KENTUCKY UTILITIES CO
Form 10-Q
May 03, 2013

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

FORM 10-Q

[X]	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended March 31, 2013
	OR
[ ]	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _________ to ___________

Commission File Number	Registrant; State of Incorporation; Address and Telephone Number	IRS Employer Identification No.
1-11459	PPL Corporation (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-2758192
1-32944	PPL Energy Supply, LLC (Exact name of Registrant as specified in its charter) (Delaware) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-3074920
1-905	PPL Electric Utilities Corporation (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-0959590
333-173665	LG&E and KU Energy LLC (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-2893	Louisville Gas and Electric Company	61-0264150

	(Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	
1-3464	Kentucky Utilities Company (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

PPL Corporation	Yes X	No
PPL Energy Supply, LLC	Yes X	No
PPL Electric Utilities Corporation	Yes X	No
LG&E and KU Energy LLC	Yes X	No
Louisville Gas and Electric Company	Yes X	No
Kentucky Utilities Company	Yes X	No

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files).

PPL Corporation	Yes X	No
PPL Energy Supply, LLC	Yes X	No
PPL Electric Utilities Corporation	Yes X	No
LG&E and KU Energy LLC	Yes X	No
Louisville Gas and Electric Company	Yes X	No
Kentucky Utilities Company	Yes X	No

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
PPL Corporation	[X]	[ ]	[ ]	[ ]
PPL Energy Supply, LLC	[ ]	[ ]	[X]	[ ]
PPL Electric Utilities Corporation	[ ]	[ ]	[X]	[ ]
LG&E and KU Energy LLC	[ ]	[ ]	[X]	[ ]
Louisville Gas and Electric Company	[ ]	[ ]	[X]	[ ]
Kentucky Utilities Company	[ ]	[ ]	[X]	[ ]

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

PPL Corporation	Yes	No X
PPL Energy Supply, LLC	Yes	No X
PPL Electric Utilities Corporation	Yes	No X
LG&E and KU Energy LLC	Yes	No X
Louisville Gas and Electric Company	Yes	No X
Kentucky Utilities Company	Yes	No X

Indicate 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, 592,339,687 shares outstanding at April 30, 2013.
PPL Energy Supply, LLC	PPL Corporation indirectly holds all of the membership interests in PPL Energy Supply, LLC.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at April 30, 2013.
LG&E and KU Energy LLC	PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC.
Louisville Gas and Electric Company	Common stock, no par value, 21,294,223 shares outstanding and all held by LG&E and KU Energy LLC at April 30, 2013.
Kentucky Utilities Company	Common stock, no par value, 37,817,878 shares outstanding and all held by LG&E and KU Energy LLC at April 30, 2013.

This document is available free of charge at the Investor Center on PPL Corporation's website at www.pplweb.com. However, information on this website does not constitute a part of this Form 10-Q.

PPL CORPORATION
PPL ENERGY SUPPLY, LLC
PPL ELECTRIC UTILITIES CORPORATION
LG&E AND KU ENERGY LLC
LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2013

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This combined Form 10-Q is separately filed by the following individual registrants: PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company. Information contained herein relating to 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 PPL Corporation subsidiaries 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 within this Report, individually, to PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company are references to such entities directly or to one or more of their subsidiaries, as the case may be, the financial results of which are consolidated into such Registrants in accordance with GAAP. This presentation has been applied where identification of particular subsidiaries is not material to the matter being disclosed, and to conform narrative disclosures to the presentation of financial information on a consolidated basis.

GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its current and former subsidiaries

Central Networks - collectively Central Networks East plc, Central Networks Limited and certain other related assets and liabilities. On April 1, 2011, PPL WEM Holdings plc (formerly WPD Investment Holdings Limited) purchased all of the outstanding ordinary share capital of these companies from E.ON AG subsidiaries. Central Networks West plc (subsequently renamed Western Power Distribution (West Midlands) plc), wholly owned by Central Networks Limited (subsequently renamed WPD Midlands Holdings Limited), and Central Networks East plc (subsequently renamed Western Power Distribution (East Midlands) plc) are British regional electricity distribution utility companies.

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

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. Within the context of this document, references to LKE also relate to the consolidated entity.

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

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

PPL Brunner Island - PPL Brunner Island, LLC, a subsidiary of PPL Generation that owns generating operations in Pennsylvania.

PPL Capital Funding - PPL Capital Funding, Inc., a wholly owned financing subsidiary of PPL that provides financing for the operations of PPL and certain subsidiaries.

PPL Electric - PPL Electric Utilities Corporation, a public utility subsidiary of PPL that transmits and distributes electricity in its Pennsylvania service area and provides electric supply to retail customers in this area as a PLR.

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

PPL EnergyPlus - PPL EnergyPlus, LLC, a subsidiary of PPL Energy Supply that markets and trades wholesale and retail electricity and gas, and supplies energy and energy services in competitive markets.

PPL Energy Supply - PPL Energy Supply, LLC, a subsidiary of PPL Energy Funding and the parent company of PPL Generation, PPL EnergyPlus and other subsidiaries.

PPL Generation - PPL Generation, LLC, a subsidiary of PPL Energy Supply that owns and operates U.S. generating facilities through various subsidiaries.

PPL Global - PPL Global, LLC, a subsidiary of PPL Energy Funding that primarily owns and operates WPD, the businesses in the U.K. that are focused on the regulated distribution of electricity.

PPL Ironwood - PPL Ironwood LLC, an indirect subsidiary of PPL Generation that owns generating operations in Pennsylvania.

PPL Martins Creek - PPL Martins Creek, LLC, a subsidiary of PPL Generation that owns generating operations in Pennsylvania.

PPL Montana - PPL Montana, LLC, an indirect subsidiary of PPL Generation that generates electricity for wholesale sales in Montana and the Pacific Northwest.

PPL Montour - PPL Montour, LLC, a subsidiary of PPL Generation that owns generating operations in Pennsylvania.

PPL Services - PPL Services Corporation, a subsidiary of PPL that provides services for PPL and its subsidiaries.

PPL Susquehanna - PPL Susquehanna, LLC, the nuclear generating subsidiary of PPL Generation.

PPL WEM - PPL WEM Holdings plc (formerly WPD Investment Holdings Limited), an indirect, U.K. subsidiary of PPL Global. PPL WEM indirectly owns both WPD (East Midlands) and WPD (West Midlands).

PPL WW - PPL WW Holdings Limited (formerly Western Power Distribution Holdings Limited), an indirect, U.K. subsidiary of PPL Global. PPL WW Holdings indirectly owns WPD (South Wales) and WPD (South West).

WPD - refers to PPL WW and PPL WEM and their subsidiaries.

WPD (East Midlands) - Western Power Distribution (East Midlands) plc, a British regional electricity distribution utility company. The company (formerly Central Networks East plc) was acquired and renamed in April 2011.

WPD Midlands - refers to 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. The company (formerly Central Networks West plc) was acquired and renamed in April 2011.

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

Other terms and abbreviations

£ - British pound sterling.

2010 Equity Unit(s) - a PPL equity unit, issued in June 2010, consisting of a 2010 Purchase Contract and, initially, a 5.0% undivided beneficial ownership interest in $1,000 principal amount of PPL Capital Funding 4.625% Junior Subordinated Notes due 2018.

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

2011 Equity Unit(s) - a PPL equity unit, issued in April 2011, consisting of a 2011 Purchase Contract and, initially, a 5.0% undivided beneficial ownership interest in $1,000 principal amount of PPL Capital Funding 4.32% Junior Subordinated Notes due 2019.

2011 Purchase Contract(s) - a contract that is a component of a 2011 Equity Unit that requires holders to purchase shares of PPL common stock on or prior to May 1, 2014.

2012 Form 10-K - Annual Report to the SEC on Form 10-K for the year ended December 31, 2012.

Act 11 - Act 11 of 2012 that became effective on April 16, 2012. The Pennsylvania legislation authorizes the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, a DSIC.

Act 129 - Act 129 of 2008 that became effective in October 2008. The law amends the Pennsylvania Public Utility Code and creates an energy efficiency and conservation program and smart metering technology requirements, adopts new PLR electricity supply procurement rules, provides remedies for market misconduct and makes changes to the existing Alternative Energy Portfolio Standard.

AEPS - Alternative Energy Portfolio Standard.

AFUDC - Allowance for Funds Used During Construction, the cost of equity and debt funds used to finance construction projects of regulated businesses, which is capitalized as part of construction costs.

AOCI - accumulated other comprehensive income or loss.

ARO - asset retirement obligation.

Baseload generation - includes the output provided by PPL's nuclear, coal, hydroelectric and qualifying facilities.

Basis - when used in the context of derivatives and commodity trading, the commodity price differential between two locations, products or time periods.

BREC - Big Rivers Electric Corporation, a power-generating rural electric cooperative in western Kentucky.

CAIR - the EPA's Clean Air Interstate Rule.

Cane Run Unit 7 - a combined-cycle natural gas unit under construction in Kentucky, jointly owned by LG&E and KU, which is expected to provide additional electric generating capacity of 141 MW and 499 MW to LG&E and KU by 2015.

Clean Air Act - federal legislation enacted to address certain environmental issues related to air emissions, including acid rain, ozone and toxic air emissions.

COLA - license application for a combined construction permit and operating license from the NRC for a nuclear plant.

CSAPR - Cross-State Air Pollution Rule.

Customer Choice Act - the Pennsylvania Electricity Generation Customer Choice and Competition Act, legislation enacted to restructure the state's electric utility industry to create retail access to a competitive market for generation of electricity.

Depreciation not normalized - the flow-through income tax impact related to the state regulatory treatment of depreciation-related timing differences.

DPCR4 - Distribution Price Control Review 4, the U.K. 5-year rate review period applicable to WPD that commenced April 1, 2005.

DRIP - Dividend Reinvestment and Direct Stock Purchase Plan.

DSIC - a distribution system improvement charge authorized under Act 11, which is an alternative ratemaking mechanism providing more-timely cost recovery of qualifying distribution system capital expenditures.

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

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 which apply to coal combustion and by-products from the production of energy from coal.

EEI - Electric Energy, Inc., owns and operates a coal-fired plant and a natural gas facility in southern Illinois. KU's 20% ownership interest in EEI is accounted for as an equity method investment.

EPA - Environmental Protection Agency, a U.S. government agency.

EPS - earnings per share.

Equity Units - refers collectively to the 2011 and 2010 Equity Units.

ESOP - Employee Stock Ownership Plan.

Euro - the basic monetary unit among participating members of the European Union.

FERC - Federal Energy Regulatory Commission, the federal agency that regulates, among other things, interstate transmission and wholesale sales of electricity, hydroelectric power projects and related matters.

Fitch - Fitch, Inc., a credit rating agency.

FTRs - financial transmission rights, which are financial instruments established to manage price risk related to electricity transmission congestion that they entitle the holder to receive compensation or require the holder to remit payment for certain congestion-related transmission charges based on the level of congestion in the transmission grid.

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

GBP - British pound sterling.

GHG - greenhouse gas(es).

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

If-Converted Method - When a company has convertible debt outstanding the following method needs to be applied to calculate diluted EPS: Interest charges (after tax) applicable to the convertible debt shall be added back to net income and the convertible debt shall be assumed to have been converted to equity at the beginning of the period and the resulting common shares shall be included with outstanding shares. Both adjustments are only done for purposes of calculating diluted EPS. This method was applied to PPL's Equity Units beginning in the first quarter of 2013.

Intermediate and peaking generation - includes the output provided by PPL's competitive oil- and natural gas-fired units.

Ironwood Acquisition - In April 2012, PPL Ironwood Holdings, LLC, an indirect, wholly owned subsidiary of PPL Energy Supply, completed the acquisition from a subsidiary of The AES Corporation of all of the equity interests of AES Ironwood, L.L.C. (subsequently renamed PPL Ironwood, LLC) and AES Prescott, L.L.C. (subsequently renamed PPL Prescott, LLC), which own and operate, respectively, a natural gas-fired power plant in Lebanon, Pennsylvania.

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

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

LIBOR - London Interbank Offered Rate.

LTIIP - Long Term Infrastructure Improvement Plan.

MATS - Mercury and Air Toxics Standards.

MDEQ - Montana Department of Environmental Quality.

MEIC - Montana Environmental Information Center.

MMBtu - One million British Thermal Units.

Montana Power - The Montana Power Company, a Montana-based company that sold its generating assets to PPL Montana in December 1999. Through a series of transactions consummated during the first quarter of 2002, Montana Power sold its electricity delivery business to NorthWestern.

Moody's - Moody's Investors Service, Inc., a credit rating agency.

MW - megawatt, one thousand kilowatts.

MWh - megawatt-hour, one thousand kilowatt-hours.

NDT - PPL Susquehanna's nuclear plant decommissioning trust.

NERC - North American Electric Reliability Corporation.

NorthWestern - NorthWestern Corporation, a Delaware corporation, and successor in interest to Montana Power's electricity delivery business, including Montana Power's rights and obligations under contracts with PPL Montana.

NPDES - National Pollutant Discharge Elimination System.

NPNS - the normal purchases and normal sales exception as permitted by derivative accounting rules. Derivatives that qualify for this exception receive accrual accounting treatment.

NRC - Nuclear Regulatory Commission, the federal agency that regulates nuclear power facilities.

OCI - other comprehensive income or loss.

Ofgem - Office of Gas and Electricity Markets, the British agency that regulates transmission, distribution and wholesale sales of electricity and related matters.

Opacity - the degree to which emissions reduce the transmission of light and obscure the view of an object in the background. There are emission regulations that limit the opacity in power plant stack gas emissions.

OVEC - Ohio Valley Electric Corporation, located in Piketon, Ohio, an entity in which LKE indirectly owns an 8.13% interest (consists of LG&E's 5.63% and KU's 2.50% interests), which is accounted for as a cost-method investment. OVEC owns and operates two coal-fired power plants, the Kyger Creek plant in Ohio and the Clifty Creek plant in Indiana, with combined nameplate capacities of 2,390 MW.

PADEP - the Pennsylvania Department of Environmental Protection, a state government agency.

PJM - PJM Interconnection, L.L.C., operator of the electric transmission network and electric energy market in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.

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

PP&E - property, plant and equipment.

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

PUC Final Order - final order issued by the PUC on August 27, 1998, approving the settlement of PPL Electric's restructuring proceeding.

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

RAV - regulatory asset value. This term is also commonly known as RAB or regulatory asset base.

RECs - renewable energy credits.

Regional Transmission Line Expansion Plan - PJM conducts a long-range Regional Transmission Expansion Planning process that identifies what changes and additions to the grid are needed to ensure future needs are met for both the reliability and the economic performance of the grid. Under PJM agreements, transmission owners are obligated to build transmission projects that are needed to maintain reliability standards and that are reviewed and approved by the PJM Board.

Registrants - PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU, collectively.

Regulation S-X - SEC regulation governing the form and content of and requirements for financial statements required to be filed pursuant to the federal securities laws.

RFC - Reliability First Corporation, one of eight regional entities with delegated authority from NERC that work to safeguard the reliability of the bulk power systems throughout North America.

RMC - Risk Management Committee.

S&P - Standard & Poor's Ratings Services, a credit rating agency.

Sarbanes-Oxley - Sarbanes-Oxley Act of 2002, which sets requirements for management's assessment of internal controls for financial reporting. It also requires an independent auditor to make its own assessment.

SCR - selective catalytic reduction, a pollution control process for the removal of nitrogen oxide from exhaust gases.

Scrubber - an air pollution control device that can remove particulates and/or gases (primarily sulfur dioxide) from exhaust gases.

SEC - the U.S. Securities and Exchange Commission, a U.S. government agency whose primary mission is to protect investors and maintain the integrity of the securities markets.

SERC - SERC Reliability Corporation, one of eight regional entities with delegated authority from NERC that work to safeguard the reliability of the bulk power systems throughout North America.

SIFMA Index - the Securities Industry and Financial Markets Association Municipal Swap Index.

Smart meter - an electric meter that utilizes smart metering technology.

Smart metering technology - technology that can measure, among other things, time of electricity consumption to permit offering rate incentives for usage during lower cost or demand intervals. The use of this technology also has the potential to strengthen network reliability.

SMGT - Southern Montana Electric Generation & Transmission Cooperative, Inc., a Montana cooperative and purchaser of electricity under a long-term supply contract with PPL EnergyPlus that was terminated effective April 1, 2012.

SNCR - selective non-catalytic reduction, a pollution control process for the removal of nitrogen oxide from exhaust gases using ammonia.

Spark Spread - a measure of gross margin representing the price of power on a per MWh basis less the equivalent measure of the natural gas cost to produce that power. This measure is used to describe the gross margin of PPL and its subsidiaries' competitive natural gas-fired generating fleet. This term is also used to describe a derivative contract in which PPL and its subsidiaries sell power and buy natural gas on a forward basis in the same contract.

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

TC2 - Trimble County Unit 2, a coal-fired plant located in Kentucky with a net summer capacity of 732 MW. LKE indirectly owns a 75% interest (consists of LG&E's 14.25% and KU's 60.75% interests) in TC2 or 549 MW of the capacity.

Tolling agreement - agreement whereby the owner of an electric generating facility agrees to use that facility to convert fuel provided by a third party into electricity for delivery back to the third party.

TRA - Tennessee Regulatory Authority, the state agency that has jurisdiction over the regulation of rates and service of utilities in Tennessee.

VaR - value-at-risk, a statistical model that attempts to estimate the value of potential loss over a given holding period under normal market conditions at a given confidence level.

VIE - variable interest entity.

Volumetric risk - the risk that the actual load volumes provided under full-requirement sales contracts could vary significantly from forecasted volumes.

VSCC - Virginia State Corporation Commission, the state agency that has jurisdiction over the regulation of Virginia corporations, including utilities.

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FORWARD-LOOKING INFORMATION

Statements contained in this Form 10-Q concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements which are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in each Registrant's 2012 Form 10-K and in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements.

- fuel supply cost and availability;
- continuing ability to recover fuel costs and environmental expenditures in a timely manner at LG&E and KU, and natural gas supply costs at LG&E;
- weather conditions affecting generation, customer energy use and operating costs;
- operation, availability and operating costs of existing generation facilities;
- the duration of and cost, including lost revenue, associated with scheduled and unscheduled outages at our generating facilities;
- transmission and distribution system conditions and operating costs;
- expansion of alternative sources of electricity generation;
- laws or regulations to reduce emissions of "greenhouse" gases or the physical effects of climate change;
- collective labor bargaining negotiations;
- the outcome of litigation against the Registrants and their subsidiaries;
- potential effects of threatened or actual terrorism, war or other hostilities, cyber-based intrusions or natural disasters;
- the commitments and liabilities of the Registrants and their subsidiaries;
- volatility in market demand and prices for energy, capacity, transmission services, emission allowances and RECs;
- competition in retail and wholesale power and natural gas markets;
- liquidity of wholesale power markets;
- defaults by counterparties under energy, fuel or other power product contracts;
- market prices of commodity inputs for ongoing capital expenditures;
- capital market conditions, including the availability of capital or credit, changes in interest rates and certain economic indices, and decisions regarding capital structure;
- stock price performance of PPL;
- volatility in the fair value of debt and equity securities and its impact on the value of assets in the NDT funds and in defined benefit plans, and the potential cash funding requirements if fair value declines;
- interest rates and their effect on pension, retiree medical, nuclear decommissioning liabilities and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial or commodity markets and economic conditions;
- new accounting requirements or new interpretations or applications of existing requirements;
- changes in securities and credit ratings;
- changes in foreign currency exchange rates for British pound sterling;
- current and future environmental conditions, regulations and other requirements and the related costs of compliance, including environmental capital expenditures, emission allowance costs and other expenses;
- legal, regulatory, political, market or other reactions to the 2011 incident at the nuclear generating facility at Fukushima, Japan, including additional NRC requirements;
- changes in political, regulatory or economic conditions in states, regions or countries where the Registrants or their subsidiaries conduct business;
- receipt of necessary governmental permits, approvals and rate relief;
- new state, federal or foreign legislation or regulatory developments;

- the outcome of any rate cases or other cost recovery filings by PPL Electric at the PUC or the FERC, by LG&E at the KPSC or the FERC, by KU at the KPSC, VSCC, TRA or the FERC, or by WPD at Ofgem in the U.K.;
- the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures; and
- business dispositions or acquisitions and our ability to successfully operate acquired businesses and realize expected benefits from business acquisitions.

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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.

PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, except share data)

	Three Months Ended March 31, 2013	2012
Operating Revenues		
Utility	$ 1,950	$ 1,714
Unregulated retail electric and gas	237	223
Wholesale energy marketing		
Realized	976	1,208
Unrealized economic activity (Note 14)	(822)	852
Net energy trading margins	(11)	8
Energy-related businesses	127	107
Total Operating Revenues	2,457	4,112
Operating Expenses		
Operation		
Fuel	529	424
Energy purchases		
Realized	691	883
Unrealized economic activity (Note 14)	(634)	591
Other operation and maintenance	676	706
Depreciation	284	264
Taxes, other than income	96	91
Energy-related businesses	122	102
Total Operating Expenses	1,764	3,061
Operating Income	693	1,051
Other Income (Expense) - net	122	(17)
Interest Expense	251	230
Income Before Income Taxes	564	804
Income Taxes	151	259
Net Income	413	545
Net Income Attributable to Noncontrolling Interests		4
Net Income Attributable to PPL Shareowners	$ 413	$ 541
Earnings Per Share of Common Stock:		

Basic	$	0.70	$	0.93
Diluted	$	0.65	$	0.93
Dividends Declared Per Share of Common Stock	$	0.3675	$	0.3600
Weighted-Average Shares of Common Stock Outstanding (in thousands)				
Basic		582,640		579,041
Diluted		657,020		579,527

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2013		Three Months Ended March 31, 2012	
Net income	$	413	$	545
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Foreign currency translation adjustments, net of tax of ($6), $2		(245)		76
Available-for-sale securities, net of tax of ($25), ($26)		23		24
Qualifying derivatives, net of tax of ($20), ($50)		62		78
Equity investees' other comprehensive income (loss), net of tax of $0, $2				(4)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Available-for-sale securities, net of tax of $1, $0		(1)		(5)
Qualifying derivatives, net of tax of $35, $75		(80)		(134)
Defined benefit plans:				
Prior service costs, net of tax of ($1), ($1)		1		3
Net actuarial loss, net of tax of ($13), ($4)		34		20
Total other comprehensive income (loss) attributable to PPL Shareowners		(206)		58
Comprehensive income (loss)		207		603
Comprehensive income attributable to noncontrolling interests				4
Comprehensive income (loss) attributable to PPL Shareowners	$	207	$	599

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2013	2012
Cash Flows from Operating Activities		
Net income	$ 413	$ 545
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	284	264
Amortization	64	55
Defined benefit plans - expense	51	42
Deferred income taxes and investment tax credits	80	257
Unrealized (gains) losses on derivatives, and other hedging activities	98	(235)
Other	30	20
Change in current assets and current liabilities		
Accounts receivable	(187)	32
Accounts payable	(138)	(99)
Unbilled revenues	137	59
Prepayments	(117)	(100)
Counterparty collateral	(64)	65
Taxes	122	66
Other	(74)	(8)
Other operating activities		
Defined benefit plans - funding	(429)	(208)
Other assets	33	(12)
Other liabilities	(59)	(15)
Net cash provided by operating activities	244	728
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(828)	(682)
Purchases of nuclear plant decommissioning trust investments	(28)	(38)
Proceeds from the sale of nuclear plant decommissioning trust investments	24	34
Proceeds from the sale of other investments		16
Net (increase) decrease in restricted cash and cash equivalents	(52)	(22)
Other investing activities	(15)	(19)
Net cash provided by (used in) investing activities	(899)	(711)
Cash Flows from Financing Activities		
Issuance of long-term debt	450	
Retirement of long-term debt	(8)	
Issuance of common stock	20	16
Payment of common stock dividends	(210)	(203)
Debt issuance and credit facility costs	(18)	(3)
Contract adjustment payments	(24)	(23)
Net increase (decrease) in short-term debt	416	93

Other financing activities		(5)		(4)
Net cash provided by (used in) financing activities		621		(124)
Effect of Exchange Rates on Cash and Cash Equivalents		(14)		8
Net Increase (Decrease) in Cash and Cash Equivalents		(48)		(99)
Cash and Cash Equivalents at Beginning of Period		901		1,202
Cash and Cash Equivalents at End of Period	$	853	$	1,103

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

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, shares in thousands)

	March 31, 2013	December 31, 2012
Assets		
Current Assets		
Cash and cash equivalents	$ 853	$ 901
Restricted cash and cash equivalents	119	54
Accounts receivable (less reserve: 2013, $64; 2012, $64)		
Customer	936	745
Other	60	79
Unbilled revenues	708	857
Fuel, materials and supplies	616	673
Prepayments	281	166
Price risk management assets	1,284	1,525
Regulatory assets	37	19
Other current assets	95	49
Total Current Assets	4,989	5,068
Investments		
Nuclear plant decommissioning trust funds	764	712
Other investments	48	47
Total Investments	812	759
Property, Plant and Equipment		
Regulated utility plant	25,054	25,196
Less: accumulated depreciation - regulated utility plant	4,258	4,164
Regulated utility plant, net	20,796	21,032
Non-regulated property, plant and equipment		
Generation	11,545	11,295
Nuclear fuel	666	524
Other	737	726
Less: accumulated depreciation - non-regulated property, plant and equipment	6,039	5,942
Non-regulated property, plant and equipment, net	6,909	6,603
Construction work in progress	2,270	2,397
Property, Plant and Equipment, net (a)	29,975	30,032
Other Noncurrent Assets		
Regulatory assets	1,464	1,483
Goodwill	3,995	4,158
Other intangibles (a)	910	925
Price risk management assets	598	572
Other noncurrent assets	598	637
Total Other Noncurrent Assets	7,565	7,775
Total Assets	$ 43,341	$ 43,634

(a) At March 31, 2013 and December 31, 2012, includes $426 million and $428 million of PP&E, consisting primarily of "Generation," including leasehold improvements, and both periods include $10 million of "Other intangibles" from the consolidation of a VIE that is the owner/lessor of the Lower Mt. Bethel plant.

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

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, shares in thousands)

	March 31, 2013	December 31, 2012
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 1,061	$ 652
Long-term debt due within one year	751	751
Accounts payable	1,071	1,252
Taxes	138	90
Interest	352	325
Dividends	215	210
Price risk management liabilities	972	1,065
Regulatory liabilities	61	61
Other current liabilities	1,029	1,219
Total Current Liabilities	5,650	5,625
Long-term Debt	18,881	18,725
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	3,577	3,387
Investment tax credits	340	328
Price risk management liabilities	533	629
Accrued pension obligations	1,596	2,076
Asset retirement obligations	540	536
Regulatory liabilities	1,016	1,010
Other deferred credits and noncurrent liabilities	666	820
Total Deferred Credits and Other Noncurrent Liabilities	8,268	8,786
Commitments and Contingent Liabilities (Notes 5, 6 and 10)		
Equity		
PPL Shareowners' Common Equity		
Common stock - $0.01 par value (a)	6	6
Additional paid-in capital	6,988	6,936
Earnings reinvested	5,676	5,478
Accumulated other comprehensive loss	(2,146)	(1,940)
Total PPL Shareowners' Common Equity	10,524	10,480
Noncontrolling Interests	18	18
Total Equity	10,542	10,498
Total Liabilities and Equity	$ 43,341	$ 43,634

(a) 780,000 shares authorized; 583,214 and 581,944 shares issued and outstanding at March 31, 2013 and December 31, 2012.

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)

	PPL Shareowners						
	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Non-controlling interests	Total
December 31, 2012 (b)	581,944	$ 6	$ 6,936	$ 5,478	$ (1,940)	$ 18	$ 10,498
Common stock issued (c)	1,270		37				37
Stock-based compensation (d)			15				15
Net income				413			413
Dividends, dividend equivalents and distributions (e)				(215)			(215)
Other comprehensive income (loss)					(206)		(206)
March 31, 2013 (b)	583,214	$ 6	$ 6,988	$ 5,676	$ (2,146)	$ 18	$ 10,542
December 31, 2011	578,405	$ 6	$ 6,813	$ 4,797	$ (788)	$ 268	$ 11,096
Common stock issued (c)	1,115		32				32
Stock-based compensation (d)			17				17
Net income				541		4	545
Dividends, dividend equivalents and distributions (e)				(209)		(4)	(213)
Other comprehensive							

income (loss)										58			58
March 31, 2012	579,520	$	6	$	6,862	$	5,129	$		(730)	$	268	$ 11,535

(a) Shares in thousands. Each share entitles the holder to one vote on any question presented at any shareowners' meeting.
(b) See Note 18 for disclosure of balances of each component of AOCI.
(c) Each period includes shares of common stock issued through various stock and incentive compensation plans.
(d) The three months ended March 31, 2013 and 2012 include $28 million and $29 million of stock-based compensation expense related to new and existing unvested equity awards. These periods also include $(13) million and $(12) million related primarily to the reclassification from "Stock-based compensation" to "Common stock issued" for the issuance of common stock after applicable equity award vesting periods and tax adjustments related to stock-based compensation.
(e) "Earnings reinvested" includes dividends and dividend equivalents on PPL Corporation common stock and restricted stock units. "Noncontrolling interests" includes dividends and distributions to noncontrolling interests.

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

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
PPL Energy Supply, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2013	2012
Operating Revenues		
Wholesale energy marketing		
Realized	$ 976	$ 1,208
Unrealized economic activity (Note 14)	(822)	852
Wholesale energy marketing to affiliate	14	21
Unregulated retail electric and gas	238	224
Net energy trading margins	(11)	8
Energy-related businesses	113	96
Total Operating Revenues	508	2,409
Operating Expenses		
Operation		
Fuel	298	211
Energy purchases		
Realized	434	659
Unrealized economic activity (Note 14)	(634)	591
Energy purchases from affiliate	1	1
Other operation and maintenance	235	255
Depreciation	78	64
Taxes, other than income	17	18
Energy-related businesses	110	92
Total Operating Expenses	539	1,891
Operating Income (Loss)	(31)	518
Other Income (Expense) - net	4	5
Interest Expense	46	37
Income (Loss) Before Income Taxes	(73)	486
Income Taxes	(35)	177
Net Income (Loss) Attributable to PPL Energy Supply Member	$ (38)	$ 309

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
PPL Energy Supply, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Net income (loss)	$ (38)	$ 309
Other comprehensive income (loss):		
Amounts arising during the period - gains (losses), net of tax (expense) benefit:		
Available-for-sale securities, net of tax of ($25), ($26)	23	24
Qualifying derivatives, net of tax of $0, ($45)		68
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):		
Available-for-sale securities, net of tax of $1, $0	(1)	(5)
Qualifying derivatives, net of tax of $21, $81	(30)	(151)
Defined benefit plans:		
Prior service costs, net of tax of ($1), ($1)	1	1
Net actuarial loss, net of tax of ($2), $2	4	5
Total other comprehensive income (loss) attributable to PPL Energy Supply Member	(3)	(58)
Comprehensive income (loss) attributable to PPL Energy Supply Member	$ (41)	$ 251

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 Energy Supply, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2013	2012
Cash Flows from Operating Activities		
Net income (loss)	$ (38)	$ 309
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	78	64
Amortization	44	38
Defined benefit plans - expense	12	10
Deferred income taxes and investment tax credits	(21)	161
Unrealized (gains) losses on derivatives, and other hedging activities	214	(260)
Other	19	17
Change in current assets and current liabilities		
Accounts receivable	71	37
Accounts payable	(108)	(24)
Unbilled revenues	123	6
Fuel, materials and supplies	11	(51)
Prepayments	(104)	(7)
Counterparty collateral	(64)	65
Other	23	(29)
Other operating activities		
Defined benefit plans - funding	(105)	(69)
Other assets	44	(12)
Other liabilities	(74)	(1)
Net cash provided by operating activities	125	254
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(124)	(199)
Expenditures for intangible assets	(10)	(13)
Purchases of nuclear plant decommissioning trust investments	(28)	(38)
Proceeds from the sale of nuclear plant decommissioning trust investments	24	34
Net (increase) decrease in notes receivable from affiliates		198
Net (increase) decrease in restricted cash and cash equivalents	(59)	(19)
Other investing activities	2	(4)
Net cash provided by (used in) investing activities	(195)	(41)
Cash Flows from Financing Activities		
Retirement of long-term debt	(8)	
Distributions to member	(313)	(557)
Net increase (decrease) in short-term debt	125	100
Net cash provided by (used in) financing activities	(196)	(457)
Net Increase (Decrease) in Cash and Cash Equivalents	(266)	(244)

Cash and Cash Equivalents at Beginning of Period		413		379
Cash and Cash Equivalents at End of Period	$	147	$	135

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

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CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Energy Supply, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	March 31, 2013	December 31, 2012
Assets		
Current Assets		
Cash and cash equivalents	$ 147	$ 413
Restricted cash and cash equivalents	105	46
Accounts receivable (less reserve: 2013, $22; 2012, $23)		
Customer	209	183
Other	37	31
Accounts receivable from affiliates	56	125
Unbilled revenues	246	369
Fuel, materials and supplies	316	327
Prepayments	119	15
Price risk management assets	1,194	1,511
Other current assets	21	10
Total Current Assets	2,450	3,030
Investments		
Nuclear plant decommissioning trust funds	764	712
Other investments	42	41
Total Investments	806	753
Property, Plant and Equipment		
Non-regulated property, plant and equipment		
Generation	11,555	11,305
Nuclear fuel	666	524
Other	295	294
Less: accumulated depreciation - non-regulated property, plant and equipment	5,908	5,817
Non-regulated property, plant and equipment, net	6,608	6,306
Construction work in progress	659	987
Property, Plant and Equipment, net (a)	7,267	7,293
Other Noncurrent Assets		
Goodwill	86	86
Other intangibles (a)	255	252
Price risk management assets	482	557
Other noncurrent assets	361	404
Total Other Noncurrent Assets	1,184	1,299
Total Assets	$ 11,707	$ 12,375

(a) At March 31, 2013 and December 31, 2012, includes $426 million and $428 million of PP&E, consisting primarily of "Generation," including leasehold improvements, and both periods include $10 million of "Other intangibles" from the consolidation of a VIE that is the owner/lessor of the Lower Mt. Bethel plant.

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

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Energy Supply, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	March 31, 2013	December 31, 2012
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 481	$ 356
Long-term debt due within one year	741	751
Accounts payable	344	438
Accounts payable to affiliates	25	31
Taxes	31	62
Interest	57	31
Price risk management liabilities	951	1,010
Deferred income taxes	59	158
Other current liabilities	251	319
Total Current Liabilities	2,940	3,156
Long-term Debt	2,523	2,521
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,311	1,232
Investment tax credits	200	186
Price risk management liabilities	481	556
Accrued pension obligations	193	293
Asset retirement obligations	370	365
Other deferred credits and noncurrent liabilities	195	218
Total Deferred Credits and Other Noncurrent Liabilities	2,750	2,850
Commitments and Contingent Liabilities (Note 10)		
Equity		
Member's equity	3,476	3,830
Noncontrolling interests	18	18
Total Equity	3,494	3,848
Total Liabilities and Equity	$ 11,707	$ 12,375

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

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
PPL Energy Supply, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Member's equity	Non-controlling interests	Total
December 31, 2012 (a)	$ 3,830	$ 18	$ 3,848
Net income (loss)	(38)		(38)
Other comprehensive income (loss)	(3)		(3)
Distributions to member	(313)		(313)
March 31, 2013 (a)	$ 3,476	$ 18	$ 3,494
December 31, 2011	$ 4,019	$ 18	$ 4,037
Net income (loss)	309		309
Other comprehensive income (loss)	(58)		(58)
Distributions to member	(557)		(557)
March 31, 2012	$ 3,713	$ 18	$ 3,731

(a) See Note 18 for disclosure of balances of each component of AOCI.

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

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2013	2012
Operating Revenues		
Retail electric	$ 512	$ 457
Electric revenue from affiliate	1	1
Total Operating Revenues	513	458
Operating Expenses		
Operation		
Energy purchases	172	153
Energy purchases from affiliate	14	21
Other operation and maintenance	133	140
Depreciation	43	39
Taxes, other than income	30	26
Total Operating Expenses	392	379
Operating Income	121	79
Other Income (Expense) - net	1	1
Interest Income from Affiliate		1
Interest Expense	25	24
Income Before Income Taxes	97	57
Income Taxes	33	20
Net Income (a)	64	37
Distributions on Preference Stock		4
Net Income Available to PPL	$ 64	$ 33

(a) Net income approximates comprehensive income.

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

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2013	2012
Cash Flows from Operating Activities		
Net income	$ 64	$ 37
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	43	39
Amortization	5	4
Defined benefit plans - expense	7	9
Deferred income taxes and investment tax credits	45	58
Other	3	5
Change in current assets and current liabilities		
Accounts receivable	(87)	(11)
Accounts payable	(40)	(25)
Unbilled revenues	5	23
Prepayments	(28)	(70)
Taxes	15	
Other	(26)	(1)
Other operating activities		
Defined benefit plans - funding	(88)	(54)
Other assets	8	
Other liabilities	(3)	(24)
Net cash provided by (used in) operating activities	(77)	(10)
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(189)	(121)
Other investing activities	(3)	(1)
Net cash provided by (used in) investing activities	(192)	(122)
Cash Flows from Financing Activities		
Contributions from parent	60	
Payment of common stock dividends to parent	(25)	(35)
Net increase (decrease) in short-term debt	125	
Other financing activities		(4)
Net cash provided by (used in) financing activities	160	(39)
Net Increase (Decrease) in Cash and Cash Equivalents	(109)	(171)
Cash and Cash Equivalents at Beginning of Period	140	320
Cash and Cash Equivalents at End of Period	$ 31	$ 149

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)

	March 31, 2013	December 31, 2012
Assets		
Current Assets		
Cash and cash equivalents	$ 31	$ 140
Accounts receivable (less reserve: 2013, $19; 2012, $18)		
Customer	325	249
Other	4	5
Accounts receivable from affiliates	30	29
Unbilled revenues	105	110
Materials and supplies	40	39
Prepayments	104	76
Deferred income taxes	49	45
Other current assets	17	4
Total Current Assets	705	697
Property, Plant and Equipment		
Regulated utility plant	6,416	6,286
Less: accumulated depreciation - regulated utility plant	2,354	2,316
Regulated utility plant, net	4,062	3,970
Other, net	2	2
Construction work in progress	427	370
Property, Plant and Equipment, net	4,491	4,342
Other Noncurrent Assets		
Regulatory assets	860	853
Intangibles	176	171
Other noncurrent assets	35	55
Total Other Noncurrent Assets	1,071	1,079
Total Assets	$ 6,267	$ 6,118

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

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, shares in thousands)

	March 31, 2013	December 31, 2012
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 125	
Long-term debt due within one year	10	
Accounts payable	241	$ 259
Accounts payable to affiliates	60	63
Taxes	17	12
Interest	19	26
Regulatory liabilities	57	52
Other current liabilities	99	93
Total Current Liabilities	628	505
Long-term Debt	1,957	1,967
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,274	1,233
Investment tax credits	3	3
Accrued pension obligations	152	237
Regulatory liabilities	13	8
Other deferred credits and noncurrent liabilities	79	103
Total Deferred Credits and Other Noncurrent Liabilities	1,521	1,584
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	364	364
Additional paid-in capital	1,195	1,135
Earnings reinvested	602	563
Total Equity	2,161	2,062
Total Liabilities and Equity	$ 6,267	$ 6,118

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at March 31, 2013 and December 31, 2012.

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

CONDENSED CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Preference stock	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2012	66,368		$ 364	$ 1,135	$ 563	$ 2,062
Net income					64	64
Capital contributions from PPL				60		60
Cash dividends declared on common stock					(25)	(25)
March 31, 2013	66,368		$ 364	$ 1,195	$ 602	$ 2,161
December 31, 2011	66,368	$ 250	$ 364	$ 979	$ 532	$ 2,125
Net income					37	37
Cash dividends declared on preference stock					(4)	(4)
Cash dividends declared on common stock					(35)	(35)
March 31, 2012	66,368	$ 250	$ 364	$ 979	$ 530	$ 2,123

(a) Shares in thousands. All common shares of PPL Electric stock are owned by PPL.

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

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME
LG&E and KU Energy LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2013	2012
Operating Revenues	$ 800	$ 705
Operating Expenses		
Operation		
Fuel	231	213
Energy purchases	86	74
Other operation and maintenance	197	206
Depreciation	82	86
Taxes, other than income	12	11
Total Operating Expenses	608	590
Operating Income	192	115
Other Income (Expense) - net	(2)	(3)
Interest Expense	37	38
Income Before Income Taxes	153	74
Income Taxes	57	21
Net Income (a)	$ 96	$ 53

(a) Net income approximates comprehensive income.

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
LG&E and KU Energy LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2013	2012
Cash Flows from Operating Activities		
Net income	$ 96	$ 53
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	82	86
Amortization	7	7
Defined benefit plans - expense	17	10
Deferred income taxes and investment tax credits	45	32
Other	1	(1)
Change in current assets and current liabilities		
Accounts receivable	(78)	
Accounts payable	31	16
Accounts payable to affiliates	1	4
Unbilled revenues		29
Fuel, materials and supplies	47	29
Accrued interest	30	30
Taxes	(2)	9
Other	(29)	(19)
Other operating activities		
Defined benefit plans - funding	(154)	(58)
Other assets	2	(1)
Other liabilities	(11)	6
Net cash provided by operating activities	85	232
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(271)	(174)
Net (increase) decrease in notes receivable from affiliates		10
Net (increase) decrease in restricted cash and cash equivalents	4	2
Net cash provided by (used in) investing activities	(267)	(162)
Cash Flows from Financing Activities		
Net increase (decrease) in notes payable with affiliates	60	
Net increase (decrease) in short-term debt	60	
Distributions to member	(4)	(25)
Contributions from member	75	
Net cash provided by (used in) financing activities	191	(25)
Net Increase (Decrease) in Cash and Cash Equivalents	9	45
Cash and Cash Equivalents at Beginning of Period	43	59
Cash and Cash Equivalents at End of Period	$ 52	$ 104

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)

	March 31, 2013	December 31, 2012
Assets		
Current Assets		
Cash and cash equivalents	$ 52	$ 43
Accounts receivable (less reserve: 2013, $18; 2012, $19)		
Customer	218	133
Other	10	20
Unbilled revenues	156	156
Accounts receivable from affiliates	1	1
Fuel, materials and supplies	229	276
Prepayments	23	28
Price risk management assets from affiliates	24	14
Deferred income taxes	13	13
Regulatory assets	32	19
Other current assets	5	4
Total Current Assets	763	707
Property, Plant and Equipment		
Regulated utility plant	8,137	8,073
Less: accumulated depreciation - regulated utility plant	578	519
Regulated utility plant, net	7,559	7,554
Other, net	3	3
Construction work in progress	917	750
Property, Plant and Equipment, net	8,479	8,307
Other Noncurrent Assets		
Regulatory assets	604	630
Goodwill	996	996
Other intangibles	258	271
Other noncurrent assets	104	108
Total Other Noncurrent Assets	1,962	2,005
Total Assets	$ 11,204	$ 11,019

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

CONDENSED CONSOLIDATED BALANCE SHEETS
LG&E and KU Energy LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	March 31, 2013	December 31, 2012
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 185	$ 125
Notes payable with affiliates	85	25
Accounts payable	291	283
Accounts payable to affiliates	2	1
Customer deposits	49	48
Taxes	24	26
Price risk management liabilities	5	5
Regulatory liabilities	4	9
Interest	51	21
Other current liabilities	79	100
Total Current Liabilities	775	643
Long-term Debt	4,075	4,075
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	587	541
Investment tax credits	138	138
Accrued pension obligations	265	414
Asset retirement obligations	127	125
Regulatory liabilities	1,003	1,002
Price risk management liabilities	49	53
Other deferred credits and noncurrent liabilities	233	242
Total Deferred Credits and Other Noncurrent Liabilities	2,402	2,515
Commitments and Contingent Liabilities (Notes 6 and 10)		
Member's equity	3,952	3,786
Total Liabilities and Equity	$ 11,204	$ 11,019

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

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
LG&E and KU Energy LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

		Member's Equity
December 31, 2012	$	3,786
Net income		96
Contributions from member		75
Distributions to member		(4)
Other comprehensive income (loss)		(1)
March 31, 2013	$	3,952
December 31, 2011	$	3,741
Net income		53
Distributions to member		(25)
Other comprehensive income (loss)		(4)
March 31, 2012	$	3,765

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

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CONDENSED STATEMENTS OF INCOME
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2013	2012
Operating Revenues		
Retail and wholesale	$ 369	$ 329
Electric revenue from affiliate	21	24
Total Operating Revenues	390	353
Operating Expenses		
Operation		
Fuel	96	89
Energy purchases	80	69
Energy purchases from affiliate	1	4
Other operation and maintenance	91	98
Depreciation	36	38
Taxes, other than income	6	5
Total Operating Expenses	310	303
Operating Income	80	50
Other Income (Expense) - net	(1)	1
Interest Expense	10	11
Income Before Income Taxes	69	40
Income Taxes	25	15
Net Income (a)	$ 44	$ 25

(a) Net income equals comprehensive income.

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

CONDENSED STATEMENTS OF CASH FLOWS
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2013	2012
Cash Flows from Operating Activities		
Net income	$ 44	$ 25
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	36	38
Amortization	3	
Defined benefit plans - expense	6	4
Deferred income taxes and investment tax credits	11	16
Other	(5)	(1)
Change in current assets and current liabilities		
Accounts receivable	(37)	(9)
Accounts payable	9	14
Accounts payable to affiliates	(7)	(10)
Unbilled revenues	1	16
Fuel, materials and supplies	37	19
Taxes	17	5
Other	11	8
Other operating activities		
Defined benefit plans - funding	(43)	(24)
Other liabilities	2	1
Net cash provided by operating activities	85	102
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(98)	(60)
Net (increase) decrease in restricted cash and cash equivalents	4	2
Net cash provided by (used in) investing activities	(94)	(58)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term debt	15	
Payment of common stock dividends to parent	(19)	(15)
Contributions from parent	25	
Net cash provided by (used in) financing activities	21	(15)
Net Increase (Decrease) in Cash and Cash Equivalents	12	29
Cash and Cash Equivalents at Beginning of Period	22	25
Cash and Cash Equivalents at End of Period	$ 34	$ 54

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

CONDENSED BALANCE SHEETS
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars, shares in thousands)

	March 31, 2013	December 31, 2012
Assets		
Current Assets		
Cash and cash equivalents	$ 34	$ 22
Accounts receivable (less reserve: 2013, $1; 2012, $1)		
Customer	99	59
Other	6	16
Unbilled revenues	71	72
Accounts receivable from affiliates	12	14
Fuel, materials and supplies	105	142
Prepayments	9	7
Price risk management assets from affiliates	12	7
Regulatory assets	21	19
Other current assets		1
Total Current Assets	369	359
Property, Plant and Equipment		
Regulated utility plant	3,226	3,187
Less: accumulated depreciation - regulated utility plant	251	220
Regulated utility plant, net	2,975	2,967
Construction work in progress	319	259
Property, Plant and Equipment, net	3,294	3,226
Other Noncurrent Assets		
Regulatory assets	388	400
Goodwill	389	389
Other intangibles	138	144
Other noncurrent assets	39	44
Total Other Noncurrent Assets	954	977
Total Assets	$ 4,617	$ 4,562

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

CONDENSED BALANCE SHEETS
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars, shares in thousands)

	March 31, 2013	December 31, 2012
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 70	$ 55
Accounts payable	131	117
Accounts payable to affiliates	16	23
Customer deposits	24	23
Taxes	19	2
Price risk management liabilities	5	5
Regulatory liabilities	3	4
Interest	11	5
Other current liabilities	29	34
Total Current Liabilities	308	268
Long-term Debt	1,112	1,112
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	555	544
Investment tax credits	40	40
Accrued pension obligations	59	102
Asset retirement obligations	57	56
Regulatory liabilities	471	471
Price risk management liabilities	49	53
Other deferred credits and noncurrent liabilities	106	106
Total Deferred Credits and Other Noncurrent Liabilities	1,337	1,372
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	424	424
Additional paid-in capital	1,303	1,278
Earnings reinvested	133	108
Total Equity	1,860	1,810
Total Liabilities and Equity	$ 4,617	$ 4,562

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at March 31, 2013 and December 31, 2012.

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

CONDENSED STATEMENTS OF EQUITY
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2012	21,294	$ 424	$ 1,278	$ 108	$ 1,810
Net income				44	44
Capital contributions from LKE			25		25
Cash dividends declared on common stock				(19)	(19)
March 31, 2013	21,294	$ 424	$ 1,303	$ 133	$ 1,860
December 31, 2011	21,294	$ 424	$ 1,278	$ 60	$ 1,762
Net income				25	25
Cash dividends declared on common stock				(15)	(15)
March 31, 2012	21,294	$ 424	$ 1,278	$ 70	$ 1,772

(a) Shares in thousands. All common shares of LG&E stock are owned by LKE.

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

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CONDENSED STATEMENTS OF INCOME
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2013	2012
Operating Revenues		
Retail and wholesale	$ 431	$ 376
Electric revenue from affiliate	1	4
Total Operating Revenues	432	380
Operating Expenses		
Operation		
Fuel	135	124
Energy purchases	6	5
Energy purchases from affiliate	21	24
Other operation and maintenance	97	95
Depreciation	46	48
Taxes, other than income	6	6
Total Operating Expenses	311	302
Operating Income	121	78
Other Income (Expense) - net	(1)	(1)
Interest Expense	17	17
Income Before Income Taxes	103	60
Income Taxes	39	22
Net Income (a)	$ 64	$ 38

(a) Net income approximates comprehensive income.

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

CONDENSED STATEMENTS OF CASH FLOWS
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2013	2012
Cash Flows from Operating Activities		
Net income	$ 64	$ 38
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	46	48
Amortization	4	
Defined benefit plans - expense	5	3
Deferred income taxes and investment tax credits	35	25
Other	9	6
Change in current assets and current liabilities		
Accounts receivable	(31)	(7)
Accounts payable	32	10
Accounts payable to affiliates	8	3
Unbilled revenues	(1)	13
Fuel, materials and supplies	10	10
Taxes	(17)	4
Accrued interest	15	15
Other	(20)	(3)
Other operating activities		
Defined benefit plans - funding	(60)	(17)
Other assets	1	(1)
Other liabilities	(15)	5
Net cash provided by operating activities	85	152
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(172)	(113)
Net cash provided by (used in) investing activities	(172)	(113)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term debt	45	
Payment of common stock dividends to parent	(13)	(24)
Contributions from parent	50	
Net cash provided by (used in) financing activities	82	(24)
Net Increase (Decrease) in Cash and Cash Equivalents	(5)	15
Cash and Cash Equivalents at Beginning of Period	21	31
Cash and Cash Equivalents at End of Period	$ 16	$ 46

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

CONDENSED BALANCE SHEETS
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars, shares in thousands)

	March 31, 2013		December 31, 2012	
Assets				
Current Assets				
Cash and cash equivalents	$	16	$	21
Accounts receivable (less reserve: 2013, $2; 2012, $2)				
Customer		119		74
Other		3		13
Unbilled revenues		85		84
Accounts receivable from affiliates		1		7
Fuel, materials and supplies		124		134
Prepayments		7		10
Price risk management assets from affiliates		12		7
Deferred income taxes		3		3
Regulatory assets		11		
Other current assets		5		3
Total Current Assets		386		356
Property, Plant and Equipment				
Regulated utility plant		4,911		4,886
Less: accumulated depreciation - regulated utility plant		327		299
Regulated utility plant, net		4,584		4,587
Other, net		1		1
Construction work in progress		596		490
Property, Plant and Equipment, net		5,181		5,078
Other Noncurrent Assets				
Regulatory assets		216		230
Goodwill		607		607
Other intangibles		120		127
Other noncurrent assets		58		57
Total Other Noncurrent Assets		1,001		1,021
Total Assets	$	6,568	$	6,455

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

CONDENSED BALANCE SHEETS
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars, shares in thousands)

	March 31, 2013	December 31, 2012
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 115	$ 70
Accounts payable	151	147
Accounts payable to affiliates	41	33
Customer deposits	25	25
Taxes	9	26
Regulatory liabilities	1	5
Interest	25	10
Other current liabilities	27	33
Total Current Liabilities	394	349
Long-term Debt	1,842	1,842
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	621	587
Investment tax credits	98	98
Accrued pension obligations	45	104
Asset retirement obligations	70	69
Regulatory liabilities	532	531
Other deferred credits and noncurrent liabilities	82	92
Total Deferred Credits and Other Noncurrent Liabilities	1,448	1,481
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	308	308
Additional paid-in capital	2,398	2,348
Accumulated other comprehensive income (loss)	1	1
Earnings reinvested	177	126
Total Equity	2,884	2,783
Total Liabilities and Equity	$ 6,568	$ 6,455

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at March 31, 2013 and December 31, 2012.

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

CONDENSED STATEMENTS OF EQUITY
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive income (loss)	Total
December 31, 2012	37,818	$ 308	$ 2,348	$ 126	$ 1	$ 2,783
Net income				64		64
Capital contributions from LKE			50			50
Cash dividends declared on common stock				(13)		(13)
March 31, 2013	37,818	$ 308	$ 2,398	$ 177	$ 1	$ 2,884
December 31, 2011	37,818	$ 308	$ 2,348	$ 89		$ 2,745
Net income				38		38
Cash dividends declared on common stock				(24)		(24)
Other comprehensive income (loss)					$ (4)	(4)
March 31, 2012	37,818	$ 308	$ 2,348	$ 103	$ (4)	$ 2,755

(a) Shares in thousands. All common shares of KU stock are owned by LKE.

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

Combined Notes to Condensed Financial Statements (Unaudited)

1. Interim Financial Statements

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

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 accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnotes required by accounting principles generally accepted in the U.S. for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation in accordance with accounting principles generally accepted in the U.S. 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, 2012 is derived from that Registrant's 2012 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 2012 Form 10-K. The results of operations for the three months ended March 31, 2013, are not necessarily indicative of the results to be expected for the full year ending December 31, 2013, or other future periods, because results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

The classification of certain prior period amounts has been changed to conform to the presentation in the March 31, 2013 financial statements.

2. Summary of Significant Accounting Policies

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

The following accounting policy disclosures represent updates to Note 1 in each Registrant's 2012 Form 10-K and should be read in conjunction with those disclosures.

Accounts Receivable (PPL, PPL Energy Supply and PPL Electric)

In accordance with a PUC-approved purchase of accounts receivable program, PPL Electric purchases certain accounts receivable from alternative suppliers (including PPL EnergyPlus) at a discount, which reflects a provision for uncollectible accounts. The alternative suppliers have no continuing involvement or interest in the purchased accounts receivable. The purchased accounts receivable are initially recorded at fair value using a market approach based on the purchase price paid and are classified as Level 2 in the fair value hierarchy. During the three months ended March 31, 2013, PPL Electric purchased $259 million of accounts receivable from unaffiliated third parties and $77 million from PPL EnergyPlus. During the three months ended March 31, 2012, PPL Electric purchased $238 million of accounts receivable from unaffiliated third parties and $82 million from PPL EnergyPlus.

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

The KPSC approved new lower depreciation rates for LG&E and KU as part of the rate-case settlement agreement reached in November 2012. The new rates became effective January 1, 2013 and will result in lower depreciation of approximately $19 million ($9 million for LG&E and $10 million for KU) in 2013, exclusive of net additions to PP&E.

New Accounting Guidance Adopted (PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)

Improving Disclosures about Offsetting Balance Sheet Items

Effective January 1, 2013, the Registrants retrospectively adopted accounting guidance issued to enhance disclosures about derivative instruments that either (1) offset on the balance sheet or (2) are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset on the balance sheet.

The adoption of this guidance resulted in enhanced disclosures but did not have a significant impact on the Registrants. See Note 14 for the new disclosures.

Testing Indefinite-Lived Intangible Assets for Impairment

Effective January 1, 2013, the Registrants prospectively adopted accounting guidance that allows an entity to elect the option to first make a qualitative evaluation about the likelihood of an impairment of an indefinite-lived intangible asset. If, based on this assessment, the entity determines that it is more likely than not that the fair value of the indefinite-lived intangible asset exceeds the carrying amount, a quantitative impairment test does not need to be performed. If the entity concludes otherwise, a quantitative impairment test must be performed by determining the fair value of the asset and comparing it with the carrying value. The entity would record an impairment charge, if necessary.

The adoption of this guidance did not have a significant impact on the Registrants.

Reporting Amounts Reclassified Out of AOCI

Effective January 1, 2013, the Registrants prospectively adopted accounting guidance issued to improve the reporting of reclassifications out of AOCI. The Registrants are required to provide information about the effects on net income of significant amounts reclassified out of AOCI by their respective statement of income line item, if the item is required to be reclassified to net income in its entirety. For items not reclassified to net income in their entirety, the Registrants are required to reference other disclosures that provide greater detail about these reclassifications.

The adoption of this guidance resulted in enhanced disclosures but did not have a significant impact on the Registrants. See Note 18 for the new disclosures.

3. Segment and Related Information

(PPL)

See Note 2 in PPL's 2012 Form 10-K for a discussion of reportable segments. "Corporate and Other" primarily represents costs incurred at the corporate level that have not been allocated or assigned to the segments, which is presented to reconcile segment information to PPL's consolidated results. For 2012, there were no significant costs or assets in this category.

Beginning in 2013, PPL anticipates more costs to be included in the Corporate and Other category primarily due to an anticipated increase in financing at PPL Capital Funding not directly attributable to a particular segment. PPL's recent growth in rate-regulated businesses provides the organization an enhanced corporate-level financing alternative, through PPL Capital Funding, that further enables PPL to support targeted credit profiles cost effectively across all of PPL's rated companies. As a result, PPL plans to further utilize PPL Capital Funding in addition to continued direct financing by the operating companies, as appropriate. The financing costs associated primarily with PPL Capital Funding's future securities issuances are not expected to be directly assignable or allocable to any segment and generally will be reflected in Corporate and Other beginning in 2013.

Financial data for the segments for the periods ended March 31 are:

	Three Months	
	2013	2012
Income Statement Data		
Revenues from external customers		
Kentucky Regulated	$ 800	$ 705
U.K. Regulated	648	562
Pennsylvania Regulated	512	457

Supply (a)		494		2,388
Corporate and Other		3		
Total	$	2,457	$	4,112
Intersegment electric revenues				
Pennsylvania Regulated	$	1	$	1
Supply		14		21
Net Income Attributable to PPL Shareowners				
Kentucky Regulated	$	85	$	42
U.K. Regulated (a)		313		165
Pennsylvania Regulated		64		33
Supply (a)		(46)		301
Corporate and Other		(3)		
Total	$	413	$	541

		March 31, 2013	December 31, 2012
Balance Sheet Data			
Assets			
	Kentucky Regulated	$ 10,870	$ 10,670
	U.K. Regulated	13,816	14,073
	Pennsylvania Regulated	6,267	6,023
	Supply	12,041	12,868
	Corporate and Other (b)	347	
Total assets		$ 43,341	$ 43,634

(a) Includes unrealized gains and losses from economic activity. See Note 14 for additional information.
(b) Primarily consists of unallocated assets, including cash, PP&E and the elimination of inter-segment transactions.

4. Earnings Per Share

(PPL)

Basic EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding during the applicable period. Diluted EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding, increased by incremental shares that would be outstanding if potentially dilutive non-participating securities were converted to common shares as calculated using the treasury stock method or the If-Converted Method, as applicable. The If-Converted Method was applied to the Equity Units beginning in the first quarter of 2013. Incremental non-participating securities that have a dilutive impact are detailed in the table below.

Reconciliations of the amounts of income and shares of PPL common stock (in thousands) for the periods ended March 31 used in the EPS calculation are:

	Three Months 2013	2012
Income (Numerator)		
Net income attributable to PPL shareowners	$ 413	$ 541
Less amounts allocated to participating securities	2	3
Net income available to PPL common shareowners - Basic	411	538
Plus interest charges (net of tax) related to Equity Units	15	
Net income available to PPL common shareowners - Diluted	$ 426	$ 538
Shares of Common Stock (Denominator)		
Weighted-average shares - Basic EPS	582,640	579,041
Add incremental non-participating securities:		
Share-based payment awards	810	486
Equity Units	71,990	
Forward sale agreements	1,580	
Weighted-average shares - Diluted EPS	657,020	579,527
Basic EPS		
	$ 0.70	$ 0.93

Net Income Available to PPL common shareowners				
Diluted EPS				
Net Income Available to PPL common shareowners	$	0.65	$	0.93

For the periods ended March 31, PPL issued common stock related to stock-based compensation plans, ESOP and DRIP as follows:

(Shares in thousands)	Three Months	
	2013	2012
Stock-based compensation plans (a)	446	277
ESOP	275	280
DRIP	549	558

(a) Includes stock options exercised, vesting of restricted stock and restricted stock units and conversion of stock units granted to directors.

In April 2013, PPL settled certain forward sale agreements. See Note 7 for additional information.

For the periods ended March 31, the following were excluded from the computations of diluted EPS because the effect would have been antidilutive.

(Shares in thousands)	Three Months 2013	2012
Stock options	6,589	5,682
Performance units	206	195
Restricted stock units	116	

5. Income Taxes

Reconciliations of income taxes for the periods ended March 31 are:

(PPL)

	Three Months 2013	2012
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 197	$ 281
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	3	24
Impact of lower U.K. income tax rates	(38)	(21)
U.S. income tax on foreign earnings - net of foreign tax credit	2	2
Foreign tax reserve adjustments		3
Federal income tax credits	(3)	(4)
Amortization of investment tax credit	(3)	(2)
Depreciation not normalized	(3)	(2)
State deferred tax rate change (a)		(11)
Net operating loss carryforward adjustments (b)		(6)
Other	(4)	(5)
Total increase (decrease)	(46)	(22)
Total income taxes	$ 151	$ 259

(a) During the three months ended March 31, 2012, PPL recorded adjustments related to state deferred tax liabilities.
(b) During the three months ended March 31, 2012, PPL recorded adjustments to deferred taxes related to net operating loss carryforwards of LKE based on income tax return adjustments.

(PPL Energy Supply)

	Three Months 2013	2012
Federal income tax on Income (Loss) Before Income Taxes at statutory tax rate - 35%	$ (26)	$ 170
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	(6)	23
Federal income tax credits	(3)	(4)
State deferred tax rate change (a)		(11)
Other		(1)
Total increase (decrease)	(9)	7
Total income taxes	$ (35)	$ 177

(a)

During the three months ended March 31, 2012, PPL Energy Supply recorded adjustments related to state deferred tax liabilities.

(PPL Electric)

	Three Months	
	2013	2012
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 34	$ 20
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	5	2
Federal and state tax reserve adjustments	(2)	(1)
Depreciation not normalized	(3)	(1)
Other	(1)	
Total increase (decrease)	(1)	
Total income taxes	$ 33	$ 20

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(LKE)

	Three Months 2013	2012
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 54	$ 26
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	5	2
Net operating loss carryforward adjustments (a)		(6)
Other	(2)	(1)
Total increase (decrease)	3	(5)
Total income taxes	$ 57	$ 21

(a) During the three months ended March 31, 2012, LKE recorded adjustments to deferred taxes related to net operating loss carryforwards based on income tax return adjustments.

(LG&E)

	Three Months 2013	2012
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 24	$ 14
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	3	1
Other	(2)	
Total increase (decrease)	1	1
Total income taxes	$ 25	$ 15

(KU)

	Three Months 2013	2012
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 36	$ 21
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	4	2
Other	(1)	(1)
Total increase (decrease)	3	1
Total income taxes	$ 39	$ 22

Unrecognized Tax Benefits (PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)

Changes to unrecognized tax benefits for the periods ended March 31 were as follows:

	Three Months 2013	2012
PPL		
Beginning of period	$ 92	$ 145
Additions based on tax positions of prior years		4
Reductions based on tax positions of prior years		(27)

	Additions based on tax positions related to the current year				1
	Lapse of applicable statutes of limitations		(2)		(2)
	End of period	$	90	$	121
PPL Energy Supply					
	Beginning of period	$	30	$	28
	Additions based on tax positions of prior years				4
	Reductions based on tax positions of prior years				(1)
	End of period	$	30	$	31
PPL Electric					
	Beginning of period	$	26	$	73
	Reductions based on tax positions of prior years				(26)
	Additions based on tax positions related to the current year				1
	Lapse of applicable statutes of limitations		(2)		(2)
	End of period	$	24	$	46

LKE's, LG&E's and KU's unrecognized tax benefits and changes in those unrecognized tax benefits are insignificant for the three months ended March 31, 2013 and 2012.

At March 31, 2013, it was reasonably possible that during the next 12 months the total amount of unrecognized tax benefits could increase or decrease by the following amounts. For LKE, LG&E and KU, no significant changes in unrecognized tax benefits are projected over the next 12 months.

	Increase	Decrease
PPL	$ 10	$ 88
PPL Energy Supply		30
PPL Electric	10	22

These potential changes could result from subsequent recognition, derecognition and/or changes in the measurement of uncertain tax positions related to the creditability of foreign taxes, the timing and utilization of foreign tax credits and the related impact on alternative minimum tax and other credits, the timing and/or valuation of certain deductions, intercompany transactions and unitary filing groups. The events that could cause these changes are direct settlements with taxing authorities, litigation, legal or administrative guidance by relevant taxing authorities and the lapse of an applicable statute of limitation.

At March 31, the total unrecognized tax benefits and related indirect effects that, if recognized, would decrease the effective income tax rate were as follows. The amounts for LKE, LG&E and KU were insignificant.

	2013	2012
PPL	$ 37	$ 41
PPL Energy Supply	13	14
PPL Electric	3	6

Other (PPL, PPL Energy Supply and PPL Electric)

PPL changed its method of accounting for repair expenditures for tax purposes effective for its 2008 tax year for Pennsylvania operations. PPL made the same change for its Montana operations for 2009. In 2011, the IRS issued guidance on repair expenditures related to network assets providing a safe harbor method of determining whether the repair expenditures can be currently deducted for tax purposes. On April 30, 2013, the IRS issued Revenue Procedure 2013-24 providing guidance to taxpayers to determine whether expenditures to maintain, replace or improve steam or electric generation property must be capitalized for tax purposes. PPL is evaluating the impact of this guidance. The IRS may assert, and ultimately conclude, that PPL's deduction for generation-related expenditures should be disallowed in whole or in part. PPL believes that it has established an adequate reserve for this contingency.

Tax Litigation (PPL)

In 1997, the U.K. imposed a Windfall Profits Tax (WPT) on privatized utilities, including WPD. PPL filed its tax returns for years subsequent to its 1997 and 1998 claims for refund on the basis that the U.K. WPT was creditable. In September 2010, the U.S. Tax Court (Tax Court) ruled in PPL's favor in a dispute with the IRS, concluding that the U.K. WPT is a creditable tax for U.S. tax purposes. As a result, and with finalization of other issues, PPL recorded a $42 million tax benefit in 2010. In January 2011, the IRS appealed the Tax Court's decision to the U.S. Court of Appeals for the Third Circuit (Third Circuit). In December 2011, the Third Circuit issued its opinion reversing the Tax Court's decision, holding that the U.K. WPT is not a creditable tax. As a result of the Third Circuit's adverse determination, PPL recorded a $39 million expense in the fourth quarter of 2011. In February 2012, PPL filed a petition for rehearing of the Third Circuit's opinion. In March 2012, the Third Circuit denied PPL's petition. In June 2012, the U.S. Court of Appeals for the Fifth Circuit issued a contrary opinion in an identical case involving another company. In July 2012, PPL filed a petition for a writ of certiorari seeking U.S. Supreme Court review of the Third Circuit's opinion. The Supreme Court granted PPL's petition on October 29, 2012, and oral argument was held on February 20, 2013. PPL expects the case to be decided before the end of the Supreme Court's current term in June 2013 and cannot predict the outcome of this matter.

6. Utility Rate Regulation

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

The following table provides information about the regulatory assets and liabilities of cost-based rate-regulated utility operations.

	PPL		PPL Electric	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Current Regulatory Assets:				
Transmission formula rate	$ 5		$ 5	
Gas supply clause	12	$ 11		
Fuel adjustment clause	14	6		
Other	6	2		
Total current regulatory assets	$ 37	$ 19	$ 5	
Noncurrent Regulatory Assets:				
Defined benefit plans	$ 714	$ 730	$ 356	$ 362
Taxes recoverable through future rates	295	293	295	293
Storm costs	163	168	58	59
Unamortized loss on debt	94	96	63	65
Interest rate swaps	62	67		
Accumulated cost of removal of utility plant	85	71	85	71
AROs	30	26		
Other	21	32	3	3
Total noncurrent regulatory assets	$ 1,464	$ 1,483	$ 860	$ 853
Current Regulatory Liabilities:				
Generation supply charge	$ 28	$ 27	$ 28	$ 27
ECR		4		
Gas supply clause	1	4		
Transmission service charge	12	6	12	6
Universal service rider	15	17	15	17
Other	5	3	2	2
Total current regulatory liabilities	$ 61	$ 61	$ 57	$ 52
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 687	$ 679		
Coal contracts (a)	130	141		
Power purchase agreement - OVEC (a)	107	108		
Net deferred tax assets	33	34		
Act 129 compliance rider	13	8	$ 13	$ 8
Defined benefit plans	17	17		
Interest rate swaps	24	14		
Other	5	9		
Total noncurrent regulatory liabilities	$ 1,016	$ 1,010	$ 13	$ 8

LKE LG&E KU

	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Current Regulatory Assets:						
Gas supply clause	$ 12	$ 11	$ 12	$ 11		
Fuel adjustment clause	14	6	7	6	$ 7	
Other	6	2	2	2	4	
Total current regulatory assets	$ 32	$ 19	$ 21	$ 19	$ 11	
Noncurrent Regulatory Assets:						
Defined benefit plans	$ 358	$ 368	$ 225	$ 232	$ 133	$ 136
Storm costs	105	109	57	59	48	50
Unamortized loss on debt	31	31	20	20	11	11
Interest rate swaps	62	67	62	67		
AROs	30	26	17	15	13	11
Other	18	29	7	7	11	22
Total noncurrent regulatory assets	$ 604	$ 630	$ 388	$ 400	$ 216	$ 230

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	LKE		LG&E		KU	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Current Regulatory Liabilities:						
ECR		$ 4				$ 4
DSM	$ 1				$ 1	
Gas supply clause	1	4	$ 1	$ 4		
Gas line tracker	2		2			
Other		1				1
Total current regulatory liabilities	$ 4	$ 9	$ 3	$ 4	$ 1	$ 5
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal of utility plant	$ 687	$ 679	$ 299	$ 297	$ 388	$ 382
Coal contracts (a)	130	141	57	61	73	80
Power purchase agreement - OVEC (a)	107	108	74	75	33	33
Net deferred tax assets	33	34	27	28	6	6
Defined benefit plans	17	17			17	17
Interest rate swaps	24	14	12	7	12	7
Other	5	9	2	3	3	6
Total noncurrent regulatory liabilities	$ 1,003	$ 1,002	$ 471	$ 471	$ 532	$ 531

(a) Recorded as offsets to certain intangible assets that were recorded at fair value upon the acquisition of LKE.

Regulatory Matters

Kentucky Activities (PPL, LKE, LG&E and KU)

Rate Case Proceedings

In December 2012, the KPSC approved a rate case settlement agreement providing for increases in annual base electricity rates of $34 million for LG&E and $51 million for KU and an increase in annual base gas rates of $15 million for LG&E using a 10.25% return on equity. The approved rates became effective January 1, 2013.

Pennsylvania Activities (PPL and PPL Electric)

Rate Case Proceeding

In December 2012, the PUC approved a total distribution revenue increase of about $71 million, using a 10.4% return on equity. The approved rates became effective January 1, 2013.

Storm Damage Expense Rider

In its December 28, 2012 final rate case proceeding order, the PUC directed PPL Electric to file a proposed Storm Damage Expense Rider within 90 days following the order. PPL Electric filed its proposed Storm Damage Expense

Rider with the PUC on March 28, 2013, including requested recovery of the 2012 qualifying storm costs related to Hurricane Sandy which were previously approved by the PUC for deferral. PPL Electric proposed that the Storm Damage Expense Rider become effective on January 1, 2013 for storm costs incurred in 2013, with those costs and the 2012 Hurricane Sandy costs included in rates effective on January 1, 2014. Several parties have filed comments opposing the Storm Damage Expense Rider. PPL Electric will file reply comments by May 6, 2013.

ACT 129

Act 129 requires Pennsylvania Electric Distribution Companies (EDCs) to meet specified goals for reduction in customer electricity usage and peak demand by specified dates. EDCs not meeting the requirements of Act 129 are exposed to significant penalties.

Under Act 129, EDCs must file an energy efficiency and conservation plan (EE&C Plan) with the PUC and contract with conservation service providers to implement all or a portion of the EE&C Plan. Act 129 requires EDCs to reduce overall electricity consumption by 1.0% by May 2011 and, by May 2013, reduce overall electricity consumption by 3.0% and reduce peak demand by 4.5%. Although PPL Electric believes it has met the May 2011 requirement, the PUC is not expected formally to determine compliance for any EDC before the first quarter of 2014. The peak demand reduction must occur for the 100 hours of highest demand, which is determined by actual demand reduction during the June 2012 through September 2012 period. EDCs are able to recover the costs (capped at 2.0% of the EDC's 2006 revenue) of implementing their EE&C Plans. In October 2009, the PUC approved PPL Electric's EE&C Plan. PPL Electric will determine if it met the peak demand reduction target and the May 2013 energy reduction target after it completes the final program evaluation in the fourth quarter of 2013.

Act 129 requires the PUC to evaluate the costs and benefits of the EE&C program by November 30, 2013 and adopt additional reductions if the benefits of the program exceed the costs. In August 2012, after receiving input from stakeholders, the PUC issued a Final Implementation Order establishing a three-year Phase II program, ending May 31, 2016, with individual consumption reduction targets for each EDC. PPL Electric's Phase II reduction target is 2.1% of the total energy consumption forecasted by the PUC for the June 1, 2009 through May 31, 2010 baseline year. The PUC did not establish demand reduction targets for the Phase II program. PPL Electric filed its Phase II EE&C Plan with the PUC on November 15, 2012 and the PUC issued its decision in March 2013, approving PPL Electric's Phase II program with minor modifications to a related tariff provision.

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

The PUC has approved PPL Electric's procurement plan for the period January 1, 2011 through May 31, 2013, and PPL Electric concluded all competitive solicitations to procure power for its PLR obligations under that plan.

The PUC has directed all EDCs to file default service procurement plans for the period June 1, 2013 through May 31, 2015. PPL Electric filed its plan in May 2012. In that plan, PPL Electric proposed a process to obtain supply for its default service customers and a number of initiatives designed to encourage more customers to purchase electricity from the competitive retail market. In its January 24, 2013 final order, the PUC approved PPL Electric's plan with modifications and directed PPL Electric to establish collaborative processes to address several retail competition issues. In February 2013, PPL Electric filed a revised Default Service Supply Master Agreement and a revised Request for Proposals Process and Rules which the PUC approved. PPL Electric has filed revised retail competition initiatives and a revised plan consistent with the PUC's January order. These filings remain pending before the PUC. See Note 10 for additional information.

Smart Meter Rider

Act 129 also requires installation of smart meters for new construction, upon the request of consumers and at their cost, or on a depreciation schedule not exceeding 15 years. Under Act 129, EDCs are able to recover the costs of providing smart metering technology. All of PPL Electric's metered customers currently have advanced meters installed at their service locations capable of many of the functions required under Act 129. PPL Electric continues to conduct pilot projects to determine if its current advanced metering technology satisfies the requirements of Act 129. PPL Electric recovers the cost of its pilot projects through a cost recovery mechanism, the Smart Meter Rider (SMR). In August 2012, PPL Electric filed with the PUC an annual report describing the actions it was taking under its Smart Meter Plan in 2012 and its planned actions for 2013. PPL Electric also submitted revised SMR charges which became effective January 1, 2013. PPL Electric will submit its final Smart Meter Plan by June 30, 2014.

PUC Investigation of Retail Electricity Market

In April 2011, the PUC opened an investigation of Pennsylvania's retail electricity market to be conducted in two phases. Phase one addressed the status of the existing retail market and explored potential changes. Questions issued by the PUC for phase one of the investigation focused primarily on default service issues. Phase two was initiated in July 2011 to develop specific proposals for changes to the retail market and default service model. From December 2011 through the end of 2012, the PUC issued several orders and other pronouncements related to the investigation. A final implementation order was issued on February 15, 2013. Although the final implementation order contains provisions that will require numerous modifications to PPL Electric's current default service model for retail customers, those modifications are not expected to have a material adverse effect on PPL Electric's results of operations.

Legislation - Regulatory Procedures and Mechanisms

Act 11 authorizes the PUC to approve two specific ratemaking mechanisms - the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, the use of a DSIC. Such alternative ratemaking procedures and mechanisms provide opportunity for accelerated cost-recovery and, therefore, are important to PPL Electric as it begins a period of significant capital investment to maintain and enhance the reliability of its delivery system, including the replacement of aging distribution assets. In August 2012, the PUC issued a Final Implementation Order adopting procedures, guidelines and a model tariff for the implementation of Act 11. Act 11 requires utilities to file an LTIIP as a prerequisite to filing for recovery through the DSIC. The LTIIP is mandated to be a five- to ten-year plan describing projects eligible for inclusion in the DSIC. In September 2012, PPL Electric filed its LTIIP describing projects eligible for inclusion in the DSIC.

The PUC approved the LTIIP on January 10, 2013 and, on January 15, 2013, PPL Electric filed a petition requesting permission to establish a DSIC. Several parties have filed responses to PPL Electric's petition. The case remains pending before the PUC. PPL Electric does not expect any new rates to be effective before the third quarter of 2013.

Federal Matters

FERC Formula Rates (PPL and PPL Electric)

Transmission rates are regulated by the FERC. PPL Electric's transmission revenues are billed in accordance with a FERC-approved PJM open access transmission tariff that utilizes a formula-based rate recovery mechanism. The formula rate is calculated, in part, based on financial results as reported in PPL Electric's annual FERC Form No. 1, filed under FERC's Uniform System of Accounts (USOA). PPL Electric must follow FERC's USOA, which requires subsidiaries to be presented, for FERC reporting purposes, using the equity method of accounting unless a waiver has been issued. The FERC has granted waivers of this requirement to other utilities when such waiver would more accurately present the integrated operations of the utilities and their subsidiaries. In March 2013, as part of a routine FERC audit of PPL and its subsidiaries, PPL Electric determined that it never obtained a waiver of the use of the equity method of accounting for PPL Receivables Corporation (PPL Receivables). PPL Receivables is a wholly owned subsidiary of PPL Electric, formed in 2004 to purchase eligible accounts receivable and unbilled revenue of PPL Electric to collateralize commercial paper issuances to reduce borrowing costs. In March 2013, PPL Electric filed a request for waiver with FERC that, if approved, would allow it to continue to consolidate the results of PPL Receivables with the results of PPL Electric, as it has done since 2004. While PPL Electric may ultimately be successful in obtaining a waiver from FERC, FERC may require PPL Electric to re-issue one or more of its prior FERC Form No. 1 filings in either the audit proceeding or the waiver proceeding. If re-issuance of FERC Form No. 1 filings were required by FERC, PPL Electric's revenue requirement calculated under the formula rate could be negatively impacted. The impact, if any, is not known at this time but could range between $0 and $40 million, pre-tax. PPL Electric cannot predict the outcome of the waiver or audit proceedings, which remain pending before the FERC.

PPL Electric has initiated its formula rate 2012, 2011 and 2010 Annual Updates. Each update has been subsequently challenged by a group of municipal customers, which challenges have been opposed by PPL Electric. In August 2011, the FERC issued an order substantially rejecting the 2010 formal challenge and the municipal customers filed a request for rehearing of that order. In September 2012, the FERC issued an order setting for evidentiary hearings and settlement judge procedures a number of issues raised in the 2010 and 2011 formal challenges. Settlement conferences were held in late 2012 and early 2013. In February 2013, the FERC set for evidentiary hearings and settlement judge procedures a number of issues in the 2012 formal challenge and consolidated that challenge with the 2010 and 2011 challenges. PPL Electric filed a request for rehearing of the February Order which remains pending before the FERC. PPL Electric anticipates that there will be additional settlement conferences held in 2013. Several of the municipal customers have filed Notice of Withdrawal of Intervention. PPL and PPL Electric cannot predict the outcome of the foregoing proceedings, which remain pending before the FERC.

U.K. Activities (PPL)

Ofgem Review of Line Loss Calculation

Ofgem is currently consulting on the methodology to be used by all network operators to calculate the final line loss incentive/penalty for the DPCR4. In April 2013, Ofgem stated that their current expectation was to issue a decision in the second half of 2013. PPL cannot predict when this matter will be resolved. WPD had an $89 million liability recorded at March 31, 2013 compared with $94 million at December 31, 2012, related to the close-out of line losses for the DPCR4, with the change due to foreign exchange movements.

7. Financing Activities

Credit Arrangements and Short-term Debt

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

The Registrants maintain credit facilities to enhance liquidity, provide credit support, and provide a backstop to commercial paper programs. For reporting purposes, on a consolidated basis, the credit facilities of PPL Energy Supply, PPL Electric, LG&E and KU also apply to PPL and the credit facilities of LG&E and KU also apply to LKE. The following credit facilities were in place at:

		March 31, 2013				December 31, 2012	
	Expiration Date	Capacity	Borrowed (a)	Letters of Credit Issued and Commercial Paper Backup	Unused Capacity	Borrowed (a)	Letters of Credit Issued and Commercial Paper Backup
PPL							
WPD Credit Facilities							
PPL WW Syndicated							
Credit Facility (b) (c)	Dec. 2016	£ 210	£ 109	n/a	£ 101	£ 106	n/a
WPD (South West)							
Syndicated Credit Facility	Jan. 2017	245		n/a	245		n/a
WPD (East Midlands)							
Syndicated Credit Facility (c)	Apr. 2016	300	65		235		
WPD (West Midlands)							
Syndicated Credit Facility	Apr. 2016	300			300		
Uncommitted Credit Facilities		84		£ 4	80		£ 4
Total WPD Credit Facilities (d)		£ 1,139	£ 174	£ 4	£ 961	£ 106	£ 4
PPL Energy Supply							
Syndicated Credit Facility	Nov. 2017	$ 3,000		$ 641	$ 2,359		$ 499
Letter of Credit Facility (e)	Mar. 2014	200	n/a	123	77	n/a	132
Uncommitted Credit Facilities		200	n/a	88	112	n/a	40
Total PPL Energy Supply Credit Facilities		$ 3,400		$ 852	$ 2,548		$ 671
PPL Electric							
Syndicated Credit Facility	Oct. 2017	$ 300		$ 126	$ 174		$ 1

Asset-backed Credit Facility (f)	Sept. 2013		100		n/a		100		n/a
Total PPL Electric Credit Facilities		$	400	$	126	$	274	$	1
LG&E									
Syndicated Credit Facility	Nov. 2017	$	500	$	70	$	430	$	55
KU									
Syndicated Credit Facility	Nov. 2017	$	400	$	115	$	285	$	70
Letter of Credit Facility (g)	Apr. 2014		198		198				198
Total KU Credit Facilities		$	598	$	313	$	285	$	268

(a) Amounts borrowed are recorded as "Short-term debt" on the Balance Sheets.

(b) In December 2012, the PPL WW syndicated credit facility that was set to expire in January 2013 was replaced and the capacity was increased from £150 million.

(c) PPL WW's amounts borrowed at March 31, 2013 and December 31, 2012 were USD-denominated borrowings of $171 million, which equated to £109 million and £106 million at the time of borrowings and bore interest at 1.9034% and 0.8452%. WPD (East Midlands) amount borrowed at March 31, 2013 was a GBP-denominated borrowing of £65 million, which equated to $99 million and bore interest at 1.30%.

(d) At March 31, 2013, the USD equivalent of unused capacity under WPD's credit facilities was $1.5 billion.

(e) In February 2013, PPL Energy Supply extended the expiration date from March 2013 and, effective April 2013, the capacity was reduced to $150 million.

(f) PPL Electric participates in an asset-backed commercial paper program through which PPL Electric obtains financing by selling and contributing its eligible accounts receivable and unbilled revenue to a special purpose, wholly owned subsidiary on an ongoing basis. The subsidiary has pledged these assets to secure loans from a commercial paper conduit sponsored by a financial institution.

At March 31, 2013 and December 31, 2012, $277 million and $238 million of accounts receivable and $98 million and $106 million of unbilled revenue were pledged by the subsidiary under the credit agreement related to PPL Electric's and the subsidiary's participation in the asset-backed commercial paper program. Based on the accounts receivable and unbilled revenue pledged at March 31, 2013, the amount available for borrowing under the facility was $100 million. PPL Electric's sale to its subsidiary of the accounts receivable and unbilled revenue is an absolute sale of assets, and PPL Electric does not retain an interest in these assets. However, for financial reporting purposes, the subsidiary's financial results are consolidated in PPL Electric's financial statements. PPL Electric performs certain record-keeping and cash collection functions with respect to the assets in return for a servicing fee from the subsidiary.

(g) In May 2013, KU extended the letter of credit facility to May 2016.

(PPL and PPL Energy Supply)

PPL Energy Supply maintains a $500 million Facility Agreement expiring June 2017, whereby PPL Energy Supply has the ability to request up to $500 million of committed letter of credit capacity at fees to be agreed upon at the time of each request, based on certain market conditions. At March 31, 2013, PPL Energy Supply had not requested any capacity for the issuance of letters of credit under this arrangement.

PPL Energy Supply, PPL EnergyPlus, PPL Montour and PPL Brunner Island maintain an $800 million secured energy marketing and trading facility, whereby PPL EnergyPlus will receive credit to be applied to satisfy collateral posting obligations related to its energy marketing and trading activities with counterparties participating in the facility. The credit amount is guaranteed by PPL Energy Supply, PPL Montour and PPL Brunner Island. PPL Montour and PPL Brunner Island have granted liens on their respective generating facilities to secure any amount they may owe under their guarantees. The facility expires in November 2017, but is subject to automatic one-year renewals under certain conditions. There were no secured obligations outstanding under this facility at March 31, 2013.

PPL Energy Supply maintains a commercial paper program for up to $750 million to provide an additional financing source to fund its short-term liquidity needs, if and when necessary. Commercial paper issuances are supported by PPL Energy Supply's Syndicated Credit Facility. At March 31, 2013 and December 31, 2012, PPL Energy Supply had $481 million and $356 million of commercial paper outstanding, included in "Short-term debt" on the Balance Sheets, at weighted-average interest rates of 0.38% and 0.50%.

(PPL and PPL Electric)

PPL Electric maintains a commercial paper program for up to $300 million to provide an additional financing source to fund its short-term liquidity needs, if and when necessary. Commercial paper issuances are supported by PPL Electric's Syndicated Credit Facility. At March 31, 2013, PPL Electric had $125 million of commercial paper outstanding, included in "Short-term debt" on the Balance Sheet, at a weighted-average interest rate of 0.39%. PPL Electric had no commercial paper outstanding at December 31, 2012.

(PPL, LKE, LG&E and KU)

In April 2013, LG&E and KU each increased the capacity of their commercial paper programs from $250 million to $350 million to provide an additional financing source to fund their short-term liquidity needs, if and when necessary. Commercial paper issuances are supported by LG&E's and KU's Syndicated Credit Facilities. At March 31, 2013 and December 31, 2012, LG&E had $70 million and $55 million of commercial paper outstanding, included in "Short-term debt" on the Balance Sheets, at weighted-average interest rates of 0.36% and 0.42%. At March 31, 2013 and December 31, 2012, KU had $115 million and $70 million of commercial paper outstanding, included in "Short-term debt" on the Balance Sheets, at weighted-average interest rates of 0.36% and 0.42%.

(LKE)

See Note 11 for discussion of intercompany borrowings.

Long-term Debt and Equity Securities

(PPL)

In connection with an April 2012 registered public offering of 9.9 million shares of PPL common stock, PPL entered into forward sale agreements with two counterparties. In conjunction with that offering, the underwriters exercised an overallotment option and PPL entered into additional forward sale agreements covering 591 thousand shares of PPL common stock.

In April 2013, PPL settled the initial forward sale agreements by the issuance of 8.4 million shares of PPL common stock and cash settlement of the remaining 1.5 million shares. PPL received net cash proceeds of $205 million, which was calculated based on an initial forward price of $27.02 per share reduced during the period the contracts were outstanding as specified in the forward sale agreements. PPL used the net proceeds to repay short-term debt obligations and for other general corporate purposes. Settlement of the forward sale agreements covering 591 thousand remaining shares will occur no later than July 2013. PPL may elect to issue common stock, cash settle or net share settle all or a portion of its rights or obligations under the forward sale agreements.

The forward sale agreements are classified as equity transactions. As a result, no amounts were recorded in the consolidated financial statements until the April 2013 settlement of the initial forward sale agreements. However, prior to the April 2013 settlement, incremental shares were included within the calculation of diluted EPS using the treasury stock method. See Note 4 for the impact on the calculation of diluted EPS.

In March 2013, PPL Capital Funding issued $450 million of its 5.90% Junior Subordinated Notes due 2073. PPL Capital Funding received proceeds of $436 million, net of underwriting fees, which will be loaned to or invested in affiliates of PPL Capital Funding and used to fund their capital expenditures and other general corporate purposes.

See Note 7 in PPL's 2012 Form 10-K for information on the 2010 Equity Units (with respect to which the related $1.150 billion of Notes are expected to be remarketed in the second quarter of 2013) and the 2011 Equity Units.

(PPL and PPL Energy Supply)

In February 2013, PPL Energy Supply completed an offer to exchange up to all, but not less than a majority, of PPL Ironwood's 8.857% Senior Secured Bonds due 2025, (Ironwood Bonds), for newly issued PPL Energy Supply Senior Notes, Series 4.60% due 2021. A total of $167 million aggregate principal amount of outstanding Ironwood Bonds was exchanged for $212 million aggregate principal amount of Senior Notes, Series 4.60% due 2021. This transaction was accounted for as a modification of the existing debt. As a result, no gain or loss was recorded and the exchange was considered non-cash activity that was excluded from the 2013 Statement of Cash Flows.

Legal Separateness

(PPL, PPL Energy Supply, PPL Electric and LKE)

The subsidiaries of PPL are separate legal entities. PPL's subsidiaries are not liable for the debts of PPL. Accordingly, creditors of PPL may not satisfy their debts from the assets of PPL's subsidiaries absent a specific contractual undertaking by a subsidiary to pay PPL's creditors or as required by applicable law or regulation. Similarly, absent a specific contractual undertaking or as required by applicable law or regulation, PPL is not liable for the debts of its subsidiaries, nor are its subsidiaries liable for the debts of one another. Accordingly, creditors of PPL's subsidiaries may not satisfy their debts from the assets of PPL or its other subsidiaries absent a specific contractual undertaking by PPL or its other subsidiaries to pay such creditors or as required by applicable law or regulation.

Similarly, the subsidiaries of PPL Energy Supply, PPL Electric and LKE are each separate legal entities. These subsidiaries are not liable for the debts of PPL Energy Supply, PPL Electric and LKE. Accordingly, creditors of PPL Energy Supply, PPL Electric and LKE may not satisfy their debts from the assets of their subsidiaries absent a specific contractual undertaking by a subsidiary to pay the creditors or as required by applicable law or regulation. Similarly, absent a specific contractual undertaking or as required by applicable law or regulation, PPL Energy Supply, PPL Electric and LKE are not liable for the debts of their subsidiaries, nor are their subsidiaries liable for the debts of one another. Accordingly, creditors of these subsidiaries may not satisfy their debts from the assets of PPL Energy Supply, PPL Electric and LKE (or their other subsidiaries) absent a specific contractual undertaking by that parent or other subsidiary to pay such creditors or as required by applicable law or regulation.

Distributions and Capital Contributions

(PPL)

In February 2013, PPL declared its quarterly common stock dividend, payable April 1, 2013, at 36.75 cents per share (equivalent to $1.47 per annum). Future dividends, declared at the discretion of the Board of Directors, will be dependent upon future earnings, cash flows, financial and legal requirements and other factors.

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

During the three months ended March 31, 2013, the following distributions and capital contributions occurred:

	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
Dividends/distributions paid to parent/member	$ 313	$ 25	$ 4	$ 19	$ 13
Capital contributions received from parent/member		60	75	25	50

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8. Acquisitions, Development and Divestitures

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

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with the projects, sell, cancel or expand them, execute tolling agreements or pursue other options. Any resulting transactions may impact future financial results.

Acquisitions

Ironwood Acquisition (PPL and PPL Energy Supply)

See Note 10 in PPL's and PPL Energy Supply's 2012 Form 10-K for information on the April 13, 2012 Ironwood Acquisition. See Note 7 for information on the February 2013 exchange of a portion of long-term debt assumed through consolidation as a result of the acquisition.

Development

(PPL and PPL Energy Supply)

Bell Bend COLA

The NRC continues to review the COLA submitted by a PPL Energy Supply subsidiary, PPL Bell Bend, LLC (PPL Bell Bend) for the proposed Bell Bend nuclear generating unit (Bell Bend) to be built adjacent to the Susquehanna plant. PPL Bell Bend does not expect to complete the COLA review process with the NRC prior to 2015. PPL Bell Bend has made no decision to proceed with construction of Bell Bend and expects that such decision will not be made for several years given the anticipated lengthy NRC license approval process. Additionally, PPL Bell Bend does not expect to proceed with construction absent favorable economics, a joint arrangement with other interested parties and a federal loan guarantee or other acceptable financing. PPL Bell Bend is currently authorized to spend up to $205 million through 2015 on the COLA and other permitting costs necessary for construction, which is expected to be sufficient to fund the project through receipt of the license. At March 31, 2013 and December 31, 2012, $159 million and $154 million of costs, which includes capitalized interest, associated with the licensing application were capitalized and are included on the Balance Sheets in noncurrent "Other intangibles." PPL Bell Bend believes that the estimated fair value of the COLA currently exceeds the costs expected to be capitalized associated with the licensing application. See Note 8 in PPL's and PPL Energy Supply's 2012 Form 10-K for additional information.

Hydroelectric Expansion Project

In the first quarter of 2013, the redevelopment of the Rainbow hydroelectric facility at Great Falls, Montana was placed in service and added 28 MW of capacity to the facility.

Regional Transmission Line Expansion Plan (PPL and PPL Electric)

Susquehanna-Roseland

On October 1, 2012, the National Park Service (NPS) issued its Record of Decision (ROD) on the proposed Susquehanna-Roseland transmission line affirming the route chosen by PPL Electric and Public Service Electric & Gas Company as the preferred alternative under the NPS's National Environmental Policy Act review. On October 15, 2012, a complaint was filed in the United States District Court for the District of Columbia by various environmental groups, including the Sierra Club, challenging the ROD and seeking to prohibit its implementation, and on December 6, 2012, the groups filed a petition for injunctive relief seeking to prohibit all construction activities until the court issues a final decision on the complaint. PPL Electric has intervened in the lawsuit. On February 25, 2013, the District Court denied Plaintiffs' Motion for Preliminary Injunction and set a briefing schedule. However, plaintiffs have the right to reinstate the motion if the District Court has not ruled on the lawsuit and construction is imminent. The chosen route had previously been approved by the PUC and the New Jersey Board of Public Utilities.

On December 13, 2012, PPL Electric received federal construction and right of way permits to build on National Park Service lands.

Construction activities have begun on portions of the 101-mile route in Pennsylvania. The line is expected to be completed before the peak summer demand period of 2015. At March 31, 2013, PPL Electric's estimated share of the project cost was $630 million.

PPL and PPL Electric cannot predict the ultimate outcome or timing of any legal challenges to the project or what additional actions, if any, PJM might take in the event of a further delay to the scheduled in-service date for the new line.

Northeast/Pocono

In October 2012, the FERC issued an order in response to PPL Electric's December 2011 request for ratemaking incentives for the Northeast/Pocono Reliability project (a new 58-mile 230 kV transmission line that includes three new substations and upgrades to adjacent facilities). The FERC granted the incentive for inclusion of all prudently incurred construction work in progress (CWIP) costs in rate base but denied the request for a 100 basis point adder to the return on equity incentive. The order required a follow-up compliance filing from PPL Electric to ensure proper accounting treatment of AFUDC and CWIP for the project, which PPL Electric submitted to the FERC in March 2013 and the FERC subsequently approved in April 2013.

In December 2012, PPL Electric submitted an application to the PUC requesting permission to site and construct the project. A number of parties have protested the application, which has been assigned to an Administrative Law Judge. Evidentiary hearings are scheduled in July 2013. A final Commission order is expected in the first quarter of 2014. PPL Electric expects the project to be completed in 2017. At March 31, 2013, PPL Electric estimates the total project costs to be approximately $200 million with approximately $190 million qualifying for the CWIP incentive.

See Note 8 in PPL's and PPL Electric's 2012 Form 10-K for additional information.

9. Defined Benefits

(PPL, PPL Energy Supply, LKE and LG&E)

Certain net periodic defined benefit costs are applied to accounts that are further distributed between capital and expense, including certain costs allocated to applicable subsidiaries for plans sponsored by PPL Services and LKE. Following are the net periodic defined benefit costs (credits) of the plans sponsored by PPL, PPL Energy Supply, LKE and LG&E for the periods ended March 31:

	Pension Benefits				Other Postretirement Benefits	
	U.S.		U.K.			
	Three Months					
	2013	2012	2013	2012	2013	2012
PPL						
Service cost	$ 31	$ 26	$ 18	$ 13	$ 4	$ 3
Interest cost	54	56	81	84	7	8
Expected return on plan assets	(74)	(66)	(118)	(111)	(6)	(6)
Amortization of:						
Transition obligation						1
Prior service cost	6	6		1		
Actuarial (gain) loss	20	10	38	20	1	1

Net periodic defined benefit												
costs (credits)	$	37	$	32	$	19	$	7	$	6	$	7

	Pension Benefits Three Months			
	2013		2012	
PPL Energy Supply				
Service cost	$	2	$	1
Interest cost		2		2
Expected return on plan assets		(3)		(2)
Amortization of:				
Actuarial (gain) loss		1		1
Net periodic defined benefit costs (credits)	$	2	$	2

	Pension Benefits		Other Postretirement Benefits	
	Three Months			
	2013	2012	2013	2012
LKE				
Service cost	$ 7	$ 6	$ 1	$ 1
Interest cost	16	17	2	2
Expected return on plan assets	(21)	(18)	(1)	(1)
Amortization of:				
Prior service cost	1	1	1	1
Actuarial (gain) loss	8	5		
Net periodic defined benefit costs (credits)	$ 11	$ 11	$ 3	$ 3
LG&E				
Service cost	$ 1			
Interest cost	3	$ 4		
Expected return on plan assets	(5)	(5)		
Amortization of:				
Prior service cost	1	1		
Actuarial (gain) loss	3	3		
Net periodic defined benefit costs (credits)	$ 3	$ 3		

(PPL Energy Supply, PPL Electric, LG&E and KU)

In addition to the specific plans they sponsor, PPL Energy Supply subsidiaries are also allocated costs of defined benefit plans sponsored by PPL Services, and LG&E is allocated costs of defined benefit plans sponsored by LKE based on their participation in those plans, which management believes are reasonable. PPL Electric and KU do not directly sponsor any defined benefit plans. PPL Electric is allocated costs of defined benefit plans sponsored by PPL Services, and KU is allocated costs of defined benefit plans sponsored by LKE based on their participation in those plans, which management believes are reasonable. For the periods ended March 31, PPL Services allocated the following net periodic defined benefit costs to PPL Energy Supply subsidiaries and PPL Electric, and LKE allocated the following net periodic defined benefit costs to LG&E and KU.

	Three Months	
	2013	2012
PPL Energy Supply	$ 11	$ 10
PPL Electric	9	8
LG&E	3	3
KU	4	4

10. Commitments and Contingencies

Energy Purchase Commitments

(PPL and PPL Electric)

In May 2012, PPL Electric filed a plan with the PUC to purchase its electric supply for default customers for the period June 2013 through May 2015. The PUC approved the plan in January 2013. The approved plan proposes that PPL Electric procure this electricity through competitive solicitations twice each plan year beginning in April

2013. The solicitations will include layered short-term full-requirement products ranging from three months to 12 months for residential and small commercial and industrial PLR customers as well as a recurring 12 month spot market product for large commercial and industrial PLR customers. To date, one of four solicitations has been completed.

(PPL Electric)

See Note 11 for information on the power supply agreements between PPL EnergyPlus and PPL Electric.

Legal Matters

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

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

WKE Indemnification (PPL and LKE)

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

(PPL and PPL Energy Supply)

Montana Hydroelectric Litigation

In November 2004, PPL Montana, Avista Corporation (Avista) and PacifiCorp commenced an action for declaratory judgment in Montana First Judicial District Court seeking a determination that no lease payments or other compensation for their hydroelectric facilities' use and occupancy of certain riverbeds in Montana can be collected by the State of Montana. This lawsuit followed dismissal on jurisdictional grounds of an earlier federal lawsuit seeking such compensation in the U.S. District Court of Montana. The federal lawsuit alleged that the beds of Montana's navigable rivers became state-owned trust property upon Montana's admission to statehood, and that the use of them should, under a 1931 regulatory scheme enacted after all but one of the hydroelectric facilities in question were constructed, trigger lease payments for use of land beneath. In July 2006, the Montana state court approved a stipulation by the State of Montana that it was not seeking compensation for the period prior to PPL Montana's December 1999 acquisition of the hydroelectric facilities.

Following a number of adverse trial court rulings, in 2007 Pacificorp and Avista each entered into settlement agreements with the State of Montana providing, in pertinent part, that each company would make prospective lease payments for use of the State's navigable riverbeds (subject to certain future adjustments), resolving the State's claims for past and future compensation.

Following an October 2007 trial of this matter on damages, in June 2008, the Montana District Court awarded the State retroactive compensation of approximately $35 million for the 2000-2006 period and approximately $6 million for 2007 compensation. Those unpaid amounts accrue interest at 10% per year. The Montana District Court also deferred determination of compensation for 2008 and future years to the Montana State Land Board. In October 2008, PPL Montana appealed the decision to the Montana Supreme Court, requesting a stay of judgment and a stay of the Land Board's authority to assess compensation for 2008 and future periods. In March 2010, the Montana Supreme Court substantially affirmed the June 2008 Montana District Court decision.

In August 2010, PPL Montana filed a petition for a writ of certiorari with the U.S. Supreme Court requesting review of this matter. In June 2011, the U.S. Supreme Court granted PPL Montana's petition, and in February 2012 issued a decision overturning the Montana Supreme Court decision and remanded the case to the Montana Supreme Court for further proceedings consistent with the U.S. Supreme Court's opinion. In April 2012, the case was returned by the Montana Supreme Court to the Montana First Judicial District Court. Further proceedings have not yet been scheduled by the District Court. PPL Montana has concluded it is not probable, but it remains reasonably possible, that a loss has been incurred. While unable to estimate a range of loss, PPL Montana believes that any such amount would not be material.

Sierra Club Litigation

In July 2012, PPL Montana received a Notice of Intent to Sue (Notice) for violations of the Clean Air Act at Colstrip Steam Electric Station (Colstrip) from counsel on behalf of the Sierra Club and the Montana Environmental Information Center (MEIC). An Amended Notice was received on September 4, 2012, and a Second Amended Notice was received in October 2012. A Supplemental Notice was received in December 2012. The Notice, Amended Notice, Second Amended Notice and Supplemental Notice (the Notices) were all addressed to the Owner or Managing Agent of Colstrip, and to the other Colstrip co-owners: Avista Corporation, Puget Sound Energy, Portland General

Electric Company, Northwestern Energy and PacificCorp. The Notices allege certain violations of the Clean Air Act, including New Source Review, Title V and opacity requirements.

On March 6, 2013, the Sierra Club and MEIC filed a complaint against PPL Montana and the other Colstrip co-owners in the U.S. District Court, District of Montana, Billings Division. PPL Montana operates Colstrip on behalf of the co-owners. The complaint is generally consistent with the prior Notices and lists 39 separate claims for relief. All but three of the claims allege Prevention of Significant Deterioration (PSD) related violations under the federal Clean Air Act for various plant maintenance projects completed since 1992. For each such project or set of projects, there are separate claims for failure to obtain a PSD permit, for failure to obtain a Montana Air Quality Permit to operate after the project(s) were completed and for operating after completion of such project(s) without "Best Available Control Technology". The remaining three claims relate to the alleged failure to update the Title V operating permit for Colstrip to reflect the alleged major modifications described in the other claims, allege that the previous Title V compliance certifications were incomplete because they did not address the major plant modifications, and that numerous opacity violations have occurred at the plant since 2007.

The complaint requests injunctive relief and civil penalties on average of $36,000 per day per violation, including a request that the owners remediate environmental damage and that $100,000 of the civil penalties be used for beneficial mitigation projects. PPL Montana believes it and the other co-owners have numerous defenses to the allegations set forth in this complaint and will vigorously deny the same. PPL Montana cannot predict the ultimate outcome of this matter at this time.

Regulatory Issues

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

See Note 6 for information on regulatory matters related to utility rate regulation. See Note 15 to the Registrants' 2012 Form 10-K for a discussion of Enactment of Financial Reform Legislation.

(PPL, PPL Energy Supply and PPL Electric)

New Jersey Capacity Legislation

In January 2011, New Jersey enacted a law that intervenes in the wholesale capacity market exclusively regulated by the FERC: S. No. 2381, 214th Leg. (N.J. 2011) (the Act). To create incentives for the development of new, in-state electric generation facilities, the Act implements a "long-term capacity agreement pilot program (LCAPP)." The Act requires New Jersey utilities to pay a guaranteed fixed price for wholesale capacity, imposed by the New Jersey Board of Public Utilities (BPU), to certain new generators participating in PJM, with the ultimate costs of that guarantee to be borne by New Jersey ratepayers. PPL believes the intent and effect of the LCAPP is to encourage the construction of new generation in New Jersey even when, under the FERC-approved PJM economic model, such new generation would not be economic. The Act could depress capacity prices in PJM in the short term, impacting PPL Energy Supply's revenues, and harm the long-term ability of the PJM capacity market to incent necessary generation investment throughout PJM. In February 2011, the PJM Power Providers Group (P3), an organization in which PPL is a member, filed a complaint before the FERC seeking changes in PJM's capacity market rules designed to ensure that subsidized generation, such as the generation that may result from the implementation of the LCAPP, will not be able to set capacity prices artificially low as a result of their exercise of buyer market power. In April 2011, the FERC issued an order granting in part and denying in part P3's complaint and ordering changes in PJM's capacity rules consistent with a significant portion of P3's requested changes. Several parties have filed appeals of the FERC's order. PPL, PPL Energy Supply and PPL Electric cannot predict the outcome of this proceeding or the economic impact on their businesses or operations, or the markets in which they transact business.

In addition, in February 2011, PPL and several other generating companies and utilities filed a complaint in U.S. District Court in New Jersey challenging the Act on the grounds that it violates well-established principles under the Supremacy Clause and the Commerce Clause of the U.S. Constitution and requesting declaratory and injunctive relief barring implementation of the Act by the BPU Commissioners. In October 2011, the court denied the BPU's motion to dismiss the proceeding and in September 2012 the U.S. District Court denied all summary judgment motions. Trial on this matter is expected to be completed in May 2013 and is pending decision. Any decision is expected to be appealed to the U.S. Court of Appeals for the Third Circuit. PPL, PPL Energy Supply and PPL Electric cannot predict the outcome of this proceeding or the economic impact on their businesses or operations, or the markets in which they transact business.

Maryland Capacity Order

In April 2012, the Maryland Public Service Commission (MD PSC) ordered three electric utilities in Maryland to enter into long-term contracts to support the construction of new electric generating facilities in Maryland, specifically a 661 MW natural gas-fired combined-cycle generating facility to be owned by CPV Maryland, LLC. PPL believes the intent and effect of the action by the MD PSC is to encourage the construction of new generation in Maryland even when, under the FERC-approved PJM economic model, such new generation would not be economic. The MD PSC action could depress capacity prices in PJM in the short term, impacting PPL Energy Supply's revenues, and harm the long-term ability of the PJM capacity market to encourage necessary generation investment throughout PJM.

In April 2012, PPL and several other generating companies filed a complaint in U.S. District Court in Maryland challenging the MD PSC order on the grounds that it violates well-established principles under the Supremacy and Commerce clauses of the U.S. Constitution, and requested declaratory and injunctive relief barring implementation of the order by the Commissioners of the MD PSC. In August 2012, the court denied the MD PSC and CPV Maryland, LLC motions to dismiss the proceeding. Trial on this matter was completed in March 2013 and a decision is expected in the second quarter of 2013. Any decision is expected to be appealed to the U.S. Court of Appeals for the Fourth Circuit. PPL, PPL Energy Supply, and PPL Electric cannot predict the outcome of this proceeding or the economic impact on their businesses or operations, or the markets in which they transact business.

Pacific Northwest Markets (PPL and PPL Energy Supply)

Through its subsidiaries, PPL Energy Supply made spot market bilateral sales of power in the Pacific Northwest during the period from December 2000 through June 2001. Several parties subsequently claimed refunds at FERC as a result of these sales. In June 2003, the FERC terminated proceedings to consider whether to order refunds for spot market bilateral sales made in the Pacific Northwest, including sales made by PPL Montana, during the period December 2000 through June 2001. In August 2007, the U.S. Court of Appeals for the Ninth Circuit reversed the FERC's decision and ordered the FERC to consider additional evidence. In October 2011, FERC initiated proceedings to consider additional evidence. In July 2012, PPL Montana and the City of Tacoma, one of the two parties claiming refunds at FERC, reached a settlement whereby PPL Montana paid $75 thousand to resolve the City of Tacoma's $23 million claim. The settlement does not resolve the remaining claim outstanding at March 31, 2013, by the City of Seattle, for approximately $50 million. In April 2013, the FERC issued an order on reconsideration allowing the parties to seek refunds for the period January 2000 through December 2000. As a result, the City of Seattle may be able to seek refunds from PPL Montana for such period.

Although PPL and its subsidiaries believe they have not engaged in any improper trading or marketing practices affecting the Pacific Northwest markets, PPL and PPL Energy Supply cannot predict the outcome of the above-described proceedings or whether any subsidiaries will be the subject of any additional governmental investigations or named in other lawsuits or refund proceedings. Consequently, PPL and PPL Energy Supply cannot estimate a range of reasonably possible losses, if any, related to this matter.

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

FERC Market-Based Rate Authority

In 1998, the FERC authorized LG&E, KU and PPL EnergyPlus to make wholesale sales of electric power and related products at market-based rates. In those orders, the FERC directed LG&E, KU and PPL EnergyPlus, respectively, to file an updated market analysis within three years after the order, and every three years thereafter. Since then, periodic market-based rate filings with the FERC have been made by LG&E, KU, PPL EnergyPlus, PPL Electric, PPL Montana and most of PPL Generation's subsidiaries. These filings consisted of a Northwest market-based rate filing for PPL Montana and a Northeast market-based rate filing for most of the other PPL subsidiaries in PJM's region. In June 2011, FERC approved PPL's market-based rate update for the Eastern and Western regions. Also, in June 2011, PPL filed its market-based rate update for the Southeast region, including LG&E and KU in addition to PPL EnergyPlus. In June 2011, the FERC issued an order approving LG&E's and KU's request for a determination that they no longer be deemed to have market power in the BREC balancing area and removing restrictions on their market-based rate authority in such region.

Currently, a seller granted FERC market-based rate authority may enter into power contracts during an authorized time period. If the FERC determines that the market is not workably competitive or that the seller possesses market power or is not charging "just and reasonable" rates, it may institute prospective action, but any contracts entered into pursuant to the FERC's market-based rate authority remain in effect and are generally subject to a high standard of review before the FERC can order changes.

Electric - Reliability Standards

The NERC is responsible for establishing and enforcing mandatory reliability standards (Reliability Standards) regarding the bulk power system. The FERC oversees this process and independently enforces the Reliability Standards. The Reliability Standards have the force and effect of law and apply to certain users of the bulk power electricity system, including electric utility companies, generators and marketers. Under the Federal Power Act, the FERC may assess civil penalties of up to $1 million per day, per violation, for certain violations.

LG&E, KU, PPL Electric and certain subsidiaries of PPL Energy Supply monitor their compliance with the Reliability Standards and continue to self-report potential violations of certain applicable reliability requirements and submit accompanying mitigation plans, as required. The resolution of a number of potential violations is pending. Any Regional Reliability Entity (including RFC or SERC) determination concerning the resolution of violations of the Reliability Standards remains subject to the approval of the NERC and the FERC.

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

In October 2012, the FERC issued a Notice of Proposed Rulemaking (NOPR) concerning Reliability Standards for Geomagnetic Disturbances. The FERC proposes to direct NERC to submit for approval Reliability Standards that address the impact of geomagnetic disturbances on the reliable operation of the bulk-power system including one or more measures to protect against damage to the bulk-power system, such as the installation of equipment that blocks geomagnetically induced currents on implicated transformers. If the NOPR is adopted by the FERC, it is expected to require the Registrants either or both to make significant expenditures in new equipment or modifications to their facilities. The Registrants are unable to predict whether the NOPR will be adopted as proposed by the FERC or the amount of any expenditures that may be required as a result of the adoption of any Reliability Standards for geomagnetic disturbances.

Environmental Matters - Domestic

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

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

LG&E and KU are entitled to recover, through the ECR mechanism, certain costs of complying with the Clean Air Act as amended and those federal, state, or local environmental requirements which apply to coal combustion wastes and by-products from facilities utilized for production of energy from coal in accordance with their approved compliance plans. Costs not covered by the ECR mechanism for LG&E and KU and all such costs for PPL Electric are subject to rate recovery before their respective state regulatory authorities, or the FERC, if applicable. Because PPL Electric does not own any generating plants, its exposure to environmental compliance costs is reduced. As PPL Energy Supply is not a rate regulated entity, it does not have any mechanism for seeking rate recovery of environmental compliance costs. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

(PPL, PPL Energy Supply, LKE, LG&E and KU)

Air

CSAPR (formerly Clean Air Transport Rule) and CAIR

In July 2011, the EPA adopted the CSAPR. The CSAPR replaced the EPA's previous CAIR which was invalidated by the U.S. Court of Appeals for the District of Columbia Circuit (the Court) in July 2008. CAIR subsequently was effectively reinstated by the Court in December 2008, pending finalization of the Transport Rule. Like CAIR, CSAPR only applied to PPL's fossil-fueled generating plants located in Kentucky and Pennsylvania and required reductions in sulfur dioxide and nitrogen oxides in two phases (2012 and 2014).

In December 2011, the Court stayed implementation of the CSAPR and left CAIR in effect pending a final decision on the validity of the rule. In August 2012, the Court issued a ruling invalidating CSAPR, remanding the rule to the EPA for further action, and leaving CAIR in place during the interim. A further revised rule is not expected from the EPA for at least two years.

The Kentucky fossil-fueled generating plants can meet the CAIR sulfur dioxide emission requirements by utilizing sulfur dioxide allowances (including banked allowances). To meet nitrogen oxide standards, under the CAIR, the Kentucky companies will need to buy allowances and/or make operational changes. LG&E and KU do not currently anticipate that the costs of meeting these reinstated CAIR requirements or standards will be significant.

PPL Energy Supply's Pennsylvania fossil-fueled generating plants can meet the CAIR sulfur dioxide emission requirements with the existing scrubbers that were placed in service in 2008 and 2009. To meet nitrogen oxide standards, under the CAIR, PPL Energy Supply will need to buy allowances and/or make operational changes, the costs of which are not anticipated to be significant.

National Ambient Air Quality Standards

In addition to the reductions in sulfur dioxide and nitrogen oxide emissions required under the CAIR for its Pennsylvania and Kentucky plants, PPL's fossil-fueled generating plants, including those in Montana, may face further reductions in sulfur dioxide and nitrogen oxide emissions as a result of more stringent national ambient air quality standards for ozone, nitrogen oxide, sulfur dioxide and/or fine particulates.

In 2010, the EPA finalized a new one-hour standard for sulfur dioxide, and states are required to identify areas that meet those standards and areas that are in non-attainment. On February 15, 2013, the EPA proposed to designate Yellowstone County in Montana (Billings area), and part of Jefferson County in Kentucky, as non-attainment. Final designations of non-attainment areas are due in June 2013, and attainment must be achieved by 2018.

In December 2012, the EPA issued final rules that strengthen the particulate standards. Under the final rule, states and the EPA have until 2015 to identify non-attainment areas, and states have until 2020 to achieve attainment status for those areas.

PPL, PPL Energy Supply, LKE, LG&E and KU anticipate that some of the measures required for compliance with the CAIR, the MATS, or the Regional Haze requirements, such as upgraded or new sulfur dioxide scrubbers at some of their plants and, in the case of LG&E and KU, the previously announced retirement of coal-fired generating units at the Cane Run, Green River and Tyrone plants, will help to achieve compliance with the new one-hour sulfur dioxide standard. If additional reductions were to be required, the financial impact could be significant.

Until particulate matter and sulfur dioxide maintenance and compliance plans are developed by the EPA and state or local agencies, including identification of and finalization of attainment designations, PPL, PPL Energy Supply, LKE, LG&E and KU cannot predict the impact of the new standards.

MATS

In May 2011, the EPA published a proposed regulation providing for stringent reductions of mercury and other hazardous air pollutants. In February 2012, the EPA published the final rule, known as the MATS, with an effective date of April 16, 2012. The rule is being challenged by industry groups and states. The rule provides for a three-year compliance deadline with the potential for a one-year extension as provided under the statute.

Although the EPA had proposed certain modifications to the final rule, it has not finalized those proposed rule modifications and has not provided an expected completion date. PPL does not expect the modifications to significantly impact its compliance plans even if finalized.

At the time the MATs rule was proposed, LG&E and KU filed requests with the KPSC for environmental cost recovery based on their expectation of needing to install environmental controls including chemical additive and fabric-filter baghouses to remove certain hazardous air pollutants. Recovery of the cost of certain controls was granted by the KPSC in December 2011. LG&E's and KU's anticipated retirement of certain coal-fired electric generating units is in response to this and other environmental regulations. With the publication of the final MATS rule, LG&E and KU are currently assessing whether any revisions of their approved compliance plans will be necessary.

With respect to PPL Energy Supply's Pennsylvania plants, PPL Energy Supply believes that certain coal-fired plants may require installation of chemical additive systems, the capital cost of which is not expected to be significant. PPL Energy Supply continues to analyze the potential impact on operating cost. With respect to PPL Energy Supply's Montana plants, modifications to the current air pollution controls installed on Colstrip may be required, the cost of which is not expected to be significant. For the Corette plant, PPL Energy Supply announced in September 2012 its intention, beginning in April 2015, to place the plant in long-term reserve status, suspending the plant's operation, due to expected market conditions and the costs to comply with the MATS requirements. The Corette plant asset group's carrying amount at March 31, 2013 was $65 million. Although the Corette plant asset group was not determined to be impaired at March 31, 2013, it is reasonably possible that an impairment could occur in future periods, as higher priced sales contracts settle, adversely impacting projected cash flows. PPL Energy Supply, LG&E and KU are continuing to conduct in-depth reviews of the MATS, including the potential implications to scrubber wastewater discharges. See the discussion of effluent limitations guidelines and standards below.

On March 29, 2013, the EPA released its final rule revising certain emission limits and related requirements for new power plants under the MATS. The revised limits are somewhat less onerous than the original proposals, and thereby pose less of an impediment to the construction of new coal-fired power plants.

Regional Haze and Visibility

The Clean Air Act requires protection of visibility in Class I areas and, as such, the EPA's regional haze programs were developed to eliminate man-made visibility degradation by 2064. Under the programs, states are required to take action via state plans to make reasonable progress every decade, including the application of Best Available Retrofit Technology (BART) on power plants commissioned between 1962 and 1977.

To date, the focus of regional haze activity has been the western U.S. because, until recently, BART requirements for sulfur dioxide and nitrogen oxide reductions in the eastern U.S. were largely addressed through compliance with other regulatory programs, such as CSAPR and CAIR. More specifically, the EPA had determined, and the U.S. Court of Appeals for the District of Columbia Circuit (Court) had affirmed, that a state could accept region-wide reductions under the CAIR trading program to satisfy BART requirements. Also, when CAIR was invalidated in 2008, the EPA subsequently completed a final rule providing that states subject to CSAPR (which replaced CAIR) may rely on participation in the CSAPR trading program as an alternative to BART. However, the Court's August 2012 decision to vacate and remand CSAPR will likely expose power plants located in the eastern U.S., including PPL's plants in Pennsylvania and Kentucky, to reductions in sulfur dioxide and nitrogen oxides required by BART.

In addition to this exposure stemming from the remand of CSAPR, LG&E's Mill Creek Units 3 and 4 are required to reduce sulfuric acid mist emissions because they were determined to have a significant regional haze impact. These reductions are in the Kentucky Division of Air Quality's regional haze state implementation plan which it submitted to the EPA. The costs of these reductions are not expected to be significant. LG&E intends to make these reductions through installation of sorbent injection technology after approval of the Kentucky plan by the EPA and revision of the Mill Creek plant's air permit under Title V.

In Montana, the EPA Region 8 developed the regional haze plan as the Montana Department of Environmental Quality declined to develop a BART state implementation plan at the time. In September 2012, the EPA issued its final Federal Implementation Plans (FIP) for the Montana regional haze rule. The final FIP indicated that no additional controls were assumed for Corette or Colstrip Units 3 and 4 but proposed tighter limits for Corette and Colstrip Units 1 and 2. PPL Energy Supply expects to meet these tighter permit limits at Corette without any significant changes to operations, although other requirements have led to the planned suspension of operations at Corette beginning in April 2015. See "Mercury and Other Hazardous Air Pollutants" discussion above. Under the final FIP, Colstrip Units 1 and 2 may require additional controls, including the possible installation of an SNCR and other technology, to meet more stringent nitrogen oxide and sulfur dioxide limits. The cost of these potential additional controls, if required, could be significant. In November 2012, PPL filed a petition for review of the Montana Regional Haze FIP with the U.S. Court of Appeals for the Ninth Circuit. Environmental groups have also filed a petition for review. The two matters have been consolidated, and PPL Montana and the environmental groups have each filed opening briefs.

New Source Review (NSR)

The EPA has continued its NSR enforcement efforts targeting coal-fired generating plants. The EPA has asserted that modification of these plants has increased their emissions and, consequently, that they are subject to stringent NSR requirements under the Clean Air Act. In April 2009, PPL received EPA information requests for its Montour and Brunner Island plants. The requests are similar to those that PPL received in the early 2000s for its Colstrip, Corette and Martins Creek plants. PPL and the EPA have exchanged certain information regarding this matter. In January 2009, PPL, PPL Energy Supply and other companies that own or operate the Keystone plant in Pennsylvania received a notice of violation from the EPA alleging that certain projects were undertaken without proper NSR compliance. In May and November 2012, PPL Montana received information requests from the EPA regarding projects undertaken during the Spring 2012 maintenance outage at Colstrip Unit 1. In September 2012, PPL Montana received an information request from the Montana Department of Environmental Quality regarding Colstrip Unit 1 and other projects. PPL and PPL Energy Supply cannot predict the outcome of these matters, and cannot estimate a range of reasonably possible losses, if any.

In March 2009, KU received a notice alleging that KU violated certain provisions of the Clean Air Act's rules governing NSR and prevention of significant deterioration by installing sulfur dioxide scrubbers and SCR controls at its Ghent plant without assessing potential increased sulfuric acid mist emissions. KU contends that the work in question, as pollution control projects, was exempt from the requirements cited by the EPA. In December 2009, the EPA issued an information request on this matter. In September 2012, the parties reached a tentative settlement addressing the Ghent NSR matter and a September 2007 notice of violation alleging opacity violations at the plant. A consent decree was entered in the U.S. District Court for the Eastern District of Kentucky in December 2012. PPL, LKE and KU cannot predict the outcome of this matter until the consent decree is entered by the Court, but currently do not expect such outcome to result in costs in excess of amounts already accrued, which amounts are not material.

In addition, in August 2007, LG&E received information requests for the Mill Creek and Trimble County plants, and KU received requests for the Ghent plant, but they have received no further communications from the EPA since providing their responses. PPL, LKE, LG&E and KU cannot predict the outcome of these matters, and cannot estimate a range of reasonably possible losses, if any.

States and environmental groups also have commenced litigation alleging violations of the NSR regulations by coal-fired generating plants across the nation. See "Legal Matters" above for information on an environmental group's lawsuit filed March 6, 2013 against PPL Montana and other owners of Colstrip.

If PPL subsidiaries are found to have violated NSR regulations, PPL, PPL Energy Supply, LKE, LG&E and KU would, among other things, be required to meet permit limits reflecting Best Available Control Technology (BACT) for the emissions of any pollutant found to have significantly increased due to a major plant modification. The costs to meet such limits, including installation of technology at certain units, could be significant.

Colstrip and Corette Air Permits (PPL and PPL Energy Supply)

In January 2013, Earthjustice, on behalf of the Sierra Club and the MEIC filed an administrative appeal with the Board of Environmental Review, setting forth challenges to certain components of the Title V permits for Colstrip and Corette. These challenges include: 1) the regional haze requirements should have been included in the Title V permits for Corette and Colstrip; 2) the MATS requirements should have been included in the Title V permits for Corette and Colstrip; 3) the particulate monitoring methodology is inadequate at Corette and Colstrip; and 4) sulfur dioxide monitoring is inadequate at Corette. PPL Montana is participating in these proceedings as an intervenor, but cannot predict the outcomes.

On January 31, 2013, the Sierra Club and the MEIC alleged identical claims in their joint petition to the EPA, requesting that the EPA object to the MDEQ's issuance of Colstrip's and Corette's Title V permits. PPL Montana cannot predict the outcome of this parallel matter pending before the EPA.

TC2 Air Permit (PPL, LKE, LG&E and KU)

The Sierra Club and other environmental groups petitioned the Kentucky Environmental and Public Protection Cabinet to overturn the air permit issued for the TC2 baseload generating unit, but the agency upheld the permit in an order issued in September 2007. In response to subsequent petitions by environmental groups, the EPA ordered certain non-material changes to the permit which were incorporated into a final revised permit issued by the KDAQ in January 2010. In March 2010, the environmental groups petitioned the EPA to object to the revised state permit. Until the EPA issues a final ruling on the pending petition and all available appeals are exhausted, PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact on the capital costs of this project, if any.

(PPL, PPL Energy Supply, LKE, LG&E and KU)

GHG Regulations and Tort Litigation

As a result of the April 2007 U.S. Supreme Court decision that the EPA has authority under the Clean Air Act to regulate GHG emissions from new motor vehicles, in April 2010, the EPA and the U.S. Department of Transportation issued new light-duty vehicle emissions standards that apply beginning with 2012 model year vehicles. The EPA also clarified that this standard, beginning in 2011, authorized regulation of GHG emissions from stationary sources under the NSR and Title V operating permit provisions of the Clean Air Act. As a result, any new sources or major modifications to existing GHG sources causing a net significant emissions increase will require adherence to the BACT permit limits for GHGs. The rules were challenged, and in June 2012, the U.S. Court of Appeals for the District of Columbia Circuit upheld the EPA's regulations. In December 2012, the Court denied petitions for rehearing pertaining to the Court's June 2012 opinion.

In addition, in April 2012, the EPA proposed New Source Performance Standards (NSPS) for carbon dioxide emissions from new coal-fired generating units, combined-cycle natural gas units, and integrated gasification combined-cycle units. The proposal would require new coal plants to achieve the same stringent limitations on carbon dioxide emissions as the best performing new gas plants. There presently is no commercially available technology to allow new coal plants to achieve these limitations and, as a result, the EPA's proposal would effectively preclude future construction of new coal-fired generation and could even be difficult for new gas-fired plants to meet. In December 2012, the U.S. Court of Appeals for the District of Columbia Circuit dismissed consolidated challenges to the NSPS holding that the proposed rule is not a final agency action. The EPA is expected to finalize the NSPS for new power plants in 2013 and is expected to begin working on a proposal for such emissions from existing power plants. With respect to existing power plants, the impact could be significant, depending on the structure and stringency of the final rule.

At the regional level, ten northeastern states signed a Memorandum of Understanding (MOU) agreeing to establish a GHG emission cap-and-trade program, called the Regional Greenhouse Gas Initiative (RGGI). The program commenced in January 2009 and calls for stabilizing carbon dioxide emissions, at base levels established in 2005, from electric power plants with capacity greater than 25 MW. The MOU also provides for a 10% reduction, by 2019, in carbon dioxide emissions from base levels.

Pennsylvania has not stated an intention to join the RGGI, but enacted the Pennsylvania Climate Change Act of 2008 (PCCA). The PCCA established a Climate Change Advisory Committee to advise the PADEP on the development of a Climate Change Action Plan. In December 2009, the Advisory Committee finalized its Climate Change Action Report and identified specific actions that could result in reducing GHG emissions by 30% by 2020. Some of the proposed actions, such as a mandatory 5% efficiency improvement at power plants, could be technically unachievable. To date, there have been no regulatory or legislative actions taken to implement the recommendations of the report. In addition, legislation has been introduced that would, if enacted, accelerate solar supply requirements, restrict eligible solar projects to those located in Pennsylvania and increase the percentage of electricity that must come from Tier 1 resources. PPL and PPL Energy Supply cannot predict at this time whether any such legislation will be enacted.

Eleven western states and certain Canadian provinces established the Western Climate Initiative (WCI) in 2003. The WCI established a goal of reducing carbon dioxide emissions by 15% below 2005 levels by 2020 and developed GHG emission allocations, offsets, and reporting recommendations. Montana was once a partner in the WCI, but by 2011 withdrew, along with several other western states.

In November 2008, the Governor of Kentucky issued a comprehensive energy plan including non-binding targets aimed at promoting improved energy efficiency, development of alternative energy, development of carbon capture and sequestration projects, and other actions to reduce GHG emissions. In December 2009, the Kentucky Climate Action Plan Council was established to develop an action plan addressing potential GHG reductions and related measures. To date, the state has not issued a final plan. The impact of any such plan is not now determinable, but the costs to comply with the plan could be significant.

A number of lawsuits have been filed asserting common law claims including nuisance, trespass and negligence against various companies with GHG emitting plants, and the law remains unsettled on these claims. In September 2009, the U.S. Court of Appeals for the Second Circuit in the case of AEP v. Connecticut reversed a federal district court's decision and ruled that several states and public interest groups, as well as the City of New York, could sue five electric utility companies under federal common law for allegedly causing a public nuisance as a result of their emissions of GHGs. In June 2011, the U.S. Supreme Court overturned the lower court and held that such federal common law claims were displaced by the Clean Air Act and regulatory actions of the EPA. In addition, in Comer v. Murphy Oil (Comer case), the U.S. Court of Appeals for the Fifth Circuit (Fifth Circuit) declined to overturn a district court ruling that plaintiffs did not have standing to pursue state common law claims against companies that emit

GHGs. The complaint in the Comer case named the previous indirect parent of LKE as a defendant based upon emissions from the Kentucky plants. In January 2011, the Supreme Court denied a petition to reverse the Fifth Circuit's ruling. In May 2011, the plaintiffs in the Comer case filed a substantially similar complaint in federal district court in Mississippi against 87 companies, including KU and three other indirect subsidiaries of LKE, under a Mississippi statute that allows the re-filing of an action in certain circumstances. In March 2012, the Mississippi federal court granted defendants' motions to dismiss the state common law claims because plaintiffs had previously raised the same claims, plaintiffs lacked standing, plaintiffs' claims were displaced by the Clean Air Act, and on other grounds. In April 2012, plaintiffs filed a notice of appeal in the Fifth Circuit. Additional litigation in federal and state courts over these issues is continuing. PPL, LKE and KU cannot predict the outcome of this litigation or estimate a range of reasonably possible losses, if any.

Renewable Energy Legislation (PPL, PPL Energy Supply, LKE, LG&E and KU)

There has been interest in renewable energy legislation at both the state and federal levels. Federal legislation on renewable energy is not expected to be introduced this year. In Pennsylvania, bills were recently introduced calling for an increase in AEPS Tier 1 obligations and to create a $25 million permanent funding program for solar generation. Bills adding new hydropower to Montana's renewable portfolio standard have moved through the legislative process. PPL cannot predict the ultimate outcome of this legislation at this time.

PPL, PPL Energy Supply, LKE, LG&E and KU believe there are financial, regulatory and logistical uncertainties related to the implementation of renewable energy mandates that will need to be resolved before the impact of such requirements on them can be estimated. Such uncertainties, among others, include the need to provide back-up supply to augment intermittent renewable generation, potential generation over-supply that could result from such renewable generation and back-up, impacts to PJM's capacity market and the need for substantial changes to transmission and distribution systems to accommodate renewable energy sources. These uncertainties are not directly addressed by proposed legislation. PPL and PPL Energy Supply cannot predict at this time the effect on their competitive plants' future competitive position, results of operation, cash flows and financial position of renewable energy mandates that may be adopted, although the costs to implement and comply with any such requirements could be significant.

Water/Waste

Coal Combustion Residuals (CCRs) (PPL, PPL Energy Supply, LKE, LG&E and KU)

In June 2010, the EPA proposed two approaches to regulating the disposal and management of CCRs (as either hazardous or non-hazardous) under the Resource Conservation and Recovery Act (RCRA). CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. The first approach would regulate CCRs as a hazardous waste under Subtitle C of the RCRA. This approach would materially increase costs and result in early retirements of many coal-fired plants, as it would require plants to retrofit their operations to comply with full hazardous waste requirements for the generation of CCRs and associated waste waters through generation, transportation and disposal. This would also have a negative impact on the beneficial use of CCRs and could eliminate existing markets for CCRs. The second approach would regulate CCRs as a solid (non-hazardous) waste under Subtitle D of the RCRA. This approach would mainly affect disposal and most significantly affect any wet disposal operations. Under this approach, many of the current markets for beneficial uses would not be affected. Currently, PPL expects that several of its plants in Kentucky and Montana could be significantly impacted by the requirements of Subtitle D of the RCRA, as these plants are using surface impoundments for management and disposal of CCRs.

The EPA has issued information requests on CCR management practices at numerous plants throughout the power industry as it considers whether or not to regulate CCRs as hazardous waste. PPL has provided information on CCR management practices at most of its plants in response to the EPA's requests. In addition, the EPA has conducted follow-up inspections to evaluate the structural stability of CCR management facilities at several PPL plants and PPL has implemented or is implementing certain actions in response to recommendations from these inspections.

The EPA is continuing to evaluate the unprecedented number of comments it received on its June 2010 proposed regulations. In October 2011, the EPA issued a Notice of Data Availability (NODA) that requests comments on selected documents that the EPA received during the comment period for the proposed regulations. In addition, the U.S. House of Representatives in September 2012 approved a bill that was revised in the Senate to modify Subtitle D of the RCRA to provide for the proper management and disposal of CCRs and to preclude the EPA from regulating CCRs under Subtitle C of the RCRA. Similar legislation is being considered in the 2013 Congress and the prospect for passage is uncertain.

In January 2012, a coalition of environmental groups filed a 60-day notice of intent to sue the EPA for failure to perform nondiscretionary duties under RCRA, which could require a deadline for the EPA to issue strict CCR regulations. In February 2012, two CCR recycling companies also issued a 60-day notice of intent to sue the EPA over its timeliness in issuing CCR regulations, but they requested that the EPA take a Subtitle D approach that would allow for continued recycling of CCRs. The coalition filed its lawsuit in April 2012 and litigation is continuing.

A final rulemaking is currently expected before the end of 2015. However, the timing of the final regulations could be accelerated by the outcome of the above litigation, which could require the EPA to issue its regulations sooner.

PPL, PPL Energy Supply, LKE, LG&E and KU cannot predict at this time the final requirements of the EPA's CCR regulations or potential changes to the RCRA and what impact they would have on their facilities, but the financial impact could be material if CCRs are regulated as hazardous waste under Subtitle C and significant if regulated as non-hazardous under Subtitle D.

Trimble County Landfill Permit (PPL, LKE, LG&E and KU)

In May 2011, LG&E submitted an application for a special waste landfill permit to handle coal combustion residuals generated at the Trimble County plant. After extensive review of the permit application, on March 20, 2013, the Kentucky Division of Waste Management issued a preliminary notice of intent to deny the permit on the grounds that the proposed facility would violate the Kentucky Cave Protection Act because it would eliminate an on-site karst feature considered to be a cave. The preliminary decision to deny the permit will be subject to public notice and comment before a final decision is made. If the Division makes a final decision to deny the permit, the Company will assess additional options for managing coal combustion residuals including construction of a landfill at an alternate site adjacent to the plant. Submittal of a new permit application for an alternative site may result in additional environmental considerations in the course of the permitting process and substantial additional costs. The Company is unable to determine the precise impact of this matter until the Division makes a final decision on the permit application and the Company selects an alternate management option and completes a detailed engineering design.

Martins Creek Fly Ash Release (PPL and PPL Energy Supply)

In 2005, approximately 100 million gallons of water containing fly ash was released from a disposal basin at the Martins Creek plant used in connection with the operation of the plant's two 150 MW coal-fired generating units. This resulted in ash being deposited onto adjacent roadways and fields, and into a nearby creek and the Delaware River. PPL determined that the release was caused by a failure in the disposal basin's discharge structure. PPL conducted extensive clean-up and completed studies, in conjunction with a group of natural resource trustees and the Delaware River Basin Commission, evaluating the effects of the release on the river's sediment, water quality and ecosystem.

The PADEP filed a complaint in Pennsylvania Commonwealth Court against PPL Martins Creek and PPL Generation, alleging violations of various state laws and regulations and seeking penalties and injunctive relief. PPL and the PADEP have settled this matter. The settlement also required PPL to submit a report on the completed studies of possible natural resource damages. PPL subsequently submitted the assessment report to the Pennsylvania and New Jersey regulatory agencies and has continued discussing potential natural resource damages and mitigation options with the agencies. Subsequently, in August 2011 the PADEP submitted its National Resource Damage Assessment report to the court and to the interveners. In December 2011, the interveners commented on the PADEP report and in February 2012 the PADEP and PPL filed separate responses with the court. In March 2012, the court dismissed the interveners' case, but the interveners have appealed the dismissal to the Pennsylvania Supreme Court and a decision by the court is still pending.

Through March 31, 2013, PPL Energy Supply has spent $28 million for remediation and related costs and an insignificant remediation liability remains on the balance sheet. PPL and PPL Energy Supply cannot be certain of the outcome of the natural resource damage assessment or the associated costs, the outcome of any lawsuit that may be brought by citizens or businesses or the nature of any other regulatory or legal actions that may be initiated against PPL, PPL Energy Supply or their subsidiaries as a result of the disposal basin release. However, PPL and PPL Energy Supply currently do not expect such outcomes to result in significant losses above the amounts currently recorded.

Seepages and Groundwater Infiltration - Pennsylvania, Montana and Kentucky

(PPL, PPL Energy Supply, LKE, LG&E and KU)

Seepages or groundwater infiltration have been detected at active and retired wastewater basins and landfills at various PPL, PPL Energy Supply, LKE, LG&E and KU plants. PPL, PPL Energy Supply, LKE, LG&E and KU have completed or are completing assessments of seepages or groundwater infiltration at various facilities and have completed or are working with agencies to implement abatement measures, where required. A range of reasonably possible losses cannot currently be estimated.

(PPL and PPL Energy Supply)

In 2007, six plaintiffs filed a lawsuit in the Montana Sixteenth Judicial District Court against the Colstrip plant owners asserting property damage due to seepage from plant wastewater ponds. A settlement agreement was reached in July 2010 which would have resulted in a payment by PPL Montana, but certain of the plaintiffs later argued the settlement was not final. The Colstrip plant owners filed a motion to enforce the settlement and in October 2011 the court granted the motion and ordered the settlement to be completed in 60 days. The plaintiffs appealed the October 2011 order to the Montana Supreme Court, which affirmed the district court's order enforcing the settlement on December 31, 2012 and denied plaintiff's motion for rehearing on February 5, 2013. The parties are still in negotiations regarding the final settlement documents. PPL Montana's share of the settlement is not expected to be significant.

In August 2012, PPL Montana entered into an Administrative Order on Consent (AOC) with the MDEQ which establishes a comprehensive process to investigate and remediate groundwater seepage impacts related to the wastewater facilities at the Colstrip power plant. The AOC requires that within five years, PPL Montana provide financial assurance to the MDEQ for the costs associated with closure and future monitoring of the waste-water treatment facilities. PPL Montana cannot predict at this time if the actions required under the AOC will create the need to adjust the existing ARO related to these facilities.

In September 2012, Earthjustice filed an affidavit pursuant to Montana's Major Facility Siting Act (MFSA) that sought review of the AOC by Montana's Board of Environmental Review (BER), on behalf of the Sierra Club, the MEIC, and the National Wildlife Federation (NWF). In September 2012, PPL Montana filed an election with the BER to have this proceeding conducted in Montana state district court as contemplated by the MFSA. In October 2012, Earthjustice filed a petition for review of the AOC in the Montana state district court in Rosebud County.

In late October 2012, Earthjustice filed a second complaint against the MDEQ and PPL Montana in state district court in Lewis and Clark County on behalf of the Sierra Club, the MEIC and the NWF. This complaint alleges that the defendants have failed to take action under the MFSA and the Montana Water Quality Act to effectively monitor and correct issues of coal ash disposal and wastewater ponds at the Colstrip plant. The complaint seeks a declaration that the operations of the impoundments violate the statutes addressed above, requests a writ of mandamus directing the MDEQ to enforce the same, and seeks recovery of attorneys' fees and costs. PPL is vigorously defending these allegations, and PPL and PPL Energy Supply cannot predict the outcome of this matter. The petition filed in Rosebud County has been stayed pending the outcome of this matter.

Clean Water Act 316(b) (PPL, PPL Energy Supply, LKE, LG&E and KU)

The EPA published the proposed 316(b) rule for existing facilities in April 2011. The industry and PPL reviewed the proposed rule and submitted comments. The EPA has been evaluating comments and meeting with industry groups to discuss options. The proposed rule contains two requirements to reduce impact to aquatic organisms at cooling water intake structures. The first requires all existing facilities to meet standards for the reduction of mortality of aquatic organisms that become trapped against water intake screens (impingement) regardless of the levels of mortality actually occurring or the cost of achieving the requirements. The second requirement is to determine and install the best technology available to reduce mortality of aquatic organisms that are pulled through the plant's cooling water system (entrainment). A form of cost-benefit analysis is allowed for this second requirement, involving a site-specific evaluation based on nine factors, including impacts to energy delivery reliability and the remaining useful life of the plant. The final rule is expected to be issued in June 2013. PPL, PPL Energy Supply, LKE, LG&E and KU cannot reasonably estimate a range of reasonably possible costs, if any, until the final rule is issued, the required studies have been completed, and each state in which they operate has decided how to implement the rule.

Effluent Limitations Guidelines and Standards (PPL, PPL Energy Supply, LKE, LG&E and KU)

On April 19, 2013, the EPA issued proposed regulations to revise discharge limitations for steam electric generation wastewater permits. The proposed limitations are based on the EPA review of available treatment technologies and their capacity for reducing pollutants and include new requirements for fly ash and bottom ash handling and metal cleaning wastes, as well as new limits for scrubber wastewater, gasification wastewater and landfill leachate. The proposal contains several alternative approaches, some of which could significantly impact PPL's coal-fired plants. PPL will work with industry groups to comment on the proposed regulation. The final regulation is expected to be issued in May 2014. At the present time, PPL, PPL Energy Supply, LKE, LG&E and KU are unable to predict the outcome of this matter or estimate a range of reasonably possible costs, but the costs could be significant.

Other Issues (PPL, PPL Energy Supply, LKE, LG&E and KU)

The EPA is reassessing its polychlorinated biphenyls (PCB) regulations under the Toxics Substance Control Act, which currently allow certain PCB articles to remain in use. In April 2010, the EPA issued an Advanced Notice of Proposed Rulemaking for changes to these regulations. This rulemaking could lead to a phase-out of all PCB-containing equipment. The EPA is planning to propose the revised regulations in 2014. PCBs are found, in varying degrees, in all of the Registrants' operations. The Registrants cannot predict at this time the outcome of these proposed EPA regulations and what impact, if any, they would have on their facilities, but the costs could be significant.

A PPL Energy Supply subsidiary has investigated alternatives to exclude fish from the discharge channel at its Brunner Island plant, but the subsidiary and the PADEP have concluded that a barrier method to exclude fish is not workable. In June 2012, a Consent Order and Agreement (COA) was signed that allows the subsidiary to study a change in a cooling tower operational method that may keep fish from entering the channel. Should this approach fail, the COA requires a retrofit of impingement control technology at the intakes to the cooling towers, the cost of which could be significant.

In May 2010, the subsidiary received a draft NPDES permit (renewed) for the Brunner Island plant from the PADEP. This permit includes new water quality-based limits for the scrubber wastewater plant. Some of these limits may not be achievable with the existing treatment system. Several agencies and environmental groups commented on the draft permit, raising issues that must be resolved to obtain a final permit for the plant. PPL Energy Supply cannot predict the outcome of the final resolution of the permit issues at this time, or what impact, if any, they would have on this facility, but the costs could be significant.

In May 2010, the Kentucky Waterways Alliance and other environmental groups filed a petition with the Kentucky Energy and Environment Cabinet challenging the Kentucky Pollutant Discharge Elimination System permit issued in April 2010, which covers water discharges from the Trimble County plant. In November 2010, the Cabinet issued a final order upholding the permit. In December 2010, the environmental groups appealed the order to the Trimble Circuit Court, but the case was subsequently transferred to the Franklin Circuit Court. PPL, LKE, LG&E and KU are unable to predict the outcome of this matter or estimate a range of reasonably possible losses, if any.

The EPA and the Army Corps of Engineers are working on a guidance document that will expand the federal government's interpretation of what constitutes "waters of the United States" subject to regulation under the Clean Water Act. This change has the potential to affect generation and delivery operations, with the most significant effect being the potential elimination of the existing regulatory exemption for plant waste water treatment systems. The costs that may be imposed on the Registrants as a result of any eventual expansion of this interpretation cannot reliably be estimated at this time but could be significant.

Superfund and Other Remediation (PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)

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

PPL Electric, LG&E and KU are remediating or have completed the remediation of several sites that were not addressed under a regulatory program such as Superfund, but for which PPL Electric, LG&E and KU may be liable for remediation. These include a number of former coal gas manufacturing plants in Pennsylvania and Kentucky previously owned or operated or currently owned by predecessors or affiliates of PPL Electric, LG&E and KU. There are additional sites, formerly owned or operated by PPL Electric, LG&E and KU predecessors or affiliates, for which PPL Electric, LG&E and KU lack information on current site conditions and are therefore unable to predict what, if any, potential liability they may have.

Depending on the outcome of investigations at sites where investigations have not begun or been completed or developments at sites for which PPL Electric, LG&E and KU currently lack information, the costs of remediation and other liabilities could be material. PPL, PPL Electric, LKE, LG&E and KU cannot estimate a range of reasonably possible losses, if any, related to these matters.

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

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

Future cleanup or remediation work at sites currently under review, or at sites not currently identified, may result in significant additional costs for the Registrants.

Environmental Matters - WPD (PPL)

WPD's distribution businesses are subject to environmental regulatory and statutory requirements. PPL believes that WPD has taken and continues to take measures to comply with the applicable laws and governmental regulations for the protection of the environment.

Other

Nuclear Insurance (PPL and PPL Energy Supply)

PPL Susquehanna is a member of certain insurance programs that provide coverage for property damage to members' nuclear generating plants. Effective April 1, 2013, facilities at the Susquehanna plant are insured against property damage losses up to $2.50 billion under these programs. PPL Susquehanna is also a member of an insurance program that provides insurance coverage for the cost of replacement power during prolonged outages of nuclear units caused by certain specified conditions.

Under the property and replacement power insurance programs, PPL Susquehanna could be assessed retroactive premiums in the event of the insurers' adverse loss experience. Effective April 1, 2013, this maximum assessment was $46 million.

In the event of a nuclear incident at the Susquehanna plant, PPL Susquehanna's public liability for claims resulting from such incident would be limited to $12.6 billion under provisions of The Price-Anderson Act as amended. PPL Susquehanna is protected against this liability by a combination of commercial insurance and an industry assessment program.

In the event of a nuclear incident at any of the reactors covered by The Price-Anderson Act as amended, PPL Susquehanna could be assessed up to $235 million per incident, payable at $35 million per year.

Guarantees and Other Assurances

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

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

(PPL)

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

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

The table below details guarantees provided at March 31, 2013. The total recorded liability at March 31, 2013 and December 31, 2012, was $24 million for PPL and $20 million for LKE. The probability of expected payment/performance under each of these guarantees is remote except for "WPD guarantee of pension and other obligations of unconsolidated entities" and "Indemnification of lease termination and other divestitures." For reporting purposes, on a consolidated basis, all guarantees of PPL Energy Supply (other than the letters of credit), PPL Electric, LKE, LG&E and KU also apply to PPL, and all guarantees of LG&E and KU also apply to LKE.

		Exposure at March 31, 2013 (a)	Expiration Date
PPL			
Indemnifications related to the WPD Midlands acquisition		(b)	
WPD indemnifications for entities in liquidation and sales of assets	$	10 (c)	2018
WPD guarantee of pension and other obligations of unconsolidated entities		85 (d)	2015

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	Exposure at March 31, 2013 (a)	Expiration Date
PPL Energy Supply		
Letters of credit issued on behalf of affiliates	23 (e)	2013 - 2014
Retrospective premiums under nuclear insurance programs	48 (f)	
Nuclear claims assessment under The Price-Anderson Act as amended	235 (g)	
Indemnifications for sales of assets	250 (h)	2025
Indemnification to operators of jointly owned facilities	6 (i)	
Guarantee of a portion of a divested unconsolidated entity's debt	22 (j)	2018
PPL Electric		
Guarantee of inventory value	24 (k)	2016
LKE		
Indemnification of lease termination and other divestitures	301 (l)	2021 - 2023
LG&E and KU		
LG&E and KU guarantee of shortfall related to OVEC	(m)	

(a) Represents the estimated maximum potential amount of future payments that could be required to be made under the guarantee.

(b) Prior to PPL's acquisition, WPD Midlands Holdings Limited had agreed to indemnify certain former directors of a Turkish entity, in which WPD Midlands Holdings Limited previously owned an interest, for any liabilities that may arise as a result of an investigation by Turkish tax authorities, and PPL WEM has received a cross-indemnity from E.ON AG with respect to these indemnification obligations. Additionally, PPL subsidiaries agreed to provide indemnifications to subsidiaries of E.ON AG for certain liabilities relating to properties and assets owned by affiliates of E.ON AG that were transferred to WPD Midlands in connection with the acquisition. The maximum exposure and expiration of these indemnifications cannot be estimated because the maximum potential liability is not capped and the expiration date is not specified in the transaction documents.

(c) In connection with the liquidation of wholly owned subsidiaries that have been deconsolidated upon turning the entities over to the liquidators, certain affiliates of PPL Global have agreed to indemnify the liquidators, directors and/or the entities themselves for any liabilities or expenses arising during the liquidation process, including liabilities and expenses of the entities placed into liquidation. In some cases, the indemnifications are limited to a maximum amount that is based on distributions made from the subsidiary to its parent either prior or subsequent to being placed into liquidation. In other cases, the maximum amount of the indemnifications is not explicitly stated in the agreements. The indemnifications generally expire two to seven years subsequent to the date of dissolution of the entities. The exposure noted only includes those cases in which the agreements provide for a specific limit on the amount of the indemnification, and the expiration date was based on an estimate of the dissolution date of the entities.

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

(d) As a result of the privatization of the utility industry in the U.K., certain electric associations' roles and responsibilities were discontinued or modified. As a result, certain obligations, primarily pension-related, associated with these organizations have been guaranteed by the participating members. Costs are allocated to the members based on predetermined percentages as outlined in specific agreements. However, if a member becomes insolvent, costs can be reallocated to and are guaranteed by the remaining members. At March 31, 2013, WPD has recorded an estimated discounted liability based on its current allocated percentage of the total expected costs for which the expected payment/performance is probable. Neither the expiration date nor the maximum amount of potential payments for certain obligations is explicitly stated in the related agreements. Therefore, they have been estimated based on the types of obligations.

(e) Standby letter of credit arrangements under PPL Energy Supply's credit facilities for the purposes of protecting various third parties against nonperformance by PPL. This is not a guarantee by PPL on a consolidated basis.

(f) PPL Susquehanna is contingently obligated to pay this amount related to potential retrospective premiums that could be assessed under its nuclear insurance programs. See "Nuclear Insurance" above for additional information.

(g) This is the maximum amount PPL Susquehanna could be assessed for each incident at any of the nuclear reactors covered by this Act. See "Nuclear Insurance" above for additional information.

(h) PPL Energy Supply's maximum exposure with respect to certain indemnifications and the expiration of the indemnifications cannot be estimated because, in the case of certain indemnification provisions, the maximum potential liability is not capped by the transaction documents and the expiration date is based on the applicable statute of limitations. The exposure and expiration dates noted are only for those cases in which the agreements provide for specific limits. The indemnification provisions described below are in each case subject to certain customary limitations, including thresholds for allowable claims, caps on aggregate liability, and time limitations for claims arising out of breaches of most representations and warranties.

A subsidiary of PPL Energy Supply has agreed to provide indemnification to the purchaser of the Long Island generation business for damages arising out of any breach of the representations, warranties and covenants under the related transaction agreement and for damages arising out of certain other matters, including liabilities relating to certain renewable energy facilities which were previously owned by one of the PPL subsidiaries sold in the transaction but which were unrelated to the Long Island generation business. The indemnification provisions for most representations and warranties expired in the third quarter of 2011.

A subsidiary of PPL Energy Supply has agreed to provide indemnification to the purchasers of the Maine hydroelectric facilities for damages arising out of any breach of the representations, warranties and covenants under the respective transaction agreements and for damages arising out of certain other matters, including liabilities of the PPL Energy Supply subsidiary relating to the pre-closing ownership or operation of those hydroelectric facilities. The indemnification provisions for most representations and warranties expired in the fourth quarter of 2012.

Subsidiaries of PPL Energy Supply have agreed to provide indemnification to the purchasers of certain non-core generation facilities sold in March 2011 for damages arising out of any breach of the representations, warranties and covenants under the related transaction agreements and for damages arising out of certain other matters relating to the facilities that were the subject of the transaction, including certain reduced capacity payments (if any) at one of the facilities in the event specified PJM rule changes are proposed and become effective. The indemnification provisions for most representations and warranties expired in the first quarter of 2012.

(i) In December 2007, a subsidiary of PPL Energy Supply executed revised owners agreements for two jointly owned facilities, the Keystone and Conemaugh generating plants. The agreements require that in the event of any default by an owner, the other owners fund contributions for the operation of the generating plants, based upon their ownership percentages. The non-defaulting owners, who make up the defaulting owner's obligations, are entitled to the generation entitlement of the defaulting owner, based upon their ownership percentage. The exposure shown reflects the PPL Energy Supply subsidiary's share of the maximum obligation. The agreements do not have an expiration date.

(j) A PPL Energy Supply subsidiary owned a one-third equity interest in Safe Harbor Water Power Corporation (Safe Harbor) that was sold in March 2011. Beginning in 2008, PPL Energy Supply guaranteed one-third of any amounts payable with respect to certain senior notes issued by Safe Harbor. Under the terms of the sale agreement, PPL Energy Supply continues to guarantee the portion of Safe Harbor's debt, but received a cross-indemnity from the purchaser, secured by a lien on the purchaser's stock of Safe Harbor, in the event PPL Energy Supply is required to make a payment under the guarantee. The exposure noted reflects principal only.

(k) PPL Electric entered into a contract with a third party logistics firm that provides inventory procurement and fulfillment services. Under the contract, the logistics firm has title to the inventory purchased for PPL Electric's use. Upon termination of the contract, PPL Electric has guaranteed to purchase any remaining inventory that has not been used or sold by the logistics firm at the weighted-average cost at which the logistics firm purchased the inventory.

(l) LKE provides certain indemnifications, the most significant of which relate to the termination of the WKE lease in July 2009. These guarantees cover the due and punctual payment, performance and discharge by each party of its respective present and future obligations. The most comprehensive of these guarantees is the LKE guarantee covering operational, regulatory and environmental commitments and indemnifications made by WKE under the WKE Transaction Termination Agreement. This guarantee has a term of 12 years ending July 2021, and a cumulative maximum exposure of $200 million. Certain items such as government fines and penalties fall outside the cumulative cap. LKE has contested the applicability of the indemnification requirement relating to one matter presented by a counterparty under this guarantee. Another guarantee with a maximum exposure of $100 million covering other indemnifications expires in 2023. In May 2012, LKE's indemnitee received an arbitration panel's decision affecting this matter, which granted LKE's indemnitee certain rights of first refusal to purchase excess power at a market-based price rather than at an absolute fixed price. In January 2013, LKE's indemnitee commenced a proceeding in the Kentucky Court of Appeals appealing the December 2012 order of the Henderson Circuit Court confirming the arbitration award. LKE believes its indemnification obligations in this matter remain subject to various uncertainties, including the potential for additional legal challenges regarding the arbitration decision as well as future prices, availability and demand for the subject excess power. LKE continues to evaluate various legal and commercial options with respect to this indemnification matter. The ultimate outcomes of the WKE termination-related indemnifications cannot be predicted at this time. Additionally, LKE has indemnified various third parties related to historical obligations for other divested subsidiaries and affiliates. The indemnifications vary by entity and the maximum exposures range from being capped at the sale price to no specified maximum; however, LKE is not aware of formal claims under such indemnities made by any party at this time. LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. LKE cannot predict the ultimate outcomes of such indemnification circumstances, but does not currently expect such outcomes to result in significant losses above the amounts recorded.

(m) Pursuant to the OVEC power purchase contract, expiring in June 2040, LG&E and KU are obligated to pay a demand charge which includes, among other charges, debt service and amortization toward principal retirement, decommissioning costs, post-retirement and post-employment benefits costs (other than pensions), and reimbursement of plant operating, maintenance and other expenses. The demand charge is expected to cover LG&E's and KU's shares of the cost of the listed items over the term of the contract. However, in the event there is a shortfall in covering these costs, LG&E and KU are obligated to pay their share of the excess debt service, post-retirement and decommissioning costs. The maximum exposure and the expiration date of these potential obligations are not presently determinable.

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

PPL, on behalf of itself and certain of its subsidiaries, maintains insurance that covers liability assumed under contract for bodily injury and property damage. The coverage requires a maximum $4 million deductible for PPL, PPL Energy Supply and PPL Electric and $2 million for LKE, LG&E and KU, per occurrence and provides maximum aggregate coverage of $225 million. This insurance may be applicable to obligations under certain of these contractual arrangements.

11. Related Party Transactions

PLR Contracts/Purchase of Accounts Receivable (PPL Energy Supply and PPL Electric)

PPL Electric holds competitive solicitations for PLR generation supply. PPL EnergyPlus has been awarded a portion of the PLR generation supply through these competitive solicitations. The sales and purchases between PPL EnergyPlus and PPL Electric are included in the Statements of Income as "Wholesale energy marketing to affiliate" by PPL Energy Supply and as "Energy purchases from affiliate" by PPL Electric.

Under the standard Supply Master Agreement for the solicitation process, PPL Electric requires all suppliers to post collateral once credit exposures exceed defined credit limits. PPL EnergyPlus is required to post collateral with PPL Electric: (a) when the market price of electricity to be delivered by PPL EnergyPlus exceeds the contract price for the forecasted quantity of electricity to be delivered; and (b) this market price exposure exceeds a contractual credit limit. Based on the current credit rating of PPL Energy Supply, as guarantor, PPL EnergyPlus' credit limit was $35 million at March 31, 2013. In no instance is PPL Electric required to post collateral to suppliers under these supply contracts.

PPL Electric's customers may choose an alternative supplier for their generation supply. See Note 2 for additional information regarding PPL Electric's purchases of accounts receivable from alternative suppliers, including PPL EnergyPlus.

At March 31, 2013, PPL Energy Supply had a net credit exposure of $23 million from PPL Electric from its commitment as a PLR supplier and from the sale of its accounts receivable to PPL Electric.

Allocations of PPL Services Costs (PPL Energy Supply, PPL Electric and LKE)

PPL Services provides corporate functions such as financial, legal, human resources and information technology services. PPL Services charges the respective PPL subsidiaries for the cost of such services when they can be specifically identified. The cost of the services that is not directly charged to PPL subsidiaries is allocated to applicable subsidiaries based on an average of the subsidiaries' relative invested capital, operation and maintenance expenses and number of employees. PPL Services charged the following amounts for the periods ended March 31, which PPL management believes are reasonable, including amounts applied to accounts that are further distributed between capital and expense.

	Three Months			
	2013		2012	
PPL Energy Supply	$	57	$	57
PPL Electric		38		42
LKE		4		5

Intercompany Billings by LKS (LG&E and KU)

LKS provides LG&E and KU with a variety of centralized administrative, management and support services. The cost of these services is directly charged to the company or, for general costs that cannot be directly attributed, charged based on predetermined allocation factors, including the following measures: number of customers, total assets, revenues, number of employees and/or other statistical information. LKS charged the amounts in the table below for the periods ended March 31, which LKE management believes are reasonable, including amounts that are further distributed between capital and expense.

	Three Months			
	2013		2012	
LG&E	$	39	$	41
KU		66		46

In addition, LG&E and KU provide services to each other and to LKS. Billings between LG&E and KU relate to labor and overheads associated with union and hourly employees performing work for the other company, charges related to jointly-owned generating units and other miscellaneous charges. Tax settlements between LKE and LG&E and KU are reimbursed through LKS.

Intercompany Borrowings (LKE)

LKE maintains a $300 million revolving demand note with a PPL Energy Funding subsidiary whereby LKE can borrow funds on a short-term basis at market-based rates. The interest rates on borrowings are equal to one-month LIBOR plus a spread. At March 31, 2013 and December 31, 2012, $85 million and $25 million was outstanding and was reflected in "Notes payable with affiliates" on the Balance Sheet. The interest rate on the outstanding borrowing at March 31, 2013 was 1.7%. Interest on the demand note was not significant for the three months ended March 31, 2013 and 2012.

Intercompany Derivatives (LKE, LG&E and KU)

Periodically, LG&E and KU enter into forward-starting interest rate swaps with PPL. These hedging instruments have terms identical to forward-starting swaps entered into by PPL with third parties. See Note 14 for additional information on intercompany derivatives.

Other (PPL Energy Supply, PPL Electric, LKE, LG&E and KU)

See Note 7 for a discussion regarding capital transactions by PPL Energy Supply, PPL Electric, LKE, LG&E and KU. For PPL Energy Supply, PPL Electric, LG&E and KU, refer to Note 9 for discussions regarding intercompany allocations associated with defined benefits.

12. Other Income (Expense) - net

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

The breakdown of "Other Income (Expense) - net" for the periods ended March 31 was:

	Three Months	
	2013	2012
PPL		
Other Income		
Earnings on securities in NDT funds	$ 5	$ 8
Interest income	1	1
AFUDC - equity component	3	2
Miscellaneous - Domestic	2	2
Miscellaneous - U.K.	1	
Total Other Income	12	13
Other Expense		
Economic foreign currency exchange contracts (Note 14)	(119)	18
Charitable contributions	4	4
Miscellaneous - Domestic	4	6
Miscellaneous - U.K.	1	2
Total Other Expense	(110)	30
Other Income (Expense) - net	$ 122	$ (17)

The components of "Other Income (Expense) - net" for the three months ended March 31, 2013 and 2012 for PPL Energy Supply, PPL Electric, LKE, LG&E and KU are not significant.

13. Fair Value Measurements and Credit Concentration

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models), and/or a cost approach (generally, replacement cost) are used to measure the fair value of an asset or liability, as appropriate. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk. The fair value of a group of financial assets and liabilities is measured on a net basis. Transfers between levels are recognized at end-of-reporting-period values. During the three months ended March 31, 2013 and 2012, there were no transfers between Level 1 and Level 2. See Note 1 in each Registrant's 2012 Form 10-K for information on the levels in the fair value hierarchy.

Recurring Fair Value Measurements

The assets and liabilities measured at fair value were:

	March 31, 2013				December 31, 2012			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3

PPL								
Assets								
Cash and cash equivalents	$ 853	$ 853			$ 901	$ 901		
Restricted cash and cash equivalents (a)	186	186			135	135		
Price risk management assets:								
Energy commodities	1,676	3	$ 1,651	$ 22	2,068	2	$ 2,037	$ 29
Interest rate swaps	27		27		15		15	
Foreign currency contracts	96		96					
Cross-currency swaps	83		83		14		13	1
Total price risk management assets	1,882	3	1,857	22	2,097	2	2,065	30

	March 31, 2013				December 31, 2012			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
NDT funds:								
Cash and cash equivalents	8	8			11	11		
Equity securities								
U.S. large-cap	457	342	115		412	308	104	
U.S. mid/small-cap	68	28	40		60	25	35	
Debt securities								
U.S. Treasury	95	95			95	95		
U.S. government sponsored agency	9		9		9		9	
Municipality	83		83		82		82	
Investment-grade corporate	40		40		40		40	
Other	3		3		3		3	
Receivables (payables), net	1	(1)	2			(2)	2	
Total NDT funds	764	472	292		712	437	275	
Auction rate securities (b)	19		3	16	19		3	16
Total assets	$ 3,704	$ 1,514	$ 2,152	$ 38	$ 3,864	$ 1,475	$ 2,343	$ 46
Liabilities								
Price risk management liabilities:								
Energy commodities	$ 1,432	$ 2	$ 1,422	$ 8	$ 1,566	$ 2	$ 1,557	$ 7
Interest rate swaps	69		69		80		80	
Foreign currency contracts	3		3		44		44	
Cross-currency swaps	1		1		4		4	
Total price risk management liabilities	$ 1,505	$ 2	$ 1,495	$ 8	$ 1,694	$ 2	$ 1,685	$ 7
PPL Energy Supply								
Assets								
Cash and cash equivalents	$ 147	$ 147			$ 413	$ 413		
Restricted cash and cash equivalents (a)	122	122			63	63		
Price risk management assets:								
Energy commodities	1,676	3	$ 1,651	$ 22	2,068	2	$ 2,037	$ 29
Total price risk management assets	1,676	3	1,651	22	2,068	2	2,037	29
NDT funds:								
Cash and cash equivalents	8	8			11	11		
Equity securities								
U.S. large-cap	457	342	115		412	308	104	
U.S. mid/small-cap	68	28	40		60	25	35	
Debt securities								
U.S. Treasury	95	95			95	95		
U.S. government sponsored agency	9		9		9		9	
Municipality	83		83		82		82	
	40		40		40		40	

Investment-grade corporate								
Other	3		3		3		3	
Receivables (payables), net	1	(1)	2			(2)	2	
Total NDT funds	764	472	292		712	437	275	
Auction rate securities (b)	16		3	13	16		3	13
Total assets	$ 2,725	$ 744	$ 1,946	$ 35	$ 3,272	$ 915	$ 2,315	$ 42
Liabilities								
Price risk management liabilities:								
Energy commodities	$ 1,432	$ 2	$ 1,422	$ 8	$ 1,566	$ 2	$ 1,557	$ 7
Total price risk management liabilities	$ 1,432	$ 2	$ 1,422	$ 8	$ 1,566	$ 2	$ 1,557	$ 7
PPL Electric								
Assets								
Cash and cash equivalents	$ 31	$ 31			$ 140	$ 140		
Restricted cash and cash equivalents (c)	12	12			13	13		
Total assets	$ 43	$ 43			$ 153	$ 153		
LKE								
Assets								
Cash and cash equivalents	$ 52	$ 52			$ 43	$ 43		
Restricted cash and cash equivalents (d)	27	27			32	32		
Price risk management assets:								
Interest rate swaps	24		$ 24		14		$ 14	
Total price risk management assets	24		24		14		14	
Total assets	$ 103	$ 79	$ 24		$ 89	$ 75	$ 14	
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 54		$ 54		$ 58		$ 58	
Total price risk management liabilities	$ 54		$ 54		$ 58		$ 58	

	March 31, 2013				December 31, 2012			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
LG&E								
Assets								
Cash and cash equivalents	$ 34	$ 34			$ 22	$ 22		
Restricted cash and cash equivalents (d)	27	27			32	32		
Price risk management assets:								
Interest rate swaps	12		$ 12		7		$ 7	
Total price risk management assets	12		12		7		7	
Total assets	$ 73	$ 61	$ 12		$ 61	$ 54	$ 7	
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 54		$ 54		$ 58		$ 58	
Total price risk management liabilities	$ 54		$ 54		$ 58		$ 58	
KU								
Assets								
Cash and cash equivalents	$ 16	$ 16			$ 21	$ 21		
Price risk management assets:								
Interest rate swaps	12		$ 12		7		$ 7	
Total price risk management assets	12		12		7		7	
Total assets	$ 28	$ 16	$ 12		$ 28	$ 21	$ 7	

(a) Current portion is included in "Restricted cash and cash equivalents" and the long-term portion is included in "Other noncurrent assets" on the Balance Sheets.
(b) Included in "Other investments" on the Balance Sheets.
(c) Current portion is included in "Other current assets" and the long-term portion is included in "Other noncurrent assets" on the Balance Sheets.
(d) Included in "Other noncurrent assets" on the Balance Sheets.

A reconciliation of net assets and liabilities classified as Level 3 for the three months ended March 31 is as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	2013				2012			
	Energy Commodities, net	Auction Rate Securities	Cross-Currency Swaps	Total	Energy Commodities, net	Auction Rate Securities	Cross-Currency Swaps	Total
PPL								
Balance at beginning of period	$ 22	$ 16	$ 1	$ 39	$ 13	$ 24	$ 4	$ 41
Total realized/unrealized gains (losses)								
Included in earnings	(8)			(8)	18			18
Included in OCI (a)			3	3	2		2	4
Settlements	(1)			(1)	(6)			(6)

Transfers into Level 3	1			1				
Transfers out of Level 3			(4)	(4)	(8)		(3)	(11)
Balance at end of period	$ 14	$ 16	$	$ 30	$ 19	$ 24	$ 3	$ 46
PPL Energy Supply								
Balance at beginning of period	$ 22	$ 13		$ 35	$ 13	$ 19		$ 32
Total realized/unrealized gains (losses)								
Included in earnings	(8)			(8)	18			18
Included in OCI (a)					2			2
Settlements	(1)			(1)	(6)			(6)
Transfers into Level 3	1			1				
Transfers out of Level 3					(8)			(8)