

PPL Corp  
Form 10-Q  
October 30, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended September 30, 2015  
OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Registrant; State of Incorporation;

IRS Employer

Number

Address and Telephone Number

Identification No.

**PPL Corporation**

(Exact name of Registrant as specified in its charter)

(Pennsylvania)

1-11459

23-2758192

Two North Ninth Street

Allentown, PA 18101-1179

(610) 774-5151

**PPL Electric Utilities Corporation**

(Exact name of Registrant as specified in its charter)

(Pennsylvania)

1-905

23-0959590

Two North Ninth Street

Allentown, PA 18101-1179

(610) 774-5151

333-173665

**LG&E and KU Energy LLC**

20-0523163

(Exact name of Registrant as specified in its charter)

(Kentucky)

220 West Main Street

Louisville, KY 40202-1377

(502) 627-2000

**Louisville Gas and Electric Company**

(Exact name of Registrant as specified in its charter)

(Kentucky)

1-2893

61-0264150

220 West Main Street

Louisville, KY 40202-1377

(502) 627-2000

**Kentucky Utilities Company**

(Exact name of Registrant as specified in its charter)

(Kentucky and Virginia)

1-3464

61-0247570

One Quality Street

Lexington, KY 40507-1462

(502) 627-2000

Edgar Filing: PPL Corp - Form 10-Q

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

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

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

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

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

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
PPL Corporation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PPL Electric Utilities Corporation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LG&E and KU Energy LLC	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Louisville Gas and Electric Company	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Kentucky Utilities Company	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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

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

Edgar Filing: PPL Corp - Form 10-Q

Louisville Gas and Electric Company Yes  No   
Kentucky Utilities Company Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

PPL Corporation	Common stock, \$0.01 par value, 672,845,584 shares outstanding at October 23, 2015.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at October 23, 2015.
LG&E and KU Energy LLC	PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC.
Louisville Gas and Electric Company	Common stock, no par value, 21,294,223 shares outstanding and all held by LG&E and KU Energy LLC at October 23, 2015.
Kentucky Utilities Company	Common stock, no par value, 37,817,878 shares outstanding and all held by LG&E and KU Energy LLC at October 23, 2015.

**This document is available free of charge at the Investors section of PPL Corporation's website at [www.pplweb.com](http://www.pplweb.com). However, information on this website does not constitute a part of this Form 10-Q.**

**PPL CORPORATION**

**PPL ELECTRIC UTILITIES CORPORATION**

**LG&E and KU Energy LLC**

**Louisville Gas and Electric Company**

**Kentucky Utilities Company**

FORM 10-Q

FOR THE QUARTER ENDED September 30, 2015

Table of Contents

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

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

	<u>Page</u>
GLOSSARY OF TERMS AND ABBREVIATIONS	i
FORWARD-LOOKING INFORMATION	1
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
<b>PPL Corporation and Subsidiaries</b>	
<u>Condensed Consolidated Statements of Income</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income</u>	4
<u>Condensed Consolidated Statements of Cash Flows</u>	5
<u>Condensed Consolidated Balance Sheets</u>	6
<u>Condensed Consolidated Statements of Equity</u>	8

**PPL Electric Utilities Corporation and Subsidiaries**

<u>Condensed Consolidated Statements of Income</u>	10
<u>Condensed Consolidated Statements of Cash Flows</u>	11
<u>Condensed Consolidated Balance Sheets</u>	12
<u>Condensed Consolidated Statements of Equity</u>	14

**LG&E and KU Energy LLC and Subsidiaries**

<u>Condensed Consolidated Statements of Income</u>	15
<u>Condensed Consolidated Statements of Comprehensive Income</u>	16
<u>Condensed Consolidated Statements of Cash Flows</u>	17
<u>Condensed Consolidated Balance Sheets</u>	18
<u>Condensed Consolidated Statements of Equity</u>	20

**Louisville Gas and Electric Company**

<u>Condensed Statements of Income</u>	22
<u>Condensed Statements of Cash Flows</u>	23
<u>Condensed Balance Sheets</u>	24
<u>Condensed Statements of Equity</u>	26

**Kentucky Utilities Company**

<u>Condensed Statements of Income</u>	28
<u>Condensed Statements of Cash Flows</u>	29
<u>Condensed Balance Sheets</u>	30
<u>Condensed Statements of Equity</u>	32

Combined Notes to Condensed Financial Statements  
(Unaudited)

<u>1. Interim Financial Statements</u>	33
<u>2. Summary of Significant Accounting Policies</u>	33
<u>3. Segment and Related Information</u>	34
<u>4. Earnings Per Share</u>	35
<u>5. Income Taxes</u>	36
<u>6. Utility Rate Regulation</u>	38
<u>7. Financing Activities</u>	42
<u>8. Acquisitions, Development and Divestitures</u>	44
<u>9. Defined Benefits</u>	48
<u>10. Commitments and Contingencies</u>	50
<u>11. Related Party Transactions</u>	58
<u>12. Other Income (Expense) - net</u>	59
<u>13. Fair Value Measurements</u>	60
<u>14. Derivative Instruments and Hedging Activities</u>	62
<u>15. Goodwill</u>	71
<u>16. Asset Retirement Obligations</u>	71
<u>17. Accumulated Other Comprehensive Income (Loss)</u>	71
<u>18. New Accounting Guidance Pending Adoption</u>	73
Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations	
<u>Overview</u>	76
<u>Introduction</u>	76
<u>Business Strategy</u>	78
<u>Financial and Operational Developments</u>	79
<u>PPL Corporation and Subsidiaries - Earnings</u>	79
<u>2015 Outlook</u>	79
<u>Other Financial and Operational Developments</u>	80
<u>Results of Operations</u>	84
<u>PPL Corporation and Subsidiaries - Segment Earnings, Margins and Statement of Income Analysis</u>	85
<u>PPL Electric Utilities Corporation and Subsidiaries - Earnings, Margins and Statement of Income Analysis</u>	92
<u>LG&amp;E and KU Energy LLC and Subsidiaries - Earnings, Margins and Statement of Income Analysis</u>	94
<u>Louisville Gas and Electric Company - Earnings, Margins and Statement of Income Analysis</u>	96
	98

<u>Kentucky Utilities Company - Earnings, Margins</u>	
<u>and Statement of Income Analysis</u>	
<u>Financial Condition</u>	100
<u>Liquidity and Capital Resources</u>	100
<u>Risk Management</u>	107
<u>Foreign Currency Translation</u>	109
<u>Related Party Transactions</u>	109
<u>Acquisitions, Development and Divestitures</u>	109
<u>Environmental Matters</u>	109
<u>New Accounting Guidance</u>	110
<u>Application of Critical Accounting Policies</u>	110
<u>Item 3. Quantitative and Qualitative Disclosures</u>	111
<u>About Market Risk</u>	111
<u>Item 4. Controls and Procedures</u>	111
PART II. OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	111
<u>Item 1A. Risk Factors</u>	111
<u>Item 4. Mine Safety Disclosures</u>	112
<u>Item 5. Other Information</u>	112
<u>Item 6. Exhibits</u>	112



<u>SIGNATURES</u>	114
<u>COMPUTATIONS OF RATIO OF EARNINGS TO FIXED CHARGES</u>	115
<u>CERTIFICATES OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER</u> <u>PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002</u>	120
<u>CERTIFICATES OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER</u> <u>PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002</u>	130

(THIS PAGE LEFT BLANK INTENTIONALLY.)

Table of Contents

**GLOSSARY OF TERMS AND ABBREVIATIONS**

***PPL Corporation and its subsidiaries***

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

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

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

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

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

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

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

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

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

**PPL Global** - PPL Global, LLC, a subsidiary of PPL Energy Funding that, primarily through its subsidiaries, owns and operates WPD, PPL's regulated electricity distribution businesses in the U.K.

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

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

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

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

**WPD** - refers to WPD plc and its subsidiaries together with a sister company PPL WPD Limited.

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

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

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

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

Table of Contents

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

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

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

**Other terms and abbreviations**

£ - British pound sterling.

**2014 Form 10-K** - Annual Report to the SEC on Form 10-K for the year ended December 31, 2014.

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

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

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

**AOCI** - accumulated other comprehensive income or loss.

**ARO** - asset retirement obligation.

**ATM Program** - At-the-Market stock offering program.

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

**BSER** - Best System of Emission Reduction. The degree of emission reduction that EPA determines has been adequately demonstrated when taking into account the cost of achieving such reduction and any non-air quality health and environmental impact and energy requirements.

**Cane Run Unit 7** - a natural gas combined-cycle unit in Kentucky, jointly owned by LG&E and KU, which provides electric generating capacity of 642 MW (141 MW and 501 MW to LG&E and KU).

**CCR(s)** - Coal Combustion Residual(s). CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes.

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

**Clean Water Act** - federal legislation enacted to address certain environmental issues relating to water quality including effluent discharges, cooling water intake, and dredge and fill activities.

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

Table of Contents

**CPCN** - Certificate of Public Convenience and Necessity. Authority granted by the KPSC pursuant to Kentucky Revised Statute 278.020 to provide utility service to or for the public or the construction of certain plant, equipment, property or facility for furnishing of utility service to the public.

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

**DNO** - Distribution Network Operator in the U.K.

**DOJ** - U.S. Department of Justice.

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

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

**DRIP** - PPL Amended and Restated Dividend Reinvestment and Direct Stock Purchase Plan.

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

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

**ECR** - Environmental Cost Recovery. Pursuant to Kentucky Revised Statute 278.183, Kentucky electric utilities are entitled to the current recovery of costs of complying with the Clean Air Act, as amended, and those federal, state or local environmental requirements that apply to coal combustion wastes and by-products from the production of energy

from coal.

**EEI** - Edison Electric Institute, the association that represents U.S. investor-owned electric companies.

**ELG(s)** - Effluent Limitation Guidelines, regulations promulgated by the EPA.

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

**EPS** - earnings per share.

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

**E.W. Brown** - a generating station in Kentucky with capacity of 1,594 MW.

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

**FGD** - flue-gas desulfurization, a pollution control process for the removal of sulfur dioxide from exhaust gas.

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

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

**GBP** - British pound sterling.



**GHG** - greenhouse gas(es).

iii

Table of Contents

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

**Holdco** - Talen Energy Holdings, Inc., a Delaware corporation, which was formed for the purposes of the June 1, 2015 spinoff of PPL Energy Supply, LLC.

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

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

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

**LIBOR** - London Interbank Offered Rate.

**MATS** - Mercury and Air Toxics Standards, regulations promulgated by the EPA.

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

**MW** - megawatt, one thousand kilowatts.

**NAAQS** - National Ambient Air Quality Standards periodically adopted pursuant to the Clean Air Act.

**NERC** - North American Electric Reliability Corporation.

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

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

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

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

**NSR** - The new source review provisions of the Clean Air Act that impose stringent emission control requirements on new and modified sources of air emissions that result in emission increases beyond thresholds allowed by the Clean Air Act.

**OCI** - other comprehensive income or loss.

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

**OVEC** - Ohio Valley Electric Corporation, located in Piketon, Ohio, an entity in which LKE indirectly owns an 8.13% interest (consists of LG&E's 5.63% and KU's 2.50% interests), which is accounted for as a cost-method investment. OVEC owns and operates two coal-fired power plants, the Kyger Creek plant in Ohio and the Clifty Creek plant in Indiana, with combined summer rating capacities of 2,120 MW.

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

**PP&E** - property, plant and equipment.



Table of Contents

**PPL EnergyPlus** - prior to the June 1, 2015 spinoff of PPL Energy Supply, PPL EnergyPlus, LLC, a subsidiary of PPL Energy Supply that marketed and traded wholesale and retail electricity and gas, and supplied energy and energy services in competitive markets.

**PPL Energy Supply** - prior to the June 1, 2015 spinoff, PPL Energy Supply, LLC, a subsidiary of PPL Energy Funding and the parent company of PPL EnergyPlus and other subsidiaries.

**PPL Montana** - prior to the June 1, 2015 spinoff of PPL Energy Supply, PPL Montana, LLC, an indirect subsidiary of PPL Energy Supply, LLC that generated electricity for wholesale sales in Montana and the Pacific Northwest.

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

**RAV** - regulatory asset value. This term, used within the U.K. regulatory environment, is also commonly known as RAB or regulatory asset base. RAV is based on historical investment costs at time of privatization, plus subsequent allowed additions less annual regulatory depreciation, and represents the value on which DNOs earn a return in accordance with the regulatory cost of capital. RAV is indexed to Retail Price Index (RPI) in order to allow for the effects of inflation. Since the beginning of DPCR5 in April 2010, RAV additions have been based on a percentage of annual total expenditures, which have continued from April 2015 under RIIO-ED1. RAV is intended to represent expenditures that have a long-term benefit to WPD (similar to capital projects for the U.S. regulated businesses that are generally included in rate base).

**RCRA** - Resource Conservation and Recovery Act of 1976.

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

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

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

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

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

**RMC** - Risk Management Committee.

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

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

**SCRs** - selective catalytic reduction, a pollution control process for the removal of nitrogen oxide from exhaust gas.

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

**SEC** - the U.S. Securities and Exchange Commission, a U.S. government agency primarily responsible to protect investors and maintain the integrity of the securities markets.

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

Table of Contents

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

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

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

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

**Talen Energy Marketing** - PPL EnergyPlus' new name subsequent to the spinoff of PPL Energy Supply.

**Total shareowner return** - the change in market value of a share of the Company's common stock plus the value of all dividends paid on a share of the common stock during the applicable performance period, divided by the price of the common stock as of the beginning of the performance period. The price used for purposes of this calculation is the average share price for the 20 trading days at the beginning and end of the applicable period.

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

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

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

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





Table of Contents

**Forward-looking Information**

Statements contained in this Form 10-Q concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in each Registrant's 2014 Form 10-K and in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements.

- fuel supply;
- continuing ability to recover fuel costs and environmental expenditures in a timely manner at LG&E and KU, and natural gas supply costs at LG&E;
- weather conditions affecting customer energy use;
- availability of existing generation facilities;
- the duration of and cost associated with unscheduled outages at our generating facilities;
- transmission and distribution system conditions and operating costs;
- expansion of alternative and distributed sources of electricity generation and storage;
- collective labor bargaining negotiations;
- the outcome of litigation against the Registrants and their subsidiaries;
- potential effects of threatened or actual terrorism, war or other hostilities, cyber-based intrusions or natural disasters;
- the commitments and liabilities of the Registrants and their subsidiaries;
- the effectiveness of our risk management programs, including foreign currency and interest rate hedging;
- our ability to attract and retain qualified employees;
- volatility in demand for electricity and prices for energy and transmission services;
- competition in retail and wholesale power and natural gas markets;
- market prices of commodity inputs for ongoing capital expenditures;
- capital market conditions, including the availability of capital or credit, changes in interest rates and certain economic indices, and decisions regarding capital structure;
- stock price performance of PPL;
- volatility in the fair value of debt and equity securities and its impact on the value of assets in defined benefit plans, and the potential cash funding requirements if fair value declines;
- interest rates and their effect on pension and retiree medical liabilities and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial markets and economic conditions;
- new accounting requirements or new interpretations or applications of existing requirements;
- changes in securities and credit ratings;
- changes in foreign currency exchange rates for British pound sterling;
- current and future environmental conditions, regulations and other requirements and the related costs of compliance, including environmental capital expenditures, emission allowance costs and other expenses;
- changes in political, regulatory or economic conditions in states, regions or countries where the Registrants or their subsidiaries conduct business;
- receipt of necessary governmental permits, approvals and rate relief;
- new state, federal or foreign legislation or regulatory developments;

Edgar Filing: PPL Corp - Form 10-Q

- the outcome of any rate cases or other cost recovery or revenue filings by PPL Electric, LG&E, KU or WPD; the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures; and
- business dispositions or acquisitions and our ability to realize expected benefits from such business transactions.

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

Table of Contents

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.

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****PPL Corporation and Subsidiaries**

(Unaudited)

*(Millions of Dollars, except share data)*

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Operating Revenues</b>	<b>\$1,878</b>	\$1,879	<b>\$5,889</b>	\$5,906
<b>Operating Expenses</b>				
Operation				
Fuel	<b>228</b>	240	<b>695</b>	748
Energy purchases	<b>177</b>	173	<b>676</b>	683
Other operation and maintenance	<b>482</b>	467	<b>1,405</b>	1,382
Depreciation	<b>226</b>	233	<b>658</b>	688
Taxes, other than income	<b>79</b>	78	<b>241</b>	238
Total Operating Expenses	<b>1,192</b>	1,191	<b>3,675</b>	3,739
<b>Operating Income</b>	<b>686</b>	688	<b>2,214</b>	2,167
Other Income (Expense) - net	<b>75</b>	136	<b>61</b>	33
Interest Expense	<b>221</b>	213	<b>645</b>	637
<b>Income from Continuing Operations Before Income Taxes</b>	<b>540</b>	611	<b>1,630</b>	1,563
Income Taxes	<b>144</b>	201	<b>432</b>	534

<b>Income from Continuing Operations After Income Taxes</b>	<b>396</b>	410	<b>1,198</b>	1,029
---	------------	-----	--------------	-------

Income (Loss) from Discontinued Operations (net of income taxes) (Note 8)	<b>(3)</b>	87	<b>(915)</b>	13
---	------------	----	--------------	----

<b>Net Income</b>	<b>\$393</b>	\$497	<b>\$283</b>	\$1,042
-------------------	--------------	-------	--------------	---------

**Earnings Per Share of Common Stock:**

Income from Continuing Operations After Income Taxes Available to PPL Common Shareowners:				
---	--	--	--	--

Basic	<b>\$0.59</b>	\$0.61	<b>\$1.78</b>	\$1.58
-------	---------------	--------	---------------	--------

Diluted	<b>\$0.59</b>	\$0.61	<b>\$1.78</b>	\$1.55
---------	---------------	--------	---------------	--------

Net Income Available to PPL Common Shareowners:				
---	--	--	--	--

Basic	<b>\$0.58</b>	\$0.74	<b>\$0.42</b>	\$1.60
-------	---------------	--------	---------------	--------

Diluted	<b>\$0.58</b>	\$0.74	<b>\$0.42</b>	\$1.57
---------	---------------	--------	---------------	--------

<b>Dividends Declared Per Share of Common Stock</b>	<b>\$0.3775</b>	\$0.3725	<b>\$1.1225</b>	\$1.1175
---	-----------------	----------	-----------------	----------

**Weighted-Average Shares of Common Stock Outstanding (in thousands)**

Basic	<b>670,763</b>	664,432	<b>668,731</b>	649,561
-------	----------------	---------	----------------	---------

Diluted	<b>673,702</b>	666,402	<b>671,254</b>	665,501
---------	----------------	---------	----------------	---------

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

Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**PPL Corporation and Subsidiaries**

(Unaudited)

*(Millions of Dollars)*

	<b>Three Months</b>		<b>Nine Months</b>	
	<b>Ended</b>		<b>Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Net income</b>	<b>\$ 393</b>	\$ 497	<b>\$ 283</b>	\$ 1,042
<b>Other comprehensive income (loss):</b>				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Foreign currency translation adjustments, net of tax of (\$3), (\$9), (\$2), (\$3)	<b>52</b>	(48)	<b>(97)</b>	80
Available-for-sale securities, net of tax of \$0, \$1, (\$9), (\$20)		(1)	<b>7</b>	18
Qualifying derivatives, net of tax of \$11, \$2, \$4, \$31	<b>(19)</b>	(5)	<b>8</b>	(52)
Defined benefit plans:				
Prior service costs, net of tax of \$0, \$0, \$4, \$0			<b>(6)</b>	
Net actuarial gain (loss), net of tax of \$0, (\$1), (\$36), \$1		(1)	<b>52</b>	(3)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Available-for-sale securities, net of tax of \$0, \$4, \$2, \$6		(3)	<b>(2)</b>	(5)
Qualifying derivatives, net of tax of (\$3), \$3, (\$23), \$4	<b>10</b>	(12)	<b>20</b>	2
Equity investees' other comprehensive (income) loss, net of tax of \$0, \$0, \$1, \$0			<b>(1)</b>	
Defined benefit plans:				
Prior service costs, net of tax of \$0, (\$1), \$0, (\$3)		1		3
Net actuarial loss, net of tax of (\$10), (\$9), (\$35), (\$26)	<b>35</b>	29	<b>111</b>	84
<b>Total other comprehensive income (loss)</b>	<b>78</b>	(40)	<b>92</b>	127
<b>Comprehensive income</b>	<b>\$ 471</b>	\$ 457	<b>\$ 375</b>	\$ 1,169

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

Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****PPL Corporation and Subsidiaries**

(Unaudited)

*(Millions of Dollars)*

	<b>Nine Months Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 283	\$ 1,042
(Income) loss from discontinued operations (net of income taxes)	915	(13)
Income from continuing operations (net of income taxes)	1,198	1,029
Adjustments to reconcile Income from continuing operations (net of taxes) to net cash provided by operating activities - continuing operations		
Depreciation	658	688
Amortization	46	51
Defined benefit plans - expense	44	37
Deferred income taxes and investment tax credits	359	416
Unrealized (gains) losses on derivatives, and other hedging activities	(17)	(99)
Adjustment to WPD line loss accrual		65
Stock-based compensation expense	26	24
Other	9	(1)
Change in current assets and current liabilities		
Accounts receivable	(5)	(59)
Accounts payable	(180)	(53)
Unbilled revenues	91	122
Fuel, materials and supplies	60	7
Taxes payable	(142)	138
Regulatory assets and liabilities, net	46	7
Other	(48)	28
Other operating activities		
Defined benefit plans - funding	(396)	(290)
Settlement of interest rate swaps	(88)	
Other assets	(42)	10

Other liabilities	<b>69</b>	43
Net cash provided by operating activities - continuing operations	<b>1,688</b>	2,163
Net cash provided by operating activities - discontinued operations	<b>343</b>	465
Net cash provided by operating activities	<b>2,031</b>	2,628
<b>Cash Flows from Investing Activities</b>		
<b>Investing activities from continuing operations:</b>		
Expenditures for property, plant and equipment	<b>(2,560)</b>	(2,602)
Expenditures for intangible assets	<b>(32)</b>	(36)
Purchase of other investments	<b>(15)</b>	
Proceeds from the sale of other investments	<b>136</b>	
Net (increase) decrease in restricted cash and cash equivalents	<b>5</b>	12
Other investing activities	<b>3</b>	(4)
Net cash provided by (used in) investing activities - continuing operations	<b>(2,463)</b>	(2,630)
Net cash provided by (used in) investing activities - discontinued operations	<b>(149)</b>	(344)
Net cash provided by (used in) investing activities	<b>(2,612)</b>	(2,974)
<b>Cash Flows from Financing Activities</b>		
<b>Financing activities from continuing operations:</b>		
Issuance of long-term debt	<b>1,137</b>	296
Retirement of long-term debt		(237)
Issuance of common stock	<b>145</b>	1,037
Payment of common stock dividends	<b>(750)</b>	(718)
Net increase (decrease) in short-term debt	<b>(271)</b>	(192)
Other financing activities	<b>(30)</b>	(49)
Net cash provided by (used in)	<b>231</b>	137



financing activities		
- continuing		
operations		
Net cash provided by (used in)		
financing activities - discontinued	(546)	(166)
operations		
Net cash distributions to parent	132	448
from discontinued operations		
Net cash provided		
by (used in)	(183)	419
financing		
activities		
<b>Effect of Exchange Rates on Cash and</b>		
<b>Cash Equivalents</b>	(6)	13
<b>Net (Increase) Decrease in Cash and</b>		
<b>Cash Equivalents included in</b>	352	45
<b>Discontinued Operations</b>		
<b>Net Increase (Decrease) in Cash and</b>	(418)	131
<b>Cash Equivalents</b>		
Cash and Cash Equivalents at Beginning	1,399	863
of Period		
Cash and Cash Equivalents at End of	\$ 981	\$ 994
Period		

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

Table of Contents

**CONDENSED CONSOLIDATED BALANCE  
SHEETS**

**PPL Corporation and Subsidiaries**

(Unaudited)

*(Millions of Dollars, shares in thousands)*

**September 30,    December 31,**