

PPL Corp
 Form 10-Q
 November 01, 2016

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
 OF 1934 for the quarterly period ended 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	Registrant; State of Incorporation;	IRS Employer
Number	Address and Telephone Number	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
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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
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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
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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
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1-3464	Kentucky Utilities Company (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462	61-0247570
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(502) 627-2000

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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	<input checked="" type="checkbox"/>	No
PPL Electric Utilities Corporation	Yes	<input checked="" type="checkbox"/>	No
LG&E and KU Energy LLC	Yes	<input checked="" type="checkbox"/>	No
Louisville Gas and Electric Company	Yes	<input checked="" type="checkbox"/>	No
Kentucky Utilities Company	Yes	<input checked="" type="checkbox"/>	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	<input checked="" type="checkbox"/>	No
PPL Electric Utilities Corporation	Yes	<input checked="" type="checkbox"/>	No
LG&E and KU Energy LLC	Yes	<input checked="" type="checkbox"/>	No
Louisville Gas and Electric Company	Yes	<input checked="" type="checkbox"/>	No
Kentucky Utilities Company	Yes	<input checked="" type="checkbox"/>	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	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PPL Electric Utilities Corporation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LG&E and KU Energy LLC	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Louisville Gas and Electric Company	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Kentucky Utilities Company	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

PPL Corporation	Yes	No	<input checked="" type="checkbox"/>
PPL Electric Utilities Corporation	Yes	No	<input checked="" type="checkbox"/>
LG&E and KU Energy LLC	Yes	No	<input checked="" type="checkbox"/>
Louisville Gas and Electric Company	Yes	No	<input checked="" type="checkbox"/>
Kentucky Utilities Company	Yes	No	<input checked="" type="checkbox"/>

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.

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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.

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EXECUTIVE OFFICER AND PRINCIPAL
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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 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.

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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.

AOI - 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.

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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.

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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.

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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.

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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.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, except share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Operating Revenues	\$1,889	\$1,878	\$5,685	\$5,889
Operating Expenses				
Operation				
Fuel	227	228	607	695
Energy purchases	151	177	531	676
Other operation and maintenance	417	482	1,292	1,405
Depreciation	232	226	692	658
Taxes, other than income	76	79	229	241
Total Operating Expenses	1,103	1,192	3,351	3,675
Operating Income	786	686	2,334	2,214
Other Income (Expense) - net	49	75	284	61
Interest Expense	223	221	671	645
Income from Continuing Operations Before Income Taxes	612	540	1,947	1,630
Income Taxes	139	144	510	432
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

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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.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 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.

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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

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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.

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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.

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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.

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CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Total
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 shareholders' 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, 2016		Nine Months Ended September 30, 2015	
	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.

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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, 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.

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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.

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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.

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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.

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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.

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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

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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.

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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.

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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, 2016		Nine Months Ended September 30, 2015	
Operating Revenues				
Retail and wholesale	\$366	\$349	\$1,058	\$1,089
Electric revenue from affiliate	2	2	19	32
Total Operating Revenues	368	351	1,077	1,121
Operating Expenses				
Operation				
Fuel	86	82	233	267
Energy purchases	19	18	104	129
Energy purchases from affiliate	5	9	10	17
Other operation and maintenance	85	87	264	286
Depreciation	43	40	126	122
Taxes, other than income	9	7	24	21
Total Operating Expenses	247	243	761	842
Operating Income	121	108	316	279
Other Income (Expense) - net	(1)	(1)	(6)	(3)
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.

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

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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.

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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.

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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, 2016		Nine Months Ended September 30, 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.

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CONDENSED STATEMENTS OF CASH FLOWS

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars)

	Nine Months Ended September 30, 2016 2015	
Cash Flows from Operating Activities		
Net income	\$207	\$189
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	175	164
Amortization	10	8
Defined benefit plans - expense	4	9
Deferred income taxes and investment tax credits	122	132
Other	(1)	4
Change in current assets and current liabilities		
Accounts receivable	(24)	(11)
Accounts payable	(11)	(18)
Accounts payable to affiliates	2	(7)
Unbilled revenues	(4)	6
Fuel, materials and supplies	(4)	22
Income tax receivable	—	60
Accrued interest	22	19
Other	2	6
Other operating activities		
Defined benefit plans - funding	(19)	(20)
Expenditures for asset retirement obligations	(4)	(1)
Settlement of interest rate swaps	—	(44)
Other assets	(4)	(9)
Other liabilities	(4)	1
Net cash provided by operating activities	469	510
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
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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.

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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.

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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.

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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

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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.

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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, December 31,
2016 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.

The nine months ended September 30, 2015 includes transition costs to prepare the Talen Energy organization for (b) 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:

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	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	678,116	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.

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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 2016		Nine Months 2015	
Stock options	696	1,484	696	1,218
Performance units	316	—	210	49

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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.

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.

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(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.

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	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

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	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)

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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.

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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

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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	

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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, (a) 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.

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(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.

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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.