225	$ (117)	$ 108

	2016 Nine Months			2015 Nine Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	1,077	$ —	$ 1,077	$ 1,121	$ —	$ 1,121
Operating Expenses						
Fuel	233	—	233	267	—	267
Energy purchases, including affiliate	114	—	114	146	—	146
Other operation and maintenance	32	232	264	33	253	286
Depreciation	20	106	126	12	110	122
Taxes, other than income	2	22	24	2	19	21
Total Operating Expenses	401	360	761	460	382	842
Total	676	$ (360)	$ 316	$ 661	$ (382)	$ 279

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

KU: Statement of Income Analysis, Earnings and Margins

Statement of Income Analysis

Net income for the periods ended September 30 includes the following results.

	Three Months			Nine Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating Revenues						
Retail and wholesale	$ 469	$ 452	$ 17	$ 1,324	$ 1,325	$ (1)
Electric revenue from affiliate	5	9	(4)	10	17	(7)
Total Operating Revenues	474	461	13	1,334	1,342	(8)
Operating Expenses						
Operation						
Fuel	141	146	(5)	374	428	(54)
Energy purchases	5	5	—	14	14	—
Energy purchases from affiliate	2	2	—	19	32	(13)
Other operation and maintenance	107	108	(1)	320	321	(1)
Depreciation	59	57	2	175	164	11
Taxes, other than income	7	7	—	22	22	—
Total Operating Expenses	321	325	(4)	924	981	(57)
Other Income (Expense) - net	(3)	—	(3)	(4)	1	(5)
Interest Expense	24	20	4	71	58	13
Income Taxes	48	44	4	128	115	13
Net Income	$ 78	$ 72	$ 6	$ 207	$ 189	$ 18

Operating Revenue

The increase (decrease) in operating revenue for the periods ended September 30, 2016 compared with 2015 was due to:

	Three Months	Nine Months
Base rates	$ —	$ 64
Volumes	13	(27)
Fuel and other energy prices (a)	(6)	(50)
ECR	3	8
Other	3	(3)
Total	$ 13	$ (8)

(a) The decrease for the three and nine month periods was due to lower recoveries of fuel and energy purchases due to lower commodity costs as described below.

Fuel

Fuel decreased $5 million for the three months ended September 30, 2016 compared with 2015, due to a decrease in market prices for coal and natural gas.

Fuel decreased $54 million for the nine months ended September 30, 2016 compared with 2015, due to a $49 million decrease in commodity costs, as a result of a decrease in market prices for coal and natural gas, and a $5 million decrease in volumes, driven by milder weather during the first quarter of 2016.

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Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net Income	$ 78	$ 72	$ 207	$ 189
Special items, gains (losses), after-tax (a)	—	—	—	—

(a) There are no items management considers special for the periods presented.

Earnings increased for the three month period in 2016 compared with 2015 primarily due to higher sales volumes, driven by warmer weather, and lower other operation and maintenance expense, partially offset by higher interest expense.

Earnings increased for the nine month period in 2016 compared with 2015 primarily due to higher base electricity rates, effective July 1, 2015 and lower other operation and maintenance expense, partially offset by higher interest expense and lower sales volumes, driven by milder weather during the first quarter of 2016.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins on a separate line and not in their respective Statement of Income line items.

	Three Months	Nine Months
Margins	$ 15	$ 48
Other operation and maintenance	4	6
Depreciation	(2)	(5)
Other Income (Expense) - net	(3)	(5)
Interest Expense	(4)	(13)
Income Taxes	(4)	(13)
Net Income	$ 6	$ 18

Margins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for an explanation of why management believes this measure is useful and the factors underlying changes between periods. Within PPL's discussion, KU's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended September 30.

	2016 Three Months			2015 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 474	$ —	$ 474	$ 461	$ —	$ 461
Operating Expenses						
Fuel	141	—	141	146	—	146
Energy purchases, including affiliate	7	—	7	7	—	7
Other operation and maintenance	20	87	107	17	91	108
Depreciation	6	53	59	6	51	57
Taxes, other than income	—	7	7	—	7	7
Total Operating Expenses	174	147	321	176	149	325
Total	$ 300	$ (147)	$ 153	$ 285	$ (149)	$ 136

	2016 Nine Months			2015 Nine Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,334	$ —	$ 1,334	$ 1,342	$ —	$ 1,342
Operating Expenses						
Fuel	374	—	374	428	—	428
Energy purchases, including affiliate	33	—	33	46	—	46
Other operation and maintenance	49	271	320	44	277	321
Depreciation	20	155	175	14	150	164
Taxes, other than income	1	21	22	1	21	22
Total Operating Expenses	477	447	924	533	448	981
Total	$ 857	$ (447)	$ 410	$ 809	$ (448)	$ 361

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Financial Condition

The remainder of this Item 2 in this Form 10-Q is presented on a combined basis, providing information, as applicable, for all Registrants.

Liquidity and Capital Resources

(All Registrants)

The Registrants had the following at:

	PPL (a)	PPL Electric	LKE	LG&E	KU
September 30, 2016					
Cash and cash equivalents	$ 416	$ 36	$ 11	$ 4	$ 7
Short-term debt	636	130	135	128	7
Notes payable with affiliate		—	138	—	—
December 31, 2015					
Cash and cash equivalents	$ 836	$ 47	$ 30	$ 19	$ 11
Short-term debt	916	—	265	142	48
Notes payable with affiliate		—	54	—	—

(a) At September 30, 2016, $8 million of cash and cash equivalents were denominated in GBP. If these amounts would be remitted as dividends, PPL would not anticipate a material incremental U.S. tax cost. Historically, dividends paid by foreign subsidiaries have been limited to distributions of the current year's earnings. See Note 5 to the Financial Statements in PPL's 2015 Form 10-K for additional information on undistributed earnings of WPD.

(PPL)

The Statements of Cash Flows separately report the cash flows of the discontinued operations in 2015. The "Operating Activities", "Investing Activities" and "Financing Activities" sections below included only the cash flows of continuing operations.

(All Registrants)

Net cash provided by (used in) operating, investing and financing activities for the nine month period ended September 30, and the changes between periods, were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
2016					
Operating activities	$ 2,230	$ 595	$ 816	$ 383	$ 469
Investing activities	(2,066)	(740)	(599)	(343)	(254)
Financing activities	(558)	134	(236)	(55)	(219)
2015					
Operating activities	$ 1,688	$ 373	$ 895	$ 469	$ 510
Investing activities	(2,463)	(764)	(921)	(519)	(400)
Financing activities	231	203	460	220	154
Change - Cash Provided (Used)					
Operating activities	$ 542	$ 222	$ (79)	$ (86)	$ (41)
Investing activities	397	24	322	176	146
Financing activities	(789)	(69)	(696)	(275)	(373)

Operating Activities

The components of the change in cash provided by (used in) operating activities for the nine months ended September 30, 2016 compared with 2015 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Net income	$ 239	$ 72	$ 40	$ 13	$ 18
Non-cash components	146	42	(7)	—	(7)
Working capital	102	74	(168)	(99)	(94)
Defined benefit plan funding	51	33	(16)	(20)	1
Other operating activities	4	1	72	20	41
Total	$ 542	$ 222	$ (79)	$ (86)	$ (41)

(PPL)

PPL's cash provided by operating activities from continuing operations in 2016 increased $542 million in 2016 compared with 2015.

- Income from continuing operations increased by $239 million between the periods. This included an additional $146 million of net non-cash charges, including $124 million of lower unrealized gains on hedging activities primarily due to the settlement of hedges in the third quarter of 2016 and an increase in deferred income taxes, partially offset by defined benefit plan income (primarily due to an increase in estimated returns on higher asset balances and lower interest costs due to a change in the discount rate for the U.K. pension plans).

- The $102 million increase in cash from changes in working capital was primarily due to an increase in taxes payable (primarily due to an increase in current income tax expense in 2016) and an increase in accounts payable (due to timing of payments), partially offset by an increase in unbilled revenues (due to lower volumes as a result of unfavorable weather as compared to 2015) and a net increase in current regulatory assets and regulatory liabilities (due to the timing of rate recovery mechanisms).

- Defined benefit plan funding was $51 million lower in 2016.

(PPL Electric)

PPL Electric's cash provided by operating activities in 2016 increased $222 million in 2016 compared with 2015.

- The increase in non-cash components of $42 million in 2016 compared with 2015 was primarily due to an increase in depreciation and deferred income tax expense.

- The $74 million increase in cash from changes in working capital was primarily due to an increase in accounts payable (primarily due to timing of payments) and a decrease in prepayments (primarily due to higher tax prepayments in 2015) partially offset by a net increase in current regulatory assets and regulatory liabilities (due to the timing of rate recovery mechanisms).

- Defined benefit plan funding was $33 million lower in 2016.

(LKE)

LKE's cash provided by operating activities in 2016 decreased $79 million compared with 2015.

- The decrease in cash from working capital was driven primarily by lower tax payments received from PPL for the use of prior year excess tax depreciation deductions. Other decreases in cash were related to accounts receivable and unbilled revenues due to lower weather volatility during the measurement periods in 2016, and coal and natural gas inventories due to milder weather in the first quarter of 2016, partially offset by lower payments on accounts payable due to lower fuel purchases.

- The increase in cash from other operating activities was driven primarily by a decrease in cash outflows for the settlement of interest rate swaps. LG&E and KU settled interest rate swaps in the third quarter of 2015 which did not occur in 2016.

(LG&E)

LG&E's cash provided by operating activities in 2016 decreased $86 million compared with 2015.

- The decrease in cash from working capital was driven primarily by lower tax payments received from LKE for the use of prior year excess tax depreciation deductions. Other decreases in cash were related to accounts receivable and unbilled revenues due to lower weather volatility during the measurement periods in 2016, coal and natural gas inventories due to milder weather in the first quarter of 2016, and accounts receivable from affiliates due to lower intercompany settlements associated with capital expenditures, partially offset by lower payments on accounts payable due to lower fuel purchases.

- The increase in cash from other operating activities was driven primarily by a decrease in cash outflows for the settlement of interest rate swaps. LG&E settled interest rate swaps in the third quarter of 2015 which did not occur in 2016.

(KU)

KU's cash provided by operating activities in 2016 decreased $41 million compared with 2015.

- The decrease in cash from working capital was driven primarily by lower tax payments received from LKE for the use of prior year excess tax depreciation deductions. Other decreases in cash were related to accounts receivable and unbilled revenues due to lower weather volatility during the measurement periods in 2016, and coal inventory due to milder weather in the first quarter of 2016, partially offset by accounts payable to affiliates due to lower intercompany settlements associated with capital expenditures and lower payments on accounts payable due to lower fuel purchases.

- The increase in cash from other operating activities was driven primarily by a decrease in cash outflows for the settlement of interest rate swaps. KU settled interest rate swaps in the third quarter of 2015 which did not occur in 2016.

Investing Activities

(All Registrants)

Expenditures for Property, Plant and Equipment

Investment in PP&E is the primary investing activity of the registrants. The change in expenditures for PP&E for the nine months ended September 30, 2016 compared with 2015 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Decrease	$ 487	$ 19	$ 328	$ 176	$ 152

For PPL, the decrease in expenditures was due to lower project expenditures at WPD, PPL Electric Utilities, LG&E, and KU. The decrease in expenditures for WPD was primarily due to a decrease in expenditures to enhance system reliability associated with the end of the DPCR5 price control period and changes in foreign currency exchange rates. The decrease in expenditures for PPL Electric was primarily due to the completion of the Susquehanna-Roseland transmission project and the completion of the Northeast Pocono reliability project. The decrease in expenditures for LG&E was primarily driven by the completion of the environmental air projects at LG&E's Mill Creek plant. The decrease in expenditures for KU was primarily driven by the completion of the environmental air projects at KU's Ghent plant and the CCR project at KU's E.W. Brown plant.

Financing Activities

(All Registrants)

The components of the change in cash provided by (used in) financing activities for the nine months ended September 30, 2016 compared with 2015 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Debt issuance/retirement, net	$ (801)	$ —	$ (1,050)	$ (550)	$ (500)
Settlement of cross-currency swaps	46	—	—	—	—
Stock issuances/redemptions, net	(12)	—	—	—	—
Dividends	(22)	(53)	—	(6)	(91)
Capital contributions/distributions, net	—	(75)	(85)	27	20
Change in short-term debt, net	3	62	370	250	195
Notes payable with affiliate	—	—	63	—	—
Other financing activities	(3)	(3)	6	4	3
Total	$ (789)	$ (69)	$ (696)	$ (275)	$ (373)

See Note 7 to the Financial Statements in this Form 10-Q for information on 2016 short and long-term debt activity, equity transactions and PPL dividends. See the Registrants' 2015 Form 10-K for information on 2015 activity.

Credit Facilities

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. Amounts borrowed under these credit facilities are reflected in "Short-term debt" on the Balance Sheets. At September 30, 2016, the total committed borrowing capacity and the use of that capacity under these credit facilities was as follows:

External

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	$ 1,150	$ —	$ 17	$ 1,133
PPL Electric Credit Facility	400	—	131	269
LKE Credit Facility	75	—	—	75
LG&E Credit Facility	500	—	128	372
KU Credit Facilities	598	—	205	393
Total LKE	1,173	—	333	840
Total U.S. Credit Facilities (a)	$ 2,723	$ —	$ 481	$ 2,242
Total U.K. Credit Facilities (b)	£ 1,055	£ 284	£ —	£ 771

(a) The commitments under the U.S. credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than the following percentages of the total committed capacity: PPL - 11%, PPL Electric - 7%, LKE - 21%, LG&E - 7% and KU - 37%.

(b) The amounts borrowed at September 30, 2016 were a USD-denominated borrowing of $200 million and GBP-denominated borrowings which equated to $171 million. The unused capacity reflects the USD-denominated borrowing amount borrowed in GBP of £153 million as of the date borrowed. At September 30, 2016, the USD equivalent of unused capacity under the U.K. committed credit facilities was $1 billion.

The commitments under the U.K. credit facilities are provided by a diverse bank group, with no one bank providing more than 13% of the total committed capacity.

See Note 7 to the Financial Statements for further discussion of the Registrants' credit facilities.

Intercompany (LKE, LG&E and KU)

	Committed Capacity	Borrowed	Other Used Capacity	Unused Capacity
LKE Credit Facility	$ 225	$ 138	$ —	$ 87
LG&E Money Pool (a)	500	—	128	372
KU Money Pool (a)	500	—	7	493

(a) LG&E and KU participate in an intercompany money pool agreement whereby LKE, LG&E and/or KU make available funds up to $500 million at an interest rate based on a market index of commercial paper issues. However, the FERC has issued a maximum short-term debt limit for each utility at $500 million from any source.

See Note 11 to the Financial Statements for further discussion of intercompany credit facilities.

Commercial Paper *(All Registrants)*

PPL, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's Syndicated Credit Facility. The following commercial paper programs were in place at September 30, 2016:

	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Capital Funding	$ 1,000	$ —	$ 1,000
PPL Electric	400	130	270
LG&E	350	128	222
KU	350	7	343
Total LKE	700	135	565
Total PPL	$ 2,100	$ 265	$ 1,835

Long-term Debt

(PPL)

In May 2016, PPL Capital Funding issued $650 million of 3.10% Senior Notes due 2026. PPL Capital Funding received proceeds of $645 million, net of a discount and underwriting fees, which will be used to invest in or make loans to subsidiaries of PPL, to repay short-term debt and for general corporate purposes.

In May 2016, WPD (East Midlands) borrowed £100 million at 0.4975% under a new ten-year index linked term loan agreement, which will be used for general corporate purposes.

In May 2016, WPD plc repaid the entire $460 million principal amount of its 3.90% Senior Notes upon maturity.

In October 2016, WPD (East Midlands) issued an additional £40 million of its 2.671% Index-linked Senior Notes due 2043. WPD (East Midlands) received proceeds of £83 million, which equated to $101 million at the time of issuance, net of fees and including a premium. The principal amount of the notes is adjusted based on changes in a specified index, as detailed in the terms of the related indentures. The proceeds will be used for general corporate purposes.

(PPL and PPL Electric)

In March 2016, the LCIDA issued $116 million of Pollution Control Revenue Refunding Bonds, Series 2016A due 2029 and $108 million of Pollution Control Revenue Refunding Bonds, Series 2016B due 2027 on behalf of PPL Electric. The bonds were issued bearing interest at an initial term rate of 0.90% through their mandatory purchase dates of September 1, 2017 and August 15, 2017. Thereafter, the method of determining the interest rate on the bonds may be converted from time to time at PPL Electric's option. The proceeds of the bonds were used to redeem $116 million of 4.70% Pollution Control Revenue Refunding Bonds, 2005 Series A due 2029 and $108 million of 4.75% Pollution Control Revenue Refunding Bonds, 2005 Series B due 2027 previously issued by the LCIDA on behalf of PPL Electric.

In connection with the issuance of each of these new series of LCIDA bonds, PPL Electric entered into a loan agreement with the LCIDA pursuant to which the LCIDA has loaned to PPL Electric the proceeds of the LCIDA bonds on payment terms that correspond to the LCIDA bonds. In order to secure its obligations under the loan agreement, PPL Electric issued $224 million of First Mortgage Bonds under its 2001 Mortgage Indenture, which also have payment terms that correspond to the LCIDA bonds.

(PPL, LKE and LG&E)

In September 2016, the County of Trimble, Kentucky issued $125 million of Pollution Control Revenue Refunding Bonds, 2016 Series A (Louisville Gas and Electric Company Project) due 2044 on behalf of LG&E. The bonds were issued with a floating interest rate that initially will reset weekly. The method of determining the interest rate on the bonds may be converted from time to time at LG&E’s option. The proceeds of the bonds were used to redeem $83 million of Pollution Control Revenue Refunding Bonds, 2000 Series A (Louisville Gas and Electric Company Project) due 2030 and $42 million of Pollution Control Revenue Refunding Bonds, 2002 Series A (Louisville Gas and Electric Company Project) due 2032 previously issued by the County of Trimble, Kentucky on behalf of LG&E.

(PPL, LKE and KU)

In August 2016, the County of Carroll, Kentucky issued $96 million of Pollution Control Revenue Refunding Bonds, 2016 Series A (Kentucky Utilities Company Project) due 2042 on behalf of KU. The bonds were issued bearing interest at an initial term rate of 1.05% through their mandatory purchase date of September 1, 2019. Thereafter, the method of determining the interest rate on the bonds may be converted from time to time at KU’s option. The proceeds of the bonds were used to redeem $96 million of Pollution Control Revenue Refunding Bonds, 2002 Series C (Kentucky Utilities Company Project) due 2032 previously issued by the County of Carroll, Kentucky on behalf of KU.

(PPL)

ATM Program

For the periods ended September 30, PPL issued the following:

	Three Months		Nine Months	
	2016	2015	2016	2015
Number of shares (in thousands)	710	436	710	858
Average share price	$ 35.23	$ 32.95	$ 35.23	$ 33.33
Net Proceeds	$ 25	$ 14	$ 25	$ 28

Common Stock Dividends

In August 2016, PPL declared a quarterly common stock dividend, payable October 3, 2016, of 38 cents per share (equivalent to $1.52 per annum). Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors.

Capital Expenditures

Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. In the second quarter of 2016, PPL decreased its projected capital spending for the period 2016 through 2020 related to distribution facilities by approximately $1.1 billion from the $9.5 billion projection previously disclosed in PPL's 2015 Form 10-K. The decreased projected capital spending results from a change in the forecasted GBP to U.S. dollar exchange rate from $1.60 to $1.30 for WPD expenditures that decreased each yearly estimate by approximately $220 million.

Contractual Obligations

In 2016, PPL decreased its estimated contractual cash obligations by approximately $2.0 billion from the $39.1 billion estimate previously disclosed in PPL's 2015 Form 10-K. The decrease was primarily a result of the change in the GBP to U.S. dollar exchange rate from $1.50 to $1.30 as of September 30, 2016 for WPD's obligations. The decreases in PPL's estimated contractual cash obligations by year were as follows.

	Total	2016	2017 - 2018	2019 - 2020	After 2020
Total Change in Contractual Cash Obligations	$ (2,003)	$ (36)	$ (100)	$ (121)	$ (1,746)

Rating Agency Actions

(All Registrants)

Moody's and S&P have periodically reviewed the credit ratings of the debt of the Registrants and their subsidiaries. Based on their respective independent reviews, the rating agencies may make certain ratings revisions or ratings affirmations.

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of the Registrants and their subsidiaries are based on information provided by the Registrants and other sources. The ratings of Moody's and S&P are not a recommendation to buy, sell or hold any securities of the Registrants or their subsidiaries. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities. The credit ratings of the Registrants and their subsidiaries affect their liquidity, access to capital markets and cost of borrowing under their credit facilities.

The rating agencies have taken the following actions related to the Registrants and their subsidiaries during 2016:

(PPL)

In February 2016, Moody's and S&P affirmed their commercial paper ratings for PPL Capital Funding's $1.0 billion commercial paper program.

In May 2016, Moody's and S&P assigned ratings of Baa2 and BBB+ to PPL Capital Funding's $650 million 3.10% Senior Notes due 2026.

In June 2016, S&P assigned a long-term issuer rating of A- and a short-term issuer rating of A-2 to PPL Capital Funding.

(PPL Electric)

In February 2016, Moody's and S&P affirmed their commercial paper ratings for PPL Electric's $400 million commercial paper program.

In February 2016, Moody's and S&P assigned ratings of A1 and A to LCIDA's $116 million 0.90% Pollution Control Revenue Refunding Bonds due 2029 and $108 million 0.90% Pollution Control Revenue Refunding Bonds due 2027, issued on behalf of PPL Electric.

(LG&E)

In September 2016, Moody's and S&P assigned ratings of A1 and A to LG&E's Trimble Country 2016 Series A $125 million Pollution Control Revenue Refunding Bonds due 2044.

(KU)

In August 2016, Moody's and S&P assigned ratings of A1 and A to KU's Carroll County 2016 Series A $96 million Pollution Control Revenue Refunding Bonds due 2042.

Ratings Triggers

(PPL, LKE, LG&E and KU)

Various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, interest rate and foreign currency instruments (for PPL), contain provisions that require the posting of additional collateral or permit the counterparty to terminate the contract, if PPL's, LKE's, LG&E's or KU's or their subsidiaries' credit rating, as applicable, were to fall below investment grade. See Note 14 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral requirements for PPL, LKE and LG&E for derivative contracts in a net liability position at September 30, 2016.

(All Registrants)

For additional information on the Registrants' liquidity and capital resources, see "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Registrants' 2015 Form 10-K.

Risk Management

Market Risk

(All Registrants)

See Notes 13 and 14 to the Financial Statements for information about the Registrants' risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These are not precise indicators of expected future losses, but are rather only indicators of possible losses under normal market conditions at a given confidence level.

Interest Rate Risk

The Registrants and their subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. The Registrants and their subsidiaries utilize various financial derivative instruments to adjust the mix of fixed and floating interest rates in their debt portfolios, adjust the duration of their debt portfolios and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under the risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolios due to changes in the absolute level of interest rates. In addition, the interest rate risk of certain subsidiaries is potentially mitigated as a result of the existing regulatory framework or the timing of rate cases.

The following interest rate hedges were outstanding at September 30, 2016.

	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through
PPL				
Cash flow hedges				
Cross-currency swaps (c)	$ 802	$ 155	$ (96)	2028
Economic hedges				
Interest rate swaps (d)	179	(54)	(2)	2033
LKE				
Economic hedges				
Interest rate swaps (d)	179	(54)	(2)	2033
LG&E				
Economic hedges				
Interest rate swaps (d)	179	(54)	(2)	2033

(a) Includes accrued interest, if applicable.
(b) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability. Sensitivities represent a 10% adverse movement in interest rates, except for cross-currency swaps which also includes a 10% adverse movement in foreign currency exchange rates.
(c) Cross-currency swaps are utilized to hedge the principal and interest payments of WPD's U.S. dollar-denominated senior notes. Changes in the fair value of these instruments are recorded in equity and reclassified into earnings in the same period during which the item being hedged affects earnings.
(d) Realized changes in the fair value of such economic hedges are recoverable through regulated rates and any subsequent changes in the fair value of these derivatives are included in regulatory assets or regulatory liabilities.

The Registrants are exposed to a potential increase in interest expense and to changes in the fair value of their debt portfolios. The estimated impact of a 10% adverse movement in interest rates on interest expense at September 30, 2016 was insignificant for PPL, PPL Electric, LKE, LG&E and KU. The estimated impact of a 10% adverse movement in interest rates on the fair value of debt at September 30, 2016 is shown below.

	10% Adverse Movement in Rates
PPL	$ 543
PPL Electric	136
LKE	175
LG&E	65
KU	98

Foreign Currency Risk (PPL)

PPL is exposed to foreign currency risk primarily through investments in U.K. affiliates. Under its risk management program, PPL may enter into financial instruments to hedge certain foreign currency exposures, including translation risk of expected earnings, firm commitments, recognized assets or liabilities, anticipated transactions and net investments.

The following foreign currency hedges were outstanding at September 30, 2016.

	Exposure Hedged		Fair Value, Net - Asset (Liability)		Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)		Maturities Ranging Through
Economic hedges (b)	£	1,791	$	96	$	(214)	2018

(a) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability.
(b) To economically hedge the translation risk of expected earnings denominated in GBP.

(All Registrants)

Commodity Price Risk

PPL is exposed to commodity price risk through its domestic subsidiaries as described below.

- PPL Electric is exposed to commodity price risk from its obligation as PLR; however, its PUC-approved cost recovery mechanism substantially eliminates its exposure to this risk. PPL Electric also mitigates its exposure to commodity price risk by entering into full-requirement supply agreements to serve its PLR customers. These supply agreements transfer the commodity price risk associated with the PLR obligation to the energy suppliers.
- LG&E's and KU's rates include certain mechanisms for fuel and fuel-related expenses. In addition, LG&E's rates include a mechanism for natural gas supply expenses. These mechanisms generally provide for timely recovery of market price fluctuations associated with these expenses.

Volumetric Risk

PPL is exposed to volumetric risk through its subsidiaries as described below.

- WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K. Under the RIIO - ED1 price control period, recovery of such exposure occurs on a two year lag. See Note 1 in PPL's 2015 Form 10-K for additional information on revenue recognition under RIIO - ED1.
- PPL Electric, LG&E and KU are exposed to volumetric risk on retail sales, mainly due to weather and other economic conditions for which there is limited mitigation between rate cases.

Credit Risk *(All Registrants)*

See Notes 13 and 14 to the Financial Statements in this Form 10-Q and "Risk Management - Credit Risk" in the Registrants' 2015 Form 10-K for additional information.

Foreign Currency Translation *(PPL)*

The value of the British pound sterling fluctuates in relation to the U.S. dollar. Changes in this exchange rate resulted in a foreign currency translation loss of $840 million for the nine months ended September 30, 2016, which primarily reflected a $1.6 billion decrease to PP&E and $375 million decrease to goodwill partially offset by a $995 million decrease to long-term debt and a $160 million decrease to other net liabilities. Changes in this exchange rate resulted in a foreign currency translation loss of $101 million for the nine months ended September 30, 2015, which primarily reflected a $209 million decrease to PP&E and $54 million decrease to goodwill partially offset by a $131 million decrease to long-term debt and a $31 million decrease to other net liabilities. The impact of foreign currency translation is recorded in AOCI.

Related Party Transactions *(All Registrants)*

The Registrants are not aware of any material ownership interests or operating responsibility by senior management in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with the Registrants. See Note 11 to the Financial Statements for additional information on related party transactions for PPL Electric, LKE, LG&E and KU.

Acquisitions, Development and Divestitures *(All Registrants)*

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with, modify or terminate the projects. Any resulting transactions may impact future financial results. See Note 8 to the Financial Statements for information on the more significant activities.

Environmental Matters *(All Registrants)*

Extensive federal, state and local environmental laws and regulations are applicable to PPL's, PPL Electric's, LKE's, LG&E's and KU's air emissions, water discharges and the management of hazardous and solid waste, as well as other aspects of the Registrants' businesses. The cost of compliance or alleged non-compliance cannot be predicted with certainty but could be significant. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed. Costs may take the form of increased capital expenditures or operating and maintenance expenses, monetary fines, penalties or other restrictions. Many of these environmental law considerations are also applicable to the operations of key suppliers, or customers, such as coal producers and industrial power users, and may impact the cost for their products or their demand for the Registrants' services. Increased capital and operating costs are subject to rate recovery. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

See Note 10 to the Financial Statements for a discussion of the more significant environmental matters including:
- Legal Matters,
- Climate Change,
- Coal Combustion Residuals,
- Effluent Limitations Guidelines,
- Mercury and Air Toxics Standards,
- National Ambient Air Quality Standards, and
- Superfund and Other Remediation.

Additionally, see "Item 1. Business - Environmental Matters" in the Registrants' 2015 Form 10-K for additional information on environmental matters.

New Accounting Guidance *(All Registrants)*

See Notes 2 and 18 to the Financial Statements for a discussion of new accounting guidance adopted and pending adoption.

Application of Critical Accounting Policies *(All Registrants)*

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following table summarizes the accounting policies by Registrant that are particularly important to an understanding of the reported financial condition or results of operations, and require management to make estimates or other judgments of matters that are inherently uncertain. See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Registrants' 2015 Form 10-K for a discussion of each critical accounting policy.

	PPL	PPL Electric	LKE	LG&E	KU
Defined Benefits	X	X	X	X	X
Loss Accruals	X	X	X	X	X
Income Taxes	X	X	X	X	X
Goodwill Impairment	X		X	X	X
AROs	X		X	X	X
Price Risk Management	X				
Regulatory Assets and Liabilities	X	X	X	X	X
Revenue Recognition - Unbilled Revenue		X	X	X	X

PPL Corporation
PPL Electric Utilities Corporation
LG&E and KU Energy LLC
Louisville Gas and Electric Company
Kentucky Utilities Company

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Reference is made to "Risk Management" in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The Registrants' principal executive officers and principal financial officers, based on their evaluation of the Registrants' disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) have concluded that, as of September 30, 2016, the Registrants' disclosure controls and procedures are effective to ensure that material information relating to the Registrants and their consolidated subsidiaries is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, particularly during the period for which this quarterly report has been prepared. The aforementioned principal officers have concluded that the disclosure controls and procedures are also effective to ensure that information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive and principal financial officers, to allow for timely decisions regarding required disclosure.

(b) Change in internal controls over financial reporting.

The Registrants' principal executive officers and principal financial officers have concluded that there were no changes in the Registrants' internal control over financial reporting during the Registrants' third fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrants' internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding pending administrative and judicial proceedings involving regulatory, environmental and other matters, which information is incorporated by reference into this Part II, see:

- "Item 3. Legal Proceedings" in each Registrant's 2015 Form 10-K; and
- Notes 6 and 10 to the Financial Statements.

Item 1A. Risk Factors

There have been no material changes in the Registrants' risk factors from those disclosed in "Item 1A. Risk Factors" of the Registrants' 2015 Form 10-K and Form 10-Q for the period ending June 30, 2016 except the following:

(PPL)

Risks related to our U.K. segment

PPL’s earnings may be adversely affected as a result of the June 23, 2016 referendum in the U.K. to withdraw from the European Union.

Significant uncertainty exists concerning the effects of the June 23, 2016 referendum in favor of the U.K. withdrawal from the European Union, including whether formal withdrawal will occur and the nature and duration of negotiations between the U.K. and European Union as to the terms of any withdrawal. PPL cannot predict the impact, either short-term or long-term, on foreign exchange rates or PPL’s long-term financial condition that may be experienced as a result of any actions that may be taken by the U.K. government to withdraw from the European Union, although such impacts could be significant.

Item 4. Mine Safety Disclosures

Not applicable.

Item 6. Exhibits

The following Exhibits indicated by an asterisk preceding the Exhibit number are filed herewith. The balance of the Exhibits has heretofore been filed with the Commission and pursuant to Rule 12(b)-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.

4(a)	- Loan Agreement dated as of August 1, 2016 between Kentucky Utilities Company and the County of Carroll, Kentucky (Exhibit 4(a) to Kentucky Utilities Company Form 8-K Report (File No. 1-3464) dated August 26, 2016)
4(b)	- Supplemental Indenture No. 5, dated as of August 1, 2016, of Kentucky Utilities Company to The Bank of New York Mellon, as Trustee (Exhibit 4(b) to Kentucky Utilities Company Form 8-K Report (File No. 1-3464) dated August 26, 2016)
4(c)	- Loan Agreement dated as of September 1, 2016 between Louisville Gas and Electric Company and the County of Trimble, Kentucky (Exhibit 4(a) to Louisville Gas and Electric Company Form 8-K Report (File No. 1-2893) dated September 15, 2016)
4(d)	- Supplemental Indenture No. 5, dated as of September 1, 2016, of Louisville Gas and Electric Company to The Bank of New York Mellon, as Trustee (Exhibit 4(b) to Louisville Gas and Electric Company Form 8-K Report (File No. 1-2893) dated September 15, 2016)
*10(a)	- £50,000,000 Facility Letter entered into between Western Power Distribution (South West) plc and Svenska Handelsbanken AB dated as of October 11, 2016
*12(a)	- PPL Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(b)	- PPL Electric Utilities Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(c)	- LG&E and KU Energy LLC and Subsidiaries Computation of Ratio of Earnings to Fixed Charges
*12(d)	- Louisville Gas and Electric Company Computation of Ratio of Earnings to Fixed Charges
*12(e)	- Kentucky Utilities Company Computation of Ratio of Earnings to Fixed Charges

Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended September 30, 2016, filed by the following officers for the following companies:

*31(a)	- PPL Corporation's principal executive officer
*31(b)	- PPL Corporation's principal financial officer
*31(c)	- PPL Electric Utilities Corporation's principal executive officer
*31(d)	- PPL Electric Utilities Corporation's principal financial officer
*31(e)	- LG&E and KU Energy LLC's principal executive officer
*31(f)	- LG&E and KU Energy LLC's principal financial officer
*31(g)	- Louisville Gas and Electric Company's principal executive officer
*31(h)	- Louisville Gas and Electric Company's principal financial officer
*31(i)	- Kentucky Utilities Company's principal executive officer
*31(j)	- Kentucky Utilities Company's principal financial officer

Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended September 30, 2016, furnished by the following officers for the following companies:

*32(a)	- PPL Corporation's principal executive officer and principal financial officer
*32(b)	- PPL Electric Utilities Corporation's principal executive officer and principal financial officer
*32(c)	- LG&E and KU Energy LLC's principal executive officer and principal financial officer
*32(d)	- Louisville Gas and Electric Company's principal executive officer and principal financial officer
*32(e)	- Kentucky Utilities Company's principal executive officer and principal financial officer
101.INS	- XBRL Instance Document
101.SCH	- XBRL Taxonomy Extension Schema
101.CAL	- XBRL Taxonomy Extension Calculation Linkbase
101.DEF	- XBRL Taxonomy Extension Definition Linkbase
101.LAB	- XBRL Taxonomy Extension Label Linkbase
101.PRE	- XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiaries.

PPL Corporation

(Registrant)

Date: November 1, 2016

/s/ Stephen K. Breininger

Stephen K. Breininger
Vice President and Controller
(Principal Accounting Officer)

PPL Electric Utilities Corporation

(Registrant)

Date: November 1, 2016

/s/ Marlene C. Beers

Marlene C. Beers
Controller
(Principal Financial Officer and Principal Accounting Officer)

LG&E and KU Energy LLC

(Registrant)

Louisville Gas and Electric Company

(Registrant)

Kentucky Utilities Company

(Registrant)

Date: November 1, 2016

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Handelsbanken
Bristol Queen Square

The Directors
Western Power Distribution (South West) plc
Avonbank
Feeder Road
Bristol
BS2 0TB

Date: 10th October 2016

Dear Sirs

In accordance with arrangements recently agreed between us, we hereby set out in this letter (the "**Facility Letter**") the terms and conditions upon which we, Svenska Handelsbanken AB (publ) (the "**Bank**"), are prepared to make available an uncommitted money market facility (the "**Facility**") to you, Western Power Distribution (South West) plc , Company Number 2366894 (the "**Borrower**")

This Facility Letter is open for acceptance within 30 days of the date hereof or such later date as the Bank shall agree after which it shall expire.

This Facility Letter supersedes all prior agreements, arrangements or correspondence between the Bank and the Borrower in relation to the Facility.

The principal terms on which the Facility is made available are set out in Clause 1.1, subject to the terms and conditions contained in the remainder of this Facility Letter.

1.1 **Outline Terms**

• **Amount & Type of Facility:**	£50,000,000 (fifty million pounds sterling) money market facility. • Arrangement Fee £15,000 payable on signing this Facility Letter. • Annual Fee £7,500 payable yearly in advance with effect from 1st September 2017 • Breakage Fee £300 payable on the date a Drawing or any part thereof is repaid or prepaid other than on the relevant Maturity Date. • Break Costs (if applicable).

Svenska Handelsbanken AB (publ)
66 Queens Square
Bristol
BS1 4JP

Telephone 0117 302 0080
Fax 0117 302 0077
www.handelsbanken.co.uk/bristolqueensquare
SWIFT HANDGB22

• **Review Date:**	On or around 31st August annually.
• **Specified Purpose**	General business purposes.

1.2 **Definitions and Interpretation**

Unless defined elsewhere the definitions which shall apply to the Facility Letter are contained in Schedule 2.

2 **The Facility**

The Borrower may only use the Facility for the Specified Purpose and furthermore undertakes not to use the Facility for any purpose or in any manner that would result in a breach by it, or any other person, of any provision of the Bribery Act 2010.

3 **Conditions Precedent**

3.1 The Facility shall be available for use by the Borrower only when the Bank (i) shall have received, to its satisfaction as to their form and substance, the documents and evidence set out in Schedule 1 and (ii) is satisfied that the other conditions detailed in Schedule 1 have been satisfied.

3.2 The Conditions Precedent set out in Schedule 1 are for the sole benefit of the Bank, and the Bank may in its sole and absolute discretion make the Facility, or a part thereof, available notwithstanding that one or more of such conditions have not been fulfilled on terms that such condition or conditions shall be fulfilled within such period or periods thereafter as the Bank shall determine unless the Bank shall otherwise agree to waive such condition or conditions in its sole and absolute discretion.

4 **Utilisation, Availability and Termination**

4.1 Utilisation of the Facility ("**Facility Utilisation**") will be calculated as the aggregate value of outstanding Drawings.

4.2 Facility Utilisation at any time shall not exceed the Limit and the Bank is not obliged to allow or continue to allow any utilisation in excess of the Limit.

4.3 The Facility is uncommitted and shall remain available to the Borrower until further notice but shall be subject to cancellation at any time by either the Bank or the Borrower giving written notice to the other. In the event of such cancellation no further Drawings shall be made available and the Bank will be entitled to require the Borrower to immediately repay all Drawings in accordance with the provisions of Clause 5.5.

4.4 The Bank shall review the Facility on each Review Date and may contact you to discuss your future requirements. Whenever we review the Facility, we may charge you a renewal fee.

4.5 All sums outstanding under the Facility together with interest thereon, and any fees, costs, charges and expenses payable hereunder shall be repayable upon demand at all times.

5 **Drawings**

5.1 Borrowings by way of drawings shall be permitted at the Bank's discretion (together the "**Drawings**" each a "**Drawing**").

5.2 Each Drawing shall be for an amount, a period and at an interest rate, all to be mutually agreed at the time of each such Drawing, such period to expire no later than the next Quarter Day unless otherwise agreed by the Bank.

5.3 Interest on Drawings shall be payable by the Borrower in full in immediately available funds, on the relevant Maturity Date and on any date that a Drawing is renewed for a further period pursuant to Clause 5.4.

5.4 Each Drawing shall be repaid in full by the Borrower on the relevant Maturity Date unless the Bank, in its sole discretion, shall agree to renew any such Drawing for a further period in which case the Maturity Date for such Drawing shall be extended accordingly.

5.5 Notwithstanding any other term of this Facility Letter each Drawing together with interest thereon, and any fees, costs, charges and expenses payable hereunder shall be repayable upon demand and in the event that the Facility is cancelled or demand is made by the Bank, the Bank shall be entitled at the cost of the Borrower to break any interest period that may be applicable to a Drawing and the Borrower shall pay to the Bank the Breakage Fee and all Break Costs arising as a result thereof together with accrued interest. In the event that the Bank shall exercise such right all Drawings outstanding shall thereafter be fixed for such interest periods as shall be determined by the Bank in its sole and absolute discretion.

5.6 If there is a repayment, prepayment or recovery of all or any part of a Drawing other than on the relevant Maturity Date, then the Borrower will pay to the Bank on demand an amount equal to the Break Costs together with the Breakage Fee and the Borrower indemnifies the Bank against any other costs, liabilities or expenses incurred by the Bank in connection with that early repayment, prepayment or recovery.

5.7 Any notice of prepayment under this Facility Letter shall be irrevocable and the provisions of this Clause 5 shall apply to any prepayment.

5.8 If the prepayment sum is received by the Bank after 10 am then the Bank may treat such prepayment as if it had been received on the next Business Day. Any prepayment must be accompanied by any Breakage Fee and all Break Costs arising as a result thereof together with accrued interest.

6 **Fees**

6.1 In consideration of the Bank making the Facility available hereunder the Borrower shall pay to the Bank, the Bank's Fees which if not previously paid shall be deducted from any Drawing made hereunder. Any fees as set out in Clause 1.1 not due on first utilisation shall be debited to the Borrower's account and be payable in advance at the time or times and in the manner set out in Clause 1.1.

6.2 In the event that the level of administration undertaken by the Bank in connection with the operation and monitoring of the Facility shall in the opinion of the Bank have increased or be likely to increase from that envisaged by the Bank when the Facility was originally agreed then the Bank shall have the right to charge the Borrower an Administration Fee.

7 **Increased Costs and Default Interest**

7.1 The Borrower shall, within three Business Days of a demand by the Bank, pay the Bank the amount of any Increased Costs incurred by the Bank as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law, regulation or directive (whether or not having the force of law) or (ii) compliance with any law, regulation or directive (whether or not having the force of law) made after the date of this Facility Letter.

7.2 In this Facility Letter "**Increased Costs**" means:

7.2.1 a reduction in the rate of return from the Facility or on the Bank's overall capital;

7.2.2 an additional or increased cost; or

7.2.3 a reduction of any amount due and payable under this Facility Letter,

which is incurred or suffered by the Bank to the extent that it is attributable to the Bank having entered into this Facility Letter or funding or performing its obligations under this Facility Letter.

7.3 The Bank prior to making a claim pursuant to Clause 7.1 above shall notify the Borrower of the event giving rise to the claim and shall, as soon as practicable after a demand by the Borrower, provide a certificate confirming the amount of its Increased Costs.

7.4 If the Borrower shall fail to pay any sum due hereunder or under the judgement of any court in connection herewith on the due date therefor, then as a separate obligation the Borrower shall pay to the Bank interest at the Default Rate on any such sum due to the Bank up to the date on which such sum is repaid and any other amounts outstanding under this Facility Letter have been paid in full. Interest shall be payable at the rate both before and after demand, court decree or judgment on such dates advised by the Bank to the Borrower any such interest which is not paid when due shall be added to the overdue sum and itself bear interest accordingly.

7.5 The Bank's certificate as to the amounts due pursuant to this Clause 7 shall be final and conclusive, save for manifest error.

8 **Financial Information**

The Borrower shall forthwith provide to the Bank such financial information as the Bank may request from time to time including, but not limited to the Financial Statements of the Borrower within 180 days of the end of each financial year.

9 **Payments, Calculations and Tax Indemnity**

9.1 All interest shall accrue from day to day and be calculated on the basis of the actual number of days elapsed within a year of 365 days.

9.2 All sums payable by the Borrower to the Bank shall be paid without deduction for or on account of any set-off or counter-claim and free and clear of any deduction or withholding of any nature (including taxation) unless such a deduction or withholding is required by law.

9.3 If any amount is required by law to be deducted or withheld from any sum payable hereunder then the Borrower shall pay such an additional amount as will ensure that, after the making of such deduction or withholding, the Bank shall receive a net sum equal to the sums which the Bank would have received had no such deduction or withholding been required to be made.

9.4 The Borrower shall (within three Business Days of demand by the Bank) pay to the Bank an amount equal to the loss, liability or cost which the Bank determines will be or has been (directly or indirectly) suffered for or on account of Tax by the Bank in respect of the Facility Letter.

9.5 Clause 9.4 above shall not apply:

9.5.1 with respect to any Tax assessed on the Bank under the law of the jurisdiction in which the Bank is incorporated or, if different, the jurisdiction (or jurisdictions) in which the Bank is treated as resident for tax purposes, if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by the Bank; or

9.5.2 to the extent a loss, liability or cost is compensated for by an increased payment under Clause 9.3.

9.6 If the Bank makes (or intends to make) a claim under Clause 9.4 above, it shall notify the Borrower as soon as is reasonably practicable of the event which has caused (or will cause) that claim, however, the Bank's entitlement to exercise its rights under Clause 9.4 above is not conditional on such notification being made in accordance with this Clause 9.6.

9.7 For the purposes of Clauses 9.4 and 9.5:

"**Tax**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

10 **<u>Security</u>**

The Facility will be secured by any security which the Bank may in the future obtain.

11 **<u>Set-Off</u>**

11.1 In addition to any other rights to which it may be entitled the Bank may retain, set off or appropriate any credit balances in name of the Borrower (whether current or not yet due) against the Borrower's obligations to the Bank under this Facility Letter. The Bank may exercise any of these rights without prior notice both before and after demand and in so doing may convert to sterling at the prevailing market rate of exchange any balance which is in a currency other than sterling.

11.2 Nothing expressed or implied in this Facility Letter or any other document in connection herewith shall be regarded as in any way negating or affecting any right which the Bank may have under applicable law to apply any credit balances to which the Borrower is entitled on any account of the Borrower in or towards satisfaction of any sum due from the Borrower hereunder.

12 **<u>Severance</u>**

If at any time any one or more of the provisions of this Facility Letter is or becomes invalid, illegal or unenforceable for any reason whatsoever, the validity, legality and enforceability of the remaining provisions hereof shall not thereby be affected, reduced or impaired in any way.

13 **<u>Remedies, Waivers, Amendments and Consents</u>**

13.1 No failure on the part of the Bank to exercise, and no delay on its part in exercising, any right or remedy under this Facility Letter will operate as a waiver thereof, nor will any single or partial exercise of any right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy. The rights and remedies provided in this Facility Letter are cumulative and not exclusive of any rights or remedies provided by law or otherwise.

13.2 Save to the extent expressly provided to the contrary in this Facility Letter a person who is not a party to this Facility Letter may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999.

14 **<u>Assignment and Transferability</u>**

14.1 The Borrower may not assign, transfer or otherwise dispose of all or any part of its rights, benefits or obligations under this Facility Letter.

14.2 Subject to clause 14.3 below, the Bank may, with the prior written consent of the Borrower (such consent not to be unreasonably withheld or delayed) at any time and its own cost assign, novate or transfer all or any part of its rights, benefits and obligations under this Facility Letter or grant participations therein to any one or more banks or financial institutions and the Borrower and any other party to this Facility Letter hereby agree to execute any documents required to enable the Bank so to do (provided that the Borrower and any such other party shall neither be required thereby to pay any greater amount to satisfy its obligations hereunder nor be responsible for any legal or statutory costs or duties arising therefrom) and the Borrower and any other party to this Facility Letter further agrees that the Bank may disclose any information to any such bank or financial institution for said purpose.

14.3 The consent of the Borrower will be deemed to have been given if:

14.3.1 the transfer is to an Affiliate of the Bank;

14.3.2 a breach of the Borrower's obligations has occurred and is continuing; or

14.3.3 within 10 Business Days of receipt by the Borrower of a written application for consent, it has not been expressly refused, provided, in each case, that at the time of the proposed transfer no deduction or withholding would be required by law in respect of any payment to the transferee at such time to the extent that no deduction or withholding would have been required in respect of a payment to the Bank.

15 Costs and Expenses

15.1 The Borrower agrees that the costs and expenses, including legal fees, disbursements registration fees and value added tax thereon, incurred by the Bank in connection with the preparation, negotiation, execution and registration of this Facility Letter, and any other documents required in connection with the Facility shall be for the Borrower's account and the Borrower hereby indemnifies the Bank in respect of payment thereof.

15.2 The Borrower further undertakes to reimburse and indemnify the Bank for any and all costs, interest, charges and expenses incurred by the Bank, as well after as before judgement, in connection with preserving, enforcing or seeking to preserve or enforce its rights in respect of this Facility Letter or any amendment thereto, or in connection with the granting of any approvals or consents hereunder.

16 Notices

16.1 Each notice or other communication to be given under this Facility Letter shall be given in writing in English and, unless otherwise provided, shall be made by hand, fax or letter. For the avoidance of doubt, notices shall not be validly served by e-mail.

Any notice or other communication to be given by one party to another under this Facility Letter shall (unless one party has by no less than 5 Business Days' notice to the other party specified another address) and shall be given:-

16.1.1 in the case of the Borrower to its registered office; and

16.1.2 in the case of the Bank to the address detailed above.

16.2 Any notice or other communication given by any party shall be deemed to have been received:

16.2.1 in the case of a notice given by hand, at the time of day of actual delivery; or

16.2.2 if sent by fax, with a confirmed receipt of transmission from the receiving machine, on the day on which it is transmitted; or

16.2.3 if posted, by 10 am on the second Business Day following the day on which it was despatched by first class mail postage prepaid,

provided that a notice given in accordance with the above but received on a day which is not a Business Day or after normal business hours in the place of receipt shall be deemed to have been received on the next Business Day.

17 Governing Law

This Facility Letter shall be governed by and construed in accordance with the laws of England and Wales.

If you are in agreement with the aforesaid provisions, please sign and return the enclosed copy of this Facility Letter, as your acceptance of the terms and conditions set out herein.

Yours faithfully
For and on behalf of
SVENSKA HANDELSBANKEN AB (publ)

Authorised Signatory   Authorised Signatory

The Borrower hereby confirms and accepts the above mentioned terms and conditions contained in this Facility Letter and the following Schedules.

Signed for and on behalf of the Borrower

Authorised Signatory   Authorised Signatory

....
Date

Schedule 1 – Conditions Precedent

1 A copy of this Facility Letter signed by duly authorised officials accepting on behalf of the Borrower or the terms and conditions set out herein;

2 A Bank Mandate duly completed by or on behalf of the Borrower, together with such other documents as the Bank shall require to complete its account opening formalities and to ensure compliance with money laundering obligations;

3 Such form of mandate or authority as the officers of the Borrower may be empowered to issue to bankers concerning the negotiation of any money market utilisation under this Facility Letter on behalf of the Borrower and to sign and/or endorse any documents required under or in connection with this Facility Letter on behalf of the Borrower;

4 A copy of the Borrower's Certificate of Incorporation;

5 A copy certified as true and accurate by a Director or the Secretary of the Borrower of a resolution authorising the appropriate officials to act on behalf of and to bind the Borrower in the acceptance of the terms and conditions of this Facility Letter and the execution of this Facility Letter any other necessary supporting documents ancillary thereto; and

6 The Bank's Fees then due.

Schedule 2 – Definitions and Interpretation

"**Administration Fee**" means an administration fee of such amount or administration fees of such amounts as shall be determined by the Bank in its absolute discretion from time to time to fully compensate the Bank for the additional costs incurred or likely to be incurred by it in the operation and monitoring of the Facility. Such fee or fees will be payable on the Bank's first demand.

"**Bank's Fees**" means the Bank's fees set out in Clause 1.1.

"**Break Costs**" means the amount (if any) by which:

(a) the interest which the Bank should have received for the period from the date of receipt of all or any part of a Drawing or any unpaid sum to the last day of the current fixed rate period in respect of that Drawing or unpaid sum, had the principal amount or unpaid sum received been paid on the Maturity Date;

exceeds:

(b) the amount which that Bank would be able to obtain by placing an amount equal to the principal amount or unpaid sum received by it on deposit with a leading bank in the relevant interbank market for a period starting on the Business Day following receipt or recovery and ending on the relevant Maturity Date

and the provisions of this definition shall apply to each successive interest period for any unpaid amount or unpaid Drawing.

"**Breakage Fee**" means the Bank's breakage administration fee detailed in Clause 1.1.

"**Business Day**" means a day (other than a Saturday or Sunday) when the branch of the Bank at which the Borrower's account is located is open for business.

"**Default Rate**" means the aggregate of (i) the Bank's default interest margin in force from time to time, currently 2% per annum and (ii) the cost to the Bank of funding that sum during that period by whatever means it considers appropriate.

"**Financial Statements**" means audited annual profit and loss account, balance sheet and cash flow statement for each financial year (consolidated for each financial year during which any relevant corporate body has a subsidiary) together with related directors' or members' reports (as appropriate) and auditors' reports and the notes attached thereto.

"**Limit**" means the amount of the Facility set out in Clause 1.1.

"**Maturity Date**" means the agreed date for repayment of each Drawing.

"**Quarter Day**" means the Business Day falling on, or, if such day is not a Business Day the Business Day immediately before, each of 31st March, 30th June, 30th September or 31st December each year or any other quarter day that the Bank may advise the Borrower in replacement therefor from time to time as a consequence of a change in the Bank's internal accounting policies.

"**Sterling**" and the sign "**£**" mean the lawful currency of the United Kingdom.

Interpretation

Any reference in this Facility Letter to:

(a) statutes, statutory provisions and other legislation shall include all amendments, substitutions, modifications and re-enactments for the time being in force and shall include any orders, regulations, instruments or other subordinate legislation made under the relevant legislation.

(b) "**including**" shall not be construed as limiting the generality of the words preceding it;

(c) any clause, paragraph or schedule shall be construed as a reference to the clauses in this Facility Letter, the schedules to this Facility Letter and the paragraphs in such schedules;

(d) the singular shall include the plural and vice versa and words denoting any gender shall include all genders and if any party to this Facility Letter constitutes more than one person all covenants, conditions and obligations shall be deemed to be given by all such parties on a joint and several basis unless this Facility Letter specifically provides otherwise;

(e) this Facility Letter and to any provisions of it or to any other document referred to in this Facility Letter shall be construed as references to it in force for the time being and as amended, varied, supplemented, restated, substituted or novated from time to time;

(f) a person is to be construed to include references to a corporation, firm, company, partnership, joint venture, unincorporated body of persons, individual or any state or any agency of a state, whether or not a separate legal entity;

(g) any person is to be construed to include that person's assignees or transferees or successors in title, whether direct or indirect;

(h) any word or phrase includes all derivations thereof;

(i) a matter being in the opinion of the Bank or at the Bank's discretion shall be in the sole opinion of the Bank taking into consideration the Bank's interests hereunder and in the case of the Bank's discretion it shall be at the Bank's sole unfettered discretion without taking into consideration other party's interests.

Clause headings are for ease of reference only and are not to affect the interpretation of this Facility Letter.

Resolution re Facility Letter

Extract from the Minutes of a Meeting of the Directors

of Western Power Distribution (South West) plc (the 'Company')

"After due consideration of all the circumstances and on being satisfied that it is for the benefit of the Company and in the interests of the Company for the purpose of carrying on its business the Company agreed to enter into the Facility Letter in the form now produced (the "Letter").

It was resolved that the Letter be executed for and on behalf of the Company either by a Director and its Secretary, or by two Directors.

I hereby certify that the foregoing is a true extract from the Minutes of a Meeting of the Directors at which (all appropriate interests having been declared) a quorum entitled to vote was present duly held on the day of 2016 and that a true copy of the Letter has been retained by the Company.

Secretary____

Exhibit 12(a)

PPL CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	Nine Months Ended September 30,	Years Ended December 31, (a)				
	2016	2015	2014	2013	2012	2011
Earnings, as defined:						
Income from Continuing Operations Before Income Taxes	$ 1,947	$ 2,068	$ 2,129	$ 1,728	$ 1,406	$ 922
Adjustment to reflect earnings from equity method investments on a cash basis (b)	—	(1)	—	—	34	—
	1,947	2,067	2,129	1,728	1,440	922
Total fixed charges as below	689	1,054	1,095	1,096	1,065	1,022
Less:						
Capitalized interest	3	11	11	11	6	4
Preferred security distributions of subsidiaries on a pre-tax basis	—	—	—	—	5	23
Interest expense and fixed charges related to discontinued operations	—	150	186	235	235	231
Total fixed charges included in Income from Continuing Operations Before Income Taxes	686	893	898	850	819	764
Total earnings	$ 2,633	$ 2,960	$ 3,027	$ 2,578	$ 2,259	$ 1,686
Fixed charges, as defined:						
Interest charges (c)	$ 681	$ 1,038	$ 1,073	$ 1,058	$ 1,019	$ 955
Estimated interest component of operating rentals	8	16	22	38	41	44
Preferred security distributions of subsidiaries on a pre-tax basis	—	—	—	—	5	23
Total fixed charges (d)	$ 689	$ 1,054	$ 1,095	$ 1,096	$ 1,065	$ 1,022
Ratio of earnings to fixed charges	3.8	2.8	2.8	2.4	2.1	1.7
Ratio of earnings to combined fixed charges and preferred stock dividends (e)	3.8	2.8	2.8	2.4	2.1	1.7

(a) Reflects PPL's Supply segment as Discontinued Operations. See Note 8 to the Financial Statements for additional information.

(b) Includes other-than-temporary impairment loss of $25 million in 2012.

(c) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.

(d) Interest on unrecognized tax benefits is not included in fixed charges.

(e) PPL, the parent holding company, does not have any preferred stock outstanding; therefore, the ratio of earnings to combined fixed charges and preferred stock dividends is the same as the ratio of earnings to fixed charges.

Exhibit 12(b)

PPL ELECTRIC UTILITIES CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	Nine Months Ended September 30,	Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Earnings, as defined:						
Income Before Income Taxes	**$ 425**	$ 416	$ 423	$ 317	$ 204	$ 257
Total fixed charges as below	**105**	139	131	117	107	105
Total earnings	**$ 530**	$ 555	$ 554	$ 434	$ 311	$ 362
Fixed charges, as defined:						
Interest charges (a)	**$ 102**	$ 135	$ 127	$ 113	$ 104	$ 102
Estimated interest component of operating rentals	**3**	4	4	4	3	3
Total fixed charges (b)	**$ 105**	$ 139	$ 131	$ 117	$ 107	$ 105
Ratio of earnings to fixed charges	**5.0**	4.0	4.2	3.7	2.9	3.4
Preferred stock dividend requirements on a pre-tax basis	**$ —**	$ —	$ —	$ —	$ 6	$ 21
Fixed charges, as above	**105**	139	131	117	107	105
Total fixed charges and preferred stock dividends	**$ 105**	$ 139	$ 131	$ 117	$ 113	$ 126
Ratio of earnings to combined fixed charges and preferred stock dividends	**5.0**	4.0	4.2	3.7	2.8	2.9

(a) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.

(b) Interest on unrecognized tax benefits is not included in fixed charges.

Exhibit 12(c)

LG&E AND KU ENERGY LLC AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Nine Months Ended September 30,	Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Earnings, as defined:						
Income from Continuing Operations Before Income Taxes	**$ 539**	$ 603	$ 553	$ 551	$ 331	$ 419
Adjustment to reflect earnings from equity method investments on a cash basis (a)	**—**	(1)	(1)	(1)	33	(1)
	539	602	552	550	364	418
Total fixed charges as below	**165**	189	173	151	157	153
Total earnings	**$ 704**	$ 791	$ 725	$ 701	$ 521	$ 571
Fixed charges, as defined:						
Interest charges (b) (c)	**$ 159**	$ 181	$ 167	$ 145	$ 151	$ 147
Estimated interest component of operating rentals	**6**	8	6	6	6	6
Total fixed charges	**$ 165**	$ 189	$ 173	$ 151	$ 157	$ 153
Ratio of earnings to fixed charges	**4.3**	4.2	4.2	4.6	3.3	3.7

(a) Includes other-than-temporary impairment loss of $25 million in 2012.

(b) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

(c) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(d)

LOUISVILLE GAS AND ELECTRIC COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Nine Months Ended September 30,	Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Earnings, as defined:						
Income Before Income Taxes	**$ 257**	$ 299	$ 272	$ 257	$ 192	$ 195
Total fixed charges as below	**56**	61	51	36	44	46
Total earnings	**$ 313**	$ 360	$ 323	$ 293	$ 236	$ 241
Fixed charges, as defined:						
Interest charges (a) (b)	**$ 53**	$ 57	$ 49	$ 34	$ 42	$ 44
Estimated interest component of operating rentals	**3**	4	2	2	2	2
Total fixed charges	**$ 56**	$ 61	$ 51	$ 36	$ 44	$ 46
Ratio of earnings to fixed charges	**5.6**	5.9	6.3	8.1	5.4	5.2

(a) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

(b) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(e)

KENTUCKY UTILITIES COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Nine Months Ended September 30,	Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Earnings, as defined:						
Income Before Income Taxes	**$ 335**	$ 374	$ 355	$ 360	$ 215	$ 282
Adjustment to reflect earnings from equity method investments on a cash basis (a)	—	(1)	(1)	(1)	33	(1)
	335	373	354	359	248	281
Total fixed charges as below	**74**	86	80	73	72	73
Total earnings	**$ 409**	$ 459	$ 434	$ 432	$ 320	$ 354
Fixed charges, as defined:						
Interest charges (b)	**$ 71**	$ 82	$ 77	$ 70	$ 69	$ 70
Estimated interest component of operating rentals	**3**	4	3	3	3	3
Total fixed charges	**$ 74**	$ 86	$ 80	$ 73	$ 72	$ 73
Ratio of earnings to fixed charges	**5.5**	5.3	5.4	5.9	4.4	4.8

(a) Includes other-than-temporary impairment loss of $25 million in 2012.

(b) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

Exhibit 31(a)

CERTIFICATION

I, WILLIAM H. SPENCE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2016

/s/ William H. Spence

William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

Exhibit 31(b)

CERTIFICATION

I, VINCENT SORGI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2016

/s/ Vincent Sorgi

Vincent Sorgi
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

Exhibit 31(c)

CERTIFICATION

I, GREGORY N. DUDKIN, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2016

/s/ Gregory N. Dudkin

Gregory N. Dudkin
President
(Principal Executive Officer)
PPL Electric Utilities Corporation

Exhibit 31(d)

CERTIFICATION

I, MARLENE C. BEERS, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2016

/s/ Marlene C. Beers

Marlene C. Beers
Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

Exhibit 31(e)

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
LG&E and KU Energy LLC

Exhibit 31(f)

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2016

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
LG&E and KU Energy LLC

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Louisville Gas and Electric Company

Exhibit 31(h)

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2016

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Louisville Gas and Electric Company

Exhibit 31(i)

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kentucky Utilities Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Kentucky Utilities Company

Exhibit 31(j)

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kentucky Utilities Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2016

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Kentucky Utilities Company

Exhibit 32(a)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2016

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended September 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, William H. Spence, the Principal Executive Officer of the Company, and Vincent Sorgi, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2016

/s/ William H. Spence

William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

/s/ Vincent Sorgi

Vincent Sorgi
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(b)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2016

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended September 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Gregory N. Dudkin, the Principal Executive Officer of the Company, and Marlene C. Beers, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2016

/s/ Gregory N. Dudkin
Gregory N. Dudkin
President
(Principal Executive Officer)
PPL Electric Utilities Corporation

/s/ Marlene C. Beers
Marlene C. Beers
Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(c)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2016

In connection with the quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "Company") for the quarter ended September 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
LG&E and KU Energy LLC

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
LG&E and KU Energy LLC

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(d)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2016

In connection with the quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "Company") for the quarter ended September 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Louisville Gas and Electric Company

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Louisville Gas and Electric Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(e)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2016

In connection with the quarterly report on Form 10-Q of Kentucky Utilities Company (the "Company") for the quarter ended September 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Kentucky Utilities Company

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Kentucky Utilities Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.