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PPL Corp
Form 10-Q
July 31, 2014

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
June 30, 2014
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 for the transition period from
_____ to _____

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

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(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 61-0247570
(Exact name of Registrant as specified in its charter)
(Kentucky and Virginia)
One Quality Street
Lexington, KY 40507-1462
(502) 627-2000

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

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

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

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

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

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

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

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

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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, 664,381,143 shares outstanding at July 25, 2014. |
| 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 July 25, 2014. |
| LG&E and KU Energy LLC | PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC. |
| Louisville Gas and Electric Company | Common stock, no par value, 21,294,223 shares outstanding and all held by LG&E and KU Energy LLC at July 25, 2014. |
| Kentucky Utilities Company | Common stock, no par value, 37,817,878 shares outstanding and all held by LG&E and KU Energy LLC at July 25, 2014. |

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 JUNE 30, 2014

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

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

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GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other terms and abbreviations

£ - British pound sterling.

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

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

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

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

2013 Form 10-K - Annual Report to the SEC on Form 10-K for the year ended December 31, 2013.

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

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

AEPS - Alternative Energy Portfolio Standard.

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

AOCI - accumulated other comprehensive income or loss.

ARO - asset retirement obligation.

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

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

CAIR - the EPA's Clean Air Interstate Rule.

Cane Run Unit 7 - a natural gas combined-cycle unit under construction in Kentucky, jointly owned by LG&E and KU, which is expected to provide additional electric generating capacity of 640 MW (141 MW and 499 MW to LG&E and KU) in 2015.

CCR - Coal Combustion Residuals. CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes.

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

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

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 the furnishing of utility service to the public.

CSAPR - Cross-State Air Pollution Rule.

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

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

DNO - Distribution Network Operator.

DOJ - U.S. Department of Justice.

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

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

DRIP - Dividend Reinvestment and Direct Stock Purchase Plan.

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

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

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

EEI - 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.

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

ESOP - Employee Stock Ownership Plan.

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

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

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

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

GBP - British pound sterling.

GHG - greenhouse gas(es).

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

Green River Unit 5 - a natural gas combined-cycle unit proposed to be built in Kentucky, jointly owned by LG&E and KU, which is expected to provide additional electric generating capacity of 700MW (280 MW and 420 MW of LG&E and KU, respectively).

IBEW - International Brotherhood of Electrical Workers.

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

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

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

ISO - Independent System Operator.

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

LIBOR - London Interbank Offered Rate.

LTIP - Long Term Infrastructure Improvement Plan.

MATS - Mercury and Air Toxics Standards.

MDEQ - Montana Department of Environmental Quality.

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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.

MPSC - Montana Public Service Commission.

MW - megawatt, one thousand kilowatts.

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

NDT - PPL Susquehanna's nuclear plant decommissioning trust.

NERC - North American Electric Reliability Corporation.

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

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

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

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

OCI - other comprehensive income or loss.

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

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

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

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

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

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

PP&E - property, plant and equipment.

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

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

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RAV - regulatory asset value. This term, used within the U.K. regulatory environment, is also commonly known as RAB or regulatory asset base. RAV is based on historical investment costs at time of privatization, plus subsequent allowed additions less annual regulatory depreciation, and represents the value on which DNOs earn a return in accordance with the regulatory cost of capital. RAV is indexed to Retail Price Index in order to allow for the effects of inflation. Since the beginning of DPCR5 in April 2010, RAV additions have been based on a percentage of annual total expenditures.

RCRA - Resource Conservation and Recovery Act of 1976.

RECs - renewable energy credits.

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

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

RFC - 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 - Electricity Distribution." RIIO-ED1 refers to the initial eight-year rate review period applicable to WPD commencing April 1, 2015.

Riverstone - Riverstone Holdings LLC, a Delaware limited liability company and ultimate parent company of the entities that own the electricity generating assets to be contributed to Talen Energy other than those assets to be contributed by virtue of the spinoff of PPL Energy Supply.

RJS Power - RJS Power Holdings LLC, a Delaware limited liability company controlled by Riverstone, currently expected to hold the competitive generation assets to be contributed to Talen Energy other than those assets to be contributed by virtue of the spinoff of PPL Energy Supply.

RMC - Risk Management Committee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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FORWARD-LOOKING INFORMATION

Statements contained in this Form 10-Q concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in each Registrant's 2013 Form 10-K and in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements.

- fuel supply cost and availability;
- continuing ability to recover fuel costs and environmental expenditures in a timely manner at LG&E and KU, and natural gas supply costs at LG&E;
- weather conditions affecting generation, customer energy use and operating costs;
- operation, availability and operating costs of existing generation facilities;
- the duration of and cost, including lost revenue, associated with scheduled and unscheduled outages at our generating facilities;
- transmission and distribution system conditions and operating costs;
- expansion of alternative sources of electricity generation;
- laws or regulations to reduce emissions of "greenhouse" gases or the physical effects of climate change;
- collective labor bargaining negotiations;
- the outcome of litigation against the Registrants and their subsidiaries;
- potential effects of threatened or actual terrorism, war or other hostilities, cyber-based intrusions or natural disasters;
- the commitments and liabilities of the Registrants and their subsidiaries;
- 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;

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- receipt of necessary governmental permits, approvals and rate relief;
- new state, federal or foreign legislation or regulatory developments;
- the outcome of any rate cases or other cost recovery or revenue filings by PPL Electric, LG&E, KU or WPD;
- the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures; and
- business dispositions or acquisitions, including the PPL Energy Supply spinoff transaction with Riverstone and the anticipated formation of Talen Energy and our ability to realize expected benefits from such business transactions.

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

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

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 June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|---------------|------------------------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| Operating Revenues | | | | |
| Utility | \$ 1,830 | \$ 1,655 | \$ 3,992 | \$ 3,605 |
| Unregulated wholesale energy | 591 | 1,401 | (838) | 1,544 |
| Unregulated retail energy | 280 | 257 | 629 | 494 |
| Energy-related businesses | 173 | 137 | 314 | 264 |
| Total Operating Revenues | 2,874 | 3,450 | 4,097 | 5,907 |
| Operating Expenses | | | | |
| Operation | | | | |
| Fuel | 491 | 441 | 1,249 | 970 |
| Energy purchases | 351 | 1,051 | (1,143) | 1,108 |
| Other operation and maintenance | 741 | 698 | 1,438 | 1,374 |
| Depreciation | 312 | 286 | 617 | 570 |
| Taxes, other than income | 93 | 86 | 197 | 182 |
| Energy-related businesses | 168 | 130 | 306 | 252 |
| Total Operating Expenses | 2,156 | 2,692 | 2,664 | 4,456 |
| Operating Income | 718 | 758 | 1,433 | 1,451 |
| Other Income (Expense) - net | (82) | 13 | (105) | 135 |
| Interest Expense | 258 | 258 | 522 | 509 |
| Income from Continuing Operations Before Income Taxes | 378 | 513 | 806 | 1,077 |
| Income Taxes | 149 | 109 | 261 | 260 |
| Income from Continuing Operations After Income Taxes | 229 | 404 | 545 | 817 |
| Income (Loss) from Discontinued Operations (net of income taxes) | | 1 | | 1 |
| Net Income Attributable to PPL Shareowners | \$ 229 | \$ 405 | \$ 545 | \$ 818 |
| Amounts Attributable to PPL Shareowners: | | | | |
| | \$ 229 | \$ 404 | \$ 545 | \$ 817 |

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| | | | | |
|---|-----------|-----------|-----------|-----------|
| Income from Continuing Operations After Income Taxes | | | | |
| Income (Loss) from Discontinued Operations (net of income taxes) | | 1 | | 1 |
| Net Income | \$ 229 | \$ 405 | \$ 545 | \$ 818 |
| Earnings Per Share of Common Stock: | | | | |
| Income from Continuing Operations After Income Taxes Available to PPL Common Shareowners: | | | | |
| Basic | \$ 0.35 | \$ 0.68 | \$ 0.84 | \$ 1.39 |
| Diluted | \$ 0.34 | \$ 0.63 | \$ 0.83 | \$ 1.28 |
| Net Income Available to PPL Common Shareowners: | | | | |
| Basic | \$ 0.35 | \$ 0.68 | \$ 0.84 | \$ 1.39 |
| Diluted | \$ 0.34 | \$ 0.63 | \$ 0.83 | \$ 1.28 |
| Dividends Declared Per Share of Common Stock | \$ 0.3725 | \$ 0.3675 | \$ 0.7450 | \$ 0.7350 |
| Weighted-Average Shares of Common Stock Outstanding (in thousands) | | | | |
| Basic | 653,132 | 589,834 | 642,002 | 586,683 |
| Diluted | 665,792 | 664,615 | 664,927 | 661,263 |

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 June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|--------|------------------------------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| Net income | \$ 229 | \$ 405 | \$ 545 | \$ 818 |
| Other comprehensive income (loss): | | | | |
| Amounts arising during the period - gains (losses), net of tax (expense) | | | | |
| benefit: | | | | |
| Foreign currency translation adjustments, net of tax of \$5, (\$1), \$6, (\$7) | (3) | (7) | 128 | (252) |
| Available-for-sale securities, net of tax of (\$15), (\$2), (\$21), (\$27) | 14 | 2 | 19 | 25 |
| Qualifying derivatives, net of tax of \$4, (\$23), \$29, (\$43) | (1) | 24 | (47) | 86 |
| Defined benefit plans: | | | | |
| Net actuarial gain (loss), net of tax of \$2, \$0, \$2, \$0 | (2) | | (2) | |
| Reclassifications from AOCI - (gains) losses, net of tax expense (benefit): | | | | |
| Available-for-sale securities, net of tax of \$1, \$0, \$2, \$1 | (1) | (1) | (2) | (2) |
| Qualifying derivatives, net of tax of \$5, \$22, \$1, \$57 | (5) | (36) | 14 | (116) |
| Defined benefit plans: | | | | |
| Prior service costs, net of tax of (\$1), (\$1), (\$2), (\$2) | 1 | 2 | 2 | 3 |
| Net actuarial loss, net of tax of (\$8), (\$12), (\$17), (\$25) | 28 | 34 | 55 | 68 |
| Total other comprehensive income (loss) attributable to PPL Shareowners | 31 | 18 | 167 | (188) |
| Comprehensive income (loss) attributable to PPL Shareowners | \$ 260 | \$ 423 | \$ 712 | \$ 630 |

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

| | Six Months Ended June 30, | |
|--|---------------------------|---------|
| | 2014 | 2013 |
| Cash Flows from Operating Activities | | |
| Net income | \$ 545 | \$ 818 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation | 617 | 570 |
| Amortization | 112 | 113 |
| Defined benefit plans - expense | 59 | 91 |
| Deferred income taxes and investment tax credits | 133 | 291 |
| Unrealized (gains) losses on derivatives, and other hedging activities | 301 | (11) |
| Adjustment to WPD line loss accrual | 65 | 24 |
| Other | 51 | 26 |
| Change in current assets and current liabilities | | |
| Accounts receivable | (73) | (189) |
| Accounts payable | (99) | (75) |
| Unbilled revenues | 161 | 144 |
| Fuel, materials and supplies | 52 | 29 |
| Prepayments | (35) | (64) |
| Counterparty collateral | (15) | (61) |
| Taxes payable | 51 | 128 |
| Uncertain tax positions | | (98) |
| Accrued interest | (107) | (119) |
| Other | (82) | (142) |
| Other operating activities | | |
| Defined benefit plans - funding | (218) | (468) |
| Other assets | 1 | (64) |
| Other liabilities | 64 | 4 |
| Net cash provided by operating activities | 1,583 | 947 |
| Cash Flows from Investing Activities | | |
| Expenditures for property, plant and equipment | (1,854) | (1,797) |
| Expenditures for intangible assets | (48) | (40) |
| Purchases of nuclear plant decommissioning trust investments | (73) | (66) |
| Proceeds from the sale of nuclear plant decommissioning trust investments | 65 | 59 |
| Proceeds from the receipt of grants | 56 | 4 |
| Net (increase) decrease in restricted cash and cash equivalents | (251) | (17) |
| Other investing activities | 2 | 23 |
| Net cash provided by (used in) investing activities | (2,103) | (1,834) |
| Cash Flows from Financing Activities | | |
| Issuance of long-term debt | 296 | 450 |

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| | | |
|--|----------|--------|
| Retirement of long-term debt | (239) | (9) |
| Repurchase of common stock | | (28) |
| Issuance of common stock | 1,017 | 259 |
| Payment of common stock dividends | (470) | (426) |
| Contract adjustment payments | (21) | (48) |
| Net increase (decrease) in short-term debt | 107 | 563 |
| Other financing activities | (19) | (51) |
| Net cash provided by (used in) financing activities | 671 | 710 |
| Effect of Exchange Rates on Cash and Cash Equivalents | 16 | (13) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 167 | (190) |
| Cash and Cash Equivalents at Beginning of Period | 1,102 | 901 |
| Cash and Cash Equivalents at End of Period | \$ 1,269 | \$ 711 |

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

CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

| | June 30, 2014 | December 31, 2013 |
|--|------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,269 | \$ 1,102 |
| Restricted cash and cash equivalents | 332 | 83 |
| Accounts receivable (less reserve: 2014, \$47; 2013, \$64) | | |
| Customer | 981 | 923 |
| Other | 115 | 97 |
| Unbilled revenues | 680 | 835 |
| Fuel, materials and supplies | 651 | 702 |
| Prepayments | 160 | 153 |
| Deferred income taxes | 317 | 246 |
| Price risk management assets | 954 | 942 |
| Regulatory assets | 29 | 33 |
| Other current assets | 49 | 37 |
| Total Current Assets | 5,537 | 5,153 |
| Investments | | |
| Nuclear plant decommissioning trust funds | 911 | 864 |
| Other investments | 39 | 43 |
| Total Investments | 950 | 907 |
| Property, Plant and Equipment | | |
| Regulated utility plant | 29,473 | 27,755 |
| Less: accumulated depreciation - regulated utility plant | 5,291 | 4,873 |
| Regulated utility plant, net | 24,182 | 22,882 |
| Non-regulated property, plant and equipment | | |
| Generation | 11,858 | 11,881 |
| Nuclear fuel | 624 | 591 |
| Other | 864 | 834 |
| Less: accumulated depreciation - non-regulated property, plant and equipment | 6,294 | 6,172 |
| Non-regulated property, plant and equipment, net | 7,052 | 7,134 |
| Construction work in progress | 3,197 | 3,071 |
| Property, Plant and Equipment, net | 34,431 | 33,087 |
| Other Noncurrent Assets | | |
| Regulatory assets | 1,242 | 1,246 |
| Goodwill | 4,301 | 4,225 |
| Other intangibles | 952 | 947 |
| Price risk management assets | 423 | 337 |
| Other noncurrent assets | 357 | 357 |
| Total Other Noncurrent Assets | 7,275 | 7,112 |

| | | | | |
|--------------|----|--------|----|--------|
| Total Assets | \$ | 48,193 | \$ | 46,259 |
|--------------|----|--------|----|--------|

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

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CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

| | June 30, 2014 | December 31, 2013 |
|---|------------------|----------------------|
| Liabilities and Equity | | |
| Current Liabilities | | |
| Short-term debt | \$ 808 | \$ 701 |
| Long-term debt due within one year | 304 | 315 |
| Accounts payable | 1,178 | 1,308 |
| Taxes | 124 | 114 |
| Interest | 223 | 325 |
| Dividends | 248 | 232 |
| Price risk management liabilities | 1,259 | 829 |
| Regulatory liabilities | 82 | 90 |
| Other current liabilities | 930 | 998 |
| Total Current Liabilities | 5,156 | 4,912 |
| Long-term Debt | 20,819 | 20,592 |
| Deferred Credits and Other Noncurrent Liabilities | | |
| Deferred income taxes | 4,261 | 3,928 |
| Investment tax credits | 278 | 342 |
| Price risk management liabilities | 498 | 415 |
| Accrued pension obligations | 1,080 | 1,286 |
| Asset retirement obligations | 712 | 687 |
| Regulatory liabilities | 1,026 | 1,048 |
| Other deferred credits and noncurrent liabilities | 628 | 583 |
| Total Deferred Credits and Other Noncurrent Liabilities | 8,483 | 8,289 |
| Commitments and Contingent Liabilities (Notes 6 and 10) | | |
| Equity | | |
| Common stock - \$0.01 par value (a) | 7 | 6 |
| Additional paid-in capital | 9,358 | 8,316 |
| Earnings reinvested | 5,768 | 5,709 |
| Accumulated other comprehensive loss | (1,398) | (1,565) |
| Total Equity | 13,735 | 12,466 |
| Total Liabilities and Equity | \$ 48,193 | \$ 46,259 |

(a) 780,000 shares authorized; 664,018 and 630,321 shares issued and outstanding at June 30, 2014 and December 31, 2013.

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

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

| | PPL Shareowners | | | | | | | Total |
|---|---|-----------------|----------------------------------|------------------------|---|----------------------------------|-----------|-------|
| | Common stock shares outstanding (a) | Common stock | Additional paid-in capital | Earnings reinvested | Accumulated other comprehensive loss | Non- controlling interests | | |
| March 31, 2014 | 631,417 | \$ 6 | \$ 8,352 | \$ 5,788 | \$ (1,429) | | \$ 12,717 | |
| Common stock issued (b) | 32,601 | 1 | 997 | | | | 998 | |
| Stock-based compensation (c) | | | 9 | | | | 9 | |
| Net income | | | | 229 | | | 229 | |
| Dividends and dividend equivalents (d) | | | | (249) | | | (249) | |
| Other comprehensive income (loss) | | | | | 31 | | 31 | |
| June 30, 2014 | 664,018 | \$ 7 | \$ 9,358 | \$ 5,768 | \$ (1,398) | | \$ 13,735 | |
| December 31, 2013 | 630,321 | \$ 6 | \$ 8,316 | \$ 5,709 | \$ (1,565) | | \$ 12,466 | |
| Common stock issued (b) | 33,697 | 1 | 1,027 | | | | 1,028 | |
| Stock-based compensation (c) | | | 15 | | | | 15 | |
| Net income | | | | 545 | | | 545 | |
| Dividends and dividend equivalents (d) | | | | (486) | | | (486) | |
| Other comprehensive income (loss) | | | | | 167 | | 167 | |
| June 30, 2014 | 664,018 | \$ 7 | \$ 9,358 | \$ 5,768 | \$ (1,398) | | \$ 13,735 | |

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| | | | | | | | | | | | | | |
|--|---------|----|---|----|-------|----|-------|----|---------|----|----|----|--------|
| March 31, 2013 | 583,214 | \$ | 6 | \$ | 6,988 | \$ | 5,676 | \$ | (2,146) | \$ | 18 | \$ | 10,542 |
| Common stock issued (b) | 9,338 | | | | 245 | | | | | | | | 245 |
| Common stock repurchased | (930) | | | | (28) | | | | | | | | (28) |
| Cash settlement of equity forward agreements | | | | | (13) | | | | | | | | (13) |
| Stock-based compensation (c) | | | | | 3 | | | | | | | | 3 |
| Net income | | | | | | | 405 | | | | | | 405 |
| Dividends and dividend equivalents (d) | | | | | | | | | (218) | | | | (218) |
| Other comprehensive income (loss) | | | | | | | | | 18 | | | | 18 |
| June 30, 2013 | 591,622 | \$ | 6 | \$ | 7,195 | \$ | 5,863 | \$ | (2,128) | \$ | 18 | \$ | 10,954 |
| December 31, 2012 | 581,944 | \$ | 6 | \$ | 6,936 | \$ | 5,478 | \$ | (1,940) | \$ | 18 | \$ | 10,498 |
| Common stock issued (b) | 10,608 | | | | 282 | | | | | | | | 282 |
| Common stock repurchased | (930) | | | | (28) | | | | | | | | (28) |
| Cash settlement of equity forward agreements | | | | | (13) | | | | | | | | (13) |
| Stock-based compensation (c) | | | | | 18 | | | | | | | | 18 |
| Net income | | | | | | | 818 | | | | | | 818 |
| Dividends and dividend equivalents (d) | | | | | | | | | (433) | | | | (433) |
| Other comprehensive | | | | | | | | | (188) | | | | (188) |

| | | | | | | | | | | | | | |
|---------------|---------|----|---|----|-------|----|-------|----|---------|----|----|----|--------|
| income | | | | | | | | | | | | | |
| (loss) | | | | | | | | | | | | | |
| June 30, 2013 | 591,622 | \$ | 6 | \$ | 7,195 | \$ | 5,863 | \$ | (2,128) | \$ | 18 | \$ | 10,954 |

- (a) Shares in thousands. Each share entitles the holder to one vote on any question presented at any shareholders' meeting.
- (b) Each period includes shares of common stock issued through various stock and incentive compensation plans. The 2014 periods include the May issuance of shares of common stock to settle the 2011 Purchase Contracts. See Note 7 for additional information. The 2013 periods include the April issuance of shares of common stock to settle the forward sales agreements.
- (c) The three and six months ended June 30, 2014 include \$12 million and \$39 million and the three and six months ended June 30, 2013 include \$8 million and \$36 million of stock-based compensation expense related to new and existing unvested equity awards. The three and six months ended June 30, 2014 include \$(3) million and \$(24) million and the three and six months ended June 30, 2013 include \$(5) million and \$(18) million related primarily to the reclassification from "Stock-based compensation" to "Common stock issued" for the issuance of common stock after applicable equity award vesting periods and tax adjustments related to stock-based compensation.
- (d) Includes dividends and dividend equivalents on PPL common stock and restricted stock units.

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 | | Six Months Ended | |
|--|--------------------|----------|------------------|----------|
| | June 30, | | June 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| Operating Revenues | | | | |
| Unregulated wholesale energy | \$ 591 | \$ 1,401 | \$ (838) | \$ 1,544 |
| Unregulated wholesale energy to affiliate | 21 | 12 | 48 | 26 |
| Unregulated retail energy | 281 | 257 | 632 | 495 |
| Energy-related businesses | 155 | 122 | 280 | 235 |
| Total Operating Revenues | 1,048 | 1,792 | 122 | 2,300 |
| Operating Expenses | | | | |
| Operation | | | | |
| Fuel | 259 | 224 | 741 | 522 |
| Energy purchases | 203 | 898 | (1,601) | 699 |
| Other operation and maintenance | 296 | 270 | 554 | 505 |
| Depreciation | 82 | 79 | 162 | 157 |
| Taxes, other than income | 16 | 16 | 37 | 33 |
| Energy-related businesses | 155 | 118 | 279 | 228 |
| Total Operating Expenses | 1,011 | 1,605 | 172 | 2,144 |
| Operating Income (Loss) | 37 | 187 | (50) | 156 |
| Other Income (Expense) - net | 8 | 12 | 14 | 16 |
| Interest Expense | 35 | 46 | 69 | 92 |
| Income (Loss) Before Income Taxes | 10 | 153 | (105) | 80 |
| Income Taxes | (3) | 67 | (52) | 32 |
| Net Income (Loss) Attributable to PPL Energy Supply Member | \$ 13 | \$ 86 | \$ (53) | \$ 48 |

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 June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-------|------------------------------|-------|
| | 2014 | 2013 | 2014 | 2013 |
| Net income (loss) | \$ 13 | \$ 86 | \$ (53) | \$ 48 |
| Other comprehensive income (loss): | | | | |
| Amounts arising during the period - gains (losses), net of tax (expense) | | | | |
| benefit: | | | | |
| Available-for-sale securities, net of tax of (\$15), (\$2), (\$21), (\$27) | 14 | 2 | 19 | 25 |
| Reclassifications from AOCI - (gains) losses, net of tax expense (benefit): | | | | |
| Available-for-sale securities, net of tax of \$1, \$0, \$2, \$1 | (1) | (1) | (2) | (2) |
| Qualifying derivatives, net of tax of \$5, \$23, \$9, \$44 | (8) | (37) | (13) | (67) |
| Defined benefit plans: | | | | |
| Prior service costs, net of tax of \$0, \$0, (\$1), (\$1) | | 1 | 1 | 2 |
| Net actuarial loss, net of tax of (\$1), (\$3), (\$2), (\$5) | 2 | 4 | 3 | 8 |
| Total other comprehensive income (loss) attributable to PPL Energy Supply Member | 7 | (31) | 8 | (34) |
| Comprehensive income (loss) attributable to PPL Energy Supply Member | \$ 20 | \$ 55 | \$ (45) | \$ 14 |

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

PPL Energy Supply, LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

| | Six Months Ended June 30, | |
|---|---------------------------|-------|
| | 2014 | 2013 |
| Cash Flows from Operating Activities | | |
| Net income (loss) | \$ (53) | \$ 48 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | | |
| Depreciation | 162 | 157 |
| Amortization | 77 | 71 |
| Defined benefit plans - expense | 32 | 26 |
| Deferred income taxes and investment tax credits | (120) | 98 |
| Impairment of assets | 18 | |
| Unrealized (gains) losses on derivatives, and other hedging activities | 232 | 91 |
| Other | 10 | 5 |
| Change in current assets and current liabilities | | |
| Accounts receivable | 25 | 6 |
| Accounts payable | (55) | (62) |
| Unbilled revenues | 67 | 96 |
| Prepayments | (16) | (67) |
| Counterparty collateral | (15) | (61) |
| Price risk management assets and liabilities | (33) | (2) |
| Other | (20) | (15) |
| Other operating activities | | |
| Defined benefit plans - funding | (32) | (106) |
| Other assets | (1) | (38) |
| Other liabilities | 12 | (20) |
| Net cash provided by operating activities | 290 | 227 |
| Cash Flows from Investing Activities | | |
| Expenditures for property, plant and equipment | (176) | (241) |
| Expenditures for intangible assets | (24) | (23) |
| Purchases of nuclear plant decommissioning trust investments | (73) | (66) |
| Proceeds from the sale of nuclear plant decommissioning trust investments | 65 | 59 |
| Proceeds from the receipt of grants | 56 | 3 |
| Net (increase) decrease in restricted cash and cash equivalents | (258) | (24) |
| Other investing activities | 7 | 10 |
| Net cash provided by (used in) investing activities | (403) | (282) |
| Cash Flows from Financing Activities | | |
| Contributions from member | 730 | 105 |
| Distributions to member | (914) | (408) |
| Net increase (decrease) in short-term debt | 324 | 219 |
| Other financing activities | (2) | (9) |

| | | | |
|--|--|-----|--------|
| | Net cash provided by (used in) financing activities | 138 | (93) |
| Net Increase (Decrease) in Cash and Cash Equivalents | | 25 | (148) |
| Cash and Cash Equivalents at Beginning of Period | | 239 | 413 |
| Cash and Cash Equivalents at End of Period | \$ | 264 | \$ 265 |

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)

| | June 30, 2014 | December 31, 2013 |
|--|------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 264 | \$ 239 |
| Restricted cash and cash equivalents | 326 | 68 |
| Accounts receivable (less reserve: 2014, \$2; 2013, \$21) | | |
| Customer | 206 | 233 |
| Other | 102 | 97 |
| Accounts receivable from affiliates | 42 | 45 |
| Unbilled revenues | 219 | 286 |
| Fuel, materials and supplies | 349 | 358 |
| Prepayments | 36 | 20 |
| Deferred income taxes | 105 | |
| Price risk management assets | 954 | 860 |
| Other current assets | 31 | 27 |
| Total Current Assets | 2,634 | 2,233 |
| Investments | | |
| Nuclear plant decommissioning trust funds | 911 | 864 |
| Other investments | 34 | 37 |
| Total Investments | 945 | 901 |
| Property, Plant and Equipment | | |
| Non-regulated property, plant and equipment | | |
| Generation | 11,866 | 11,891 |
| Nuclear fuel | 624 | 591 |
| Other | 291 | 288 |
| Less: accumulated depreciation - non-regulated property, plant and equipment | 6,139 | 6,046 |
| Non-regulated property, plant and equipment, net | 6,642 | 6,724 |
| Construction work in progress | 386 | 450 |
| Property, Plant and Equipment, net | 7,028 | 7,174 |
| Other Noncurrent Assets | | |
| Goodwill | 86 | 86 |
| Other intangibles | 267 | 266 |
| Price risk management assets | 420 | 328 |
| Other noncurrent assets | 79 | 86 |
| Total Other Noncurrent Assets | 852 | 766 |
| Total Assets | \$ 11,459 | \$ 11,074 |

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)

| | June 30, 2014 | December 31, 2013 |
|---|------------------|----------------------|
| Liabilities and Equity | | |
| Current Liabilities | | |
| Short-term debt | \$ 324 | |
| Long-term debt due within one year | 304 | \$ 304 |
| Accounts payable | 309 | 393 |
| Accounts payable to affiliates | 2 | 4 |
| Taxes | 30 | 31 |
| Interest | 22 | 22 |
| Price risk management liabilities | 1,133 | 750 |
| Other current liabilities | 229 | 278 |
| Total Current Liabilities | 2,353 | 1,782 |
| Long-term Debt | 2,219 | 2,221 |
| Deferred Credits and Other Noncurrent Liabilities | | |
| Deferred income taxes | 1,183 | 1,114 |
| Investment tax credits | 144 | 205 |
| Price risk management liabilities | 347 | 320 |
| Accrued pension obligations | 104 | 111 |
| Asset retirement obligations | 406 | 393 |
| Other deferred credits and noncurrent liabilities | 134 | 130 |
| Total Deferred Credits and Other Noncurrent Liabilities | 2,318 | 2,273 |
| Commitments and Contingent Liabilities (Note 10) | | |
| Member's Equity | 4,569 | 4,798 |
| Total Liabilities and Equity | \$ 11,459 | \$ 11,074 |

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 |
|-----------------------------------|--------------------|----------------------------------|----------|
| March 31, 2014 | \$ 4,079 | | \$ 4,079 |
| Net income (loss) | 13 | | 13 |
| Other comprehensive income (loss) | 7 | | 7 |
| Contributions from member | 730 | | 730 |
| Distributions | (260) | | (260) |
| June 30, 2014 | \$ 4,569 | | \$ 4,569 |
| December 31, 2013 | \$ 4,798 | | \$ 4,798 |
| Net income (loss) | (53) | | (53) |
| Other comprehensive income (loss) | 8 | | 8 |
| Contributions from member | 730 | | 730 |
| Distributions | (914) | | (914) |
| June 30, 2014 | \$ 4,569 | | \$ 4,569 |
| March 31, 2013 | \$ 3,476 | \$ 18 | \$ 3,494 |
| Net income | 86 | | 86 |
| Other comprehensive income (loss) | (31) | | (31) |
| Contributions from member | 105 | | 105 |
| Distributions | (95) | | (95) |
| June 30, 2013 | \$ 3,541 | \$ 18 | \$ 3,559 |
| December 31, 2012 | \$ 3,830 | \$ 18 | \$ 3,848 |
| Net income | 48 | | 48 |
| Other comprehensive income (loss) | (34) | | (34) |
| Contributions from member | 105 | | 105 |
| Distributions | (408) | | (408) |
| June 30, 2013 | \$ 3,541 | \$ 18 | \$ 3,559 |

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

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|------------------------------------|--------------------------------|--------|------------------------------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| Operating Revenues | \$ 449 | \$ 414 | \$ 1,041 | \$ 927 |
| Operating Expenses | | | | |
| Operation | | | | |
| Energy purchases | 114 | 120 | 303 | 292 |
| Energy purchases from affiliate | 21 | 12 | 48 | 26 |
| Other operation and maintenance | 135 | 124 | 269 | 257 |
| Depreciation | 45 | 44 | 90 | 87 |
| Taxes, other than income | 23 | 22 | 55 | 52 |
| Total Operating Expenses | 338 | 322 | 765 | 714 |
| Operating Income | 111 | 92 | 276 | 213 |
| Other Income (Expense) - net | 1 | 2 | 3 | 3 |
| Interest Expense | 29 | 25 | 58 | 50 |
| Income Before Income Taxes | 83 | 69 | 221 | 166 |
| Income Taxes | 31 | 24 | 84 | 57 |
| Net Income (a) | \$ 52 | \$ 45 | \$ 137 | \$ 109 |

(a) Net income approximates comprehensive income.

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

| | Six Months Ended June 30, | |
|--|------------------------------|--------|
| | 2014 | 2013 |
| Cash Flows from Operating Activities | | |
| Net income | \$ 137 | \$ 109 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation | 90 | 87 |
| Amortization | 9 | 10 |
| Defined benefit plans - expense | 11 | 10 |
| Deferred income taxes and investment tax credits | 44 | 81 |
| Other | (17) | (5) |
| Change in current assets and current liabilities | | |
| Accounts receivable | (80) | (56) |
| Accounts payable | (33) | (37) |
| Unbilled revenues | 34 | 36 |
| Prepayments | (40) | (18) |
| Taxes payable | 8 | 18 |
| Other | 2 | (38) |
| Other operating activities | | |
| Defined benefit plans - funding | (19) | (88) |
| Other assets | 5 | |
| Other liabilities | (3) | 6 |
| Net cash provided by operating activities | 148 | 115 |
| Cash Flows from Investing Activities | | |
| Expenditures for property, plant and equipment | (436) | (451) |
| Expenditures for intangible assets | (22) | (13) |
| Net (increase) decrease in notes receivable from affiliates | 150 | |
| Other investing activities | 13 | 9 |
| Net cash provided by (used in) investing activities | (295) | (455) |
| Cash Flows from Financing Activities | | |
| Issuance of long-term debt | 296 | |
| Retirement of long-term debt | (10) | |
| Contributions from parent | 95 | 205 |
| Payment of common stock dividends to parent | (87) | (66) |
| Net increase (decrease) in short-term debt | (20) | 85 |
| Other financing activities | (3) | |
| Net cash provided by (used in) financing activities | 271 | 224 |

| | | |
|--|--------|-------|
| Net Increase (Decrease) in Cash and Cash Equivalents | 124 | (116) |
| Cash and Cash Equivalents at Beginning of Period | 25 | 140 |
| Cash and Cash Equivalents at End of Period | \$ 149 | \$ 24 |

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

CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

| | June 30, 2014 | December 31, 2013 |
|--|------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 149 | \$ 25 |
| Accounts receivable (less reserve: 2014, \$17; 2013, \$18) | | |
| Customer | 361 | 284 |
| Other | 8 | 5 |
| Accounts receivable from affiliates | 4 | 4 |
| Notes receivable from affiliate | | 150 |
| Unbilled revenues | 82 | 116 |
| Materials and supplies | 35 | 35 |
| Prepayments | 51 | 40 |
| Deferred income taxes | 84 | 85 |
| Other current assets | 13 | 22 |
| Total Current Assets | 787 | 766 |
| Property, Plant and Equipment | | |
| Regulated utility plant | 7,168 | 6,886 |
| Less: accumulated depreciation - regulated utility plant | 2,488 | 2,417 |
| Regulated utility plant, net | 4,680 | 4,469 |
| Other, net | 2 | 2 |
| Construction work in progress | 744 | 591 |
| Property, Plant and Equipment, net | 5,426 | 5,062 |
| Other Noncurrent Assets | | |
| Regulatory assets | 771 | 772 |
| Intangibles | 233 | 211 |
| Other noncurrent assets | 35 | 35 |
| Total Other Noncurrent Assets | 1,039 | 1,018 |
| Total Assets | \$ 7,252 | \$ 6,846 |

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

CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

| | June 30, 2014 | December 31, 2013 |
|---|------------------|----------------------|
| Liabilities and Equity | | |
| Current Liabilities | | |
| Short-term debt | | \$ 20 |
| Long term debt due within one year | | 10 |
| Accounts payable | \$ 292 | 295 |
| Accounts payable to affiliates | 50 | 57 |
| Taxes | 15 | 51 |
| Interest | 34 | 34 |
| Regulatory liabilities | 72 | 76 |
| Other current liabilities | 75 | 82 |
| Total Current Liabilities | 538 | 625 |
| Long-term Debt | 2,602 | 2,305 |
| Deferred Credits and Other Noncurrent Liabilities | | |
| Deferred income taxes | 1,463 | 1,399 |
| Accrued pension obligations | 85 | 96 |
| Regulatory liabilities | 12 | 15 |
| Other deferred credits and noncurrent liabilities | 58 | 57 |
| Total Deferred Credits and Other Noncurrent Liabilities | 1,618 | 1,567 |
| Commitments and Contingent Liabilities (Notes 6 and 10) | | |
| Stockholder's Equity | | |
| Common stock - no par value (a) | 364 | 364 |
| Additional paid-in capital | 1,435 | 1,340 |
| Earnings reinvested | 695 | 645 |
| Total Equity | 2,494 | 2,349 |
| Total Liabilities and Equity | \$ 7,252 | \$ 6,846 |

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at June 30, 2014 and December 31, 2013.

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

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

| | Common stock shares outstanding (a) | Common stock | Additional paid-in capital | Earnings reinvested | Total |
|---|---|-----------------|----------------------------------|------------------------|----------|
| March 31, 2014 | 66,368 | \$ 364 | \$ 1,405 | \$ 698 | \$ 2,467 |
| Net income | | | | 52 | 52 |
| Capital contributions from PPL | | | 30 | | 30 |
| Cash dividends declared on common stock | | | | (55) | (55) |
| June 30, 2014 | 66,368 | \$ 364 | \$ 1,435 | \$ 695 | \$ 2,494 |
| December 31, 2013 | 66,368 | \$ 364 | \$ 1,340 | \$ 645 | \$ 2,349 |
| Net income | | | | 137 | 137 |
| Capital contributions from PPL | | | 95 | | 95 |
| Cash dividends declared on common stock | | | | (87) | (87) |
| June 30, 2014 | 66,368 | \$ 364 | \$ 1,435 | \$ 695 | \$ 2,494 |
| March 31, 2013 | 66,368 | \$ 364 | \$ 1,195 | \$ 602 | \$ 2,161 |
| Net income | | | | 45 | 45 |
| Capital contributions from PPL | | | 145 | | 145 |
| Cash dividends declared on common stock | | | | (41) | (41) |
| June 30, 2013 | 66,368 | \$ 364 | \$ 1,340 | \$ 606 | \$ 2,310 |
| December 31, 2012 | 66,368 | \$ 364 | \$ 1,135 | \$ 563 | \$ 2,062 |
| Net income | | | | 109 | 109 |
| Capital contributions from PPL | | | 205 | | 205 |
| Cash dividends declared on common stock | | | | (66) | (66) |
| June 30, 2013 | 66,368 | \$ 364 | \$ 1,340 | \$ 606 | \$ 2,310 |

(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 June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|--------|------------------------------|----------|
| | 2014 | 2013 | 2014 | 2013 |
| Operating Revenues | \$ 722 | \$ 682 | \$ 1,656 | \$ 1,482 |
| Operating Expenses | | | | |
| Operation | | | | |
| Fuel | 231 | 216 | 508 | 447 |
| Energy purchases | 36 | 37 | 160 | 123 |
| Other operation and maintenance | 206 | 197 | 412 | 394 |
| Depreciation | 87 | 83 | 173 | 165 |
| Taxes, other than income | 13 | 12 | 26 | 24 |
| Total Operating Expenses | 573 | 545 | 1,279 | 1,153 |
| Operating Income | 149 | 137 | 377 | 329 |
| Other Income (Expense) - net | (2) | | (4) | (2) |
| Interest Expense | 41 | 36 | 83 | 73 |
| Interest Expense with Affiliate | | 1 | | 1 |
| Income from Continuing Operations Before Income Taxes | 106 | 100 | 290 | 253 |
| Income Taxes | 41 | 37 | 110 | 94 |
| Income from Continuing Operations After Income Taxes | 65 | 63 | 180 | 159 |
| Income (Loss) from Discontinued Operations (net of income taxes) | | 1 | | 1 |
| Net Income (a) | \$ 65 | \$ 64 | \$ 180 | \$ 160 |

(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)

| | Six Months Ended June 30, | |
|--|---------------------------|--------|
| | 2014 | 2013 |
| Cash Flows from Operating Activities | | |
| Net income | \$ 180 | \$ 160 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation | 173 | 165 |
| Amortization | 12 | 14 |
| Defined benefit plans - expense | 12 | 27 |
| Deferred income taxes and investment tax credits | 149 | 95 |
| Other | 1 | (6) |
| Change in current assets and current liabilities | | |
| Accounts receivable | (24) | (62) |
| Accounts payable | (5) | 36 |
| Accounts payable to affiliates | (2) | |
| Unbilled revenues | 27 | (2) |
| Fuel, materials and supplies | 43 | 25 |
| Taxes payable | (10) | |
| Other | 1 | 2 |
| Other operating activities | | |
| Defined benefit plans - funding | (40) | (156) |
| Other assets | (3) | (3) |
| Other liabilities | 2 | 2 |
| Net cash provided by operating activities | 516 | 297 |
| Cash Flows from Investing Activities | | |
| Expenditures for property, plant and equipment | (556) | (579) |
| Net (increase) decrease in notes receivable from affiliates | 54 | |
| Net (increase) decrease in restricted cash and cash equivalents | 1 | 10 |
| Other investing activities | | 1 |
| Net cash provided by (used in) investing activities | (501) | (568) |
| Cash Flows from Financing Activities | | |
| Net increase (decrease) in notes payable with affiliates | | 47 |
| Net increase (decrease) in short-term debt | 75 | 127 |
| Distributions to member | (221) | (69) |
| Contributions from member | 119 | 146 |
| Net cash provided by (used in) financing activities | (27) | 251 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (12) | (20) |
| Cash and Cash Equivalents at Beginning of Period | 35 | 43 |
| Cash and Cash Equivalents at End of Period | \$ 23 | \$ 23 |

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

CONDENSED CONSOLIDATED BALANCE SHEETS

LG&E and KU Energy LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

| | June 30, 2014 | December 31, 2013 |
|--|------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 23 | \$ 35 |
| Accounts receivable (less reserve: 2014, \$26; 2013, \$22) | | |
| Customer | 238 | 224 |
| Other | 23 | 20 |
| Unbilled revenues | 153 | 180 |
| Fuel, materials and supplies | 235 | 278 |
| Prepayments | 27 | 21 |
| Notes receivable from affiliates | 16 | 70 |
| Deferred income taxes | 108 | 159 |
| Regulatory assets | 27 | 27 |
| Other current assets | 4 | 3 |
| Total Current Assets | 854 | 1,017 |
| Property, Plant and Equipment | | |
| Regulated utility plant | 9,036 | 8,526 |
| Less: accumulated depreciation - regulated utility plant | 922 | 778 |
| Regulated utility plant, net | 8,114 | 7,748 |
| Other, net | 3 | 3 |
| Construction work in progress | 1,809 | 1,793 |
| Property, Plant and Equipment, net | 9,926 | 9,544 |
| Other Noncurrent Assets | | |
| Regulatory assets | 471 | 474 |
| Goodwill | 996 | 996 |
| Other intangibles | 197 | 221 |
| Other noncurrent assets | 101 | 98 |
| Total Other Noncurrent Assets | 1,765 | 1,789 |
| Total Assets | \$ 12,545 | \$ 12,350 |

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

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

| | June 30, 2014 | December 31, 2013 |
|---|------------------|----------------------|
| Liabilities and Equity | | |
| Current Liabilities | | |
| Short-term debt | \$ 320 | \$ 245 |
| Accounts payable | 335 | 346 |
| Accounts payable to affiliates | 1 | 3 |
| Customer deposits | 50 | 50 |
| Taxes | 29 | 39 |
| Price risk management liabilities | 4 | 4 |
| Regulatory liabilities | 10 | 14 |
| Interest | 23 | 23 |
| Other current liabilities | 121 | 111 |
| Total Current Liabilities | 893 | 835 |
| Long-term Debt | 4,566 | 4,565 |
| Deferred Credits and Other Noncurrent Liabilities | | |
| Deferred income taxes | 1,065 | 965 |
| Investment tax credits | 133 | 135 |
| Accrued pension obligations | 114 | 152 |
| Asset retirement obligations | 255 | 245 |
| Regulatory liabilities | 1,014 | 1,033 |
| Price risk management liabilities | 38 | 32 |
| Other deferred credits and noncurrent liabilities | 242 | 238 |
| Total Deferred Credits and Other Noncurrent Liabilities | 2,861 | 2,800 |
| Commitments and Contingent Liabilities (Notes 6 and 10) | | |
| Member's equity | 4,225 | 4,150 |
| Total Liabilities and Equity | \$ 12,545 | \$ 12,350 |

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 |
|-----------------------------------|----|--------------------|
| March 31, 2014 | \$ | 4,200 |
| Net income | | 65 |
| Contributions from member | | 79 |
| Distributions to member | | (117) |
| Other comprehensive income (loss) | | (2) |
| June 30, 2014 | \$ | 4,225 |
| December 31, 2013 | \$ | 4,150 |
| Net income | | 180 |
| Contributions from member | | 119 |
| Distributions to member | | (221) |
| Other comprehensive income (loss) | | (3) |
| June 30, 2014 | \$ | 4,225 |
| March 31, 2013 | \$ | 3,952 |
| Net income | | 64 |
| Contributions from member | | 71 |
| Distributions to member | | (65) |
| June 30, 2013 | \$ | 4,022 |
| December 31, 2012 | \$ | 3,786 |
| Net income | | 160 |
| Contributions from member | | 146 |
| Distributions to member | | (69) |
| Other comprehensive income (loss) | | (1) |
| June 30, 2013 | \$ | 4,022 |

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

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CONDENSED STATEMENTS OF INCOME

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---------------------------------|--------------------------------|--------|------------------------------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| Operating Revenues | | | | |
| Retail and wholesale | \$ 320 | \$ 302 | \$ 762 | \$ 671 |
| Electric revenue from affiliate | 24 | 14 | 61 | 35 |
| Total Operating Revenues | 344 | 316 | 823 | 706 |
| Operating Expenses | | | | |
| Operation | | | | |
| Fuel | 104 | 88 | 221 | 184 |
| Energy purchases | 29 | 31 | 147 | 111 |
| Energy purchases from affiliate | 2 | 3 | 8 | 4 |
| Other operation and maintenance | 94 | 94 | 192 | 185 |
| Depreciation | 39 | 37 | 77 | 73 |
| Taxes, other than income | 7 | 6 | 13 | 12 |
| Total Operating Expenses | 275 | 259 | 658 | 569 |
| Operating Income | 69 | 57 | 165 | 137 |
| Other Income (Expense) - net | (1) | (1) | (3) | (2) |
| Interest Expense | 12 | 10 | 24 | 20 |
| Income Before Income Taxes | 56 | 46 | 138 | 115 |
| Income Taxes | 21 | 17 | 51 | 42 |
| Net Income (a) | \$ 35 | \$ 29 | \$ 87 | \$ 73 |

(a) Net income equals comprehensive income.

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

CONDENSED STATEMENTS OF CASH FLOWS

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars)

| | Six Months Ended June 30, | |
|--|---------------------------|-------|
| | 2014 | 2013 |
| Cash Flows from Operating Activities | | |
| Net income | \$ 87 | \$ 73 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation | 77 | 73 |
| Amortization | 6 | 6 |
| Defined benefit plans - expense | 5 | 9 |
| Deferred income taxes and investment tax credits | 20 | 21 |
| Other | (4) | |
| Change in current assets and current liabilities | | |
| Accounts receivable | (25) | (9) |
| Accounts payable | (5) | 13 |
| Accounts payable to affiliates | (4) | (2) |
| Unbilled revenues | 19 | 2 |
| Fuel, materials and supplies | 44 | 25 |
| Taxes payable | 2 | 12 |
| Other | (4) | 6 |
| Other operating activities | | |
| Defined benefit plans - funding | (10) | (44) |
| Other assets | (2) | (1) |
| Other liabilities | (4) | 2 |
| Net cash provided by operating activities | 202 | 186 |
| Cash Flows from Investing Activities | | |
| Expenditures for property, plant and equipment | (249) | (236) |
| Net (increase) decrease in restricted cash and cash equivalents | 1 | 10 |
| Net cash provided by (used in) investing activities | (248) | (226) |
| Cash Flows from Financing Activities | | |
| Net increase (decrease) in short-term debt | 50 | 25 |
| Payment of common stock dividends to parent | (60) | (48) |
| Contributions from parent | 53 | 54 |
| Net cash provided by (used in) financing activities | 43 | 31 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (3) | (9) |
| Cash and Cash Equivalents at Beginning of Period | 8 | 22 |
| Cash and Cash Equivalents at End of Period | \$ 5 | \$ 13 |

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

CONDENSED BALANCE SHEETS

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars, shares in thousands)

| | June 30, 2014 | December 31, 2013 |
|--|------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 5 | \$ 8 |
| Accounts receivable (less reserve: 2014, \$2; 2013, \$2) | | |
| Customer | 102 | 102 |
| Other | 14 | 9 |
| Unbilled revenues | 66 | 85 |
| Accounts receivable from affiliates | 17 | |
| Fuel, materials and supplies | 110 | 154 |
| Prepayments | 9 | 7 |
| Regulatory assets | 24 | 17 |
| Other current assets | 3 | 3 |
| Total Current Assets | 350 | 385 |
| Property, Plant and Equipment | | |
| Regulated utility plant | 3,564 | 3,383 |
| Less: accumulated depreciation - regulated utility plant | 397 | 332 |
| Regulated utility plant, net | 3,167 | 3,051 |
| Construction work in progress | 750 | 651 |
| Property, Plant and Equipment, net | 3,917 | 3,702 |
| Other Noncurrent Assets | | |
| Regulatory assets | 306 | 303 |
| Goodwill | 389 | 389 |
| Other intangibles | 108 | 120 |
| Other noncurrent assets | 35 | 35 |
| Total Other Noncurrent Assets | 838 | 847 |
| Total Assets | \$ 5,105 | \$ 4,934 |

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

CONDENSED BALANCE SHEETS

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars, shares in thousands)

| | June 30, 2014 | December 31, 2013 |
|---|------------------|----------------------|
| Liabilities and Equity | | |
| Current Liabilities | | |
| Short-term debt | \$ 70 | \$ 20 |
| Accounts payable | 200 | 166 |
| Accounts payable to affiliates | 20 | 24 |
| Customer deposits | 24 | 24 |
| Taxes | 13 | 11 |
| Price risk management liabilities | 4 | 4 |
| Regulatory liabilities | 9 | 9 |
| Interest | 6 | 6 |
| Other current liabilities | 30 | 32 |
| Total Current Liabilities | 376 | 296 |
| Long-term Debt | 1,353 | 1,353 |
| Deferred Credits and Other Noncurrent Liabilities | | |
| Deferred income taxes | 603 | 582 |
| Investment tax credits | 37 | 38 |
| Accrued pension obligations | 10 | 19 |
| Asset retirement obligations | 70 | 68 |
| Regulatory liabilities | 472 | 482 |
| Price risk management liabilities | 38 | 32 |
| Other deferred credits and noncurrent liabilities | 106 | 104 |
| Total Deferred Credits and Other Noncurrent Liabilities | 1,336 | 1,325 |
| Commitments and Contingent Liabilities (Notes 6 and 10) | | |
| Stockholder's Equity | | |
| Common stock - no par value (a) | 424 | 424 |
| Additional paid-in capital | 1,417 | 1,364 |
| Earnings reinvested | 199 | 172 |
| Total Equity | 2,040 | 1,960 |
| Total Liabilities and Equity | \$ 5,105 | \$ 4,934 |

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at June 30, 2014 and December 31, 2013.

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

CONDENSED STATEMENTS OF EQUITY

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars)

| | Common stock shares outstanding (a) | | Common stock | | Additional paid-in capital | | Earnings reinvested | | Total |
|--|---|----|-----------------|----|----------------------------------|----|------------------------|----|-------|
| March 31, 2014 | 21,294 | \$ | 424 | \$ | 1,364 | \$ | 197 | \$ | 1,985 |
| Net income | | | | | | | 35 | | 35 |
| Capital contributions from LKE | | | | | 53 | | | | 53 |
| Cash dividends declared on common stock | | | | | | | (33) | | (33) |
| June 30, 2014 | 21,294 | \$ | 424 | \$ | 1,417 | \$ | 199 | \$ | 2,040 |
| December 31, 2013 | 21,294 | \$ | 424 | \$ | 1,364 | \$ | 172 | \$ | 1,960 |
| Net income | | | | | | | 87 | | 87 |
| Capital contributions from LKE | | | | | 53 | | | | 53 |
| Cash dividends declared on common stock | | | | | | | (60) | | (60) |
| June 30, 2014 | 21,294 | \$ | 424 | \$ | 1,417 | \$ | 199 | \$ | 2,040 |
| March 31, 2013 | 21,294 | \$ | 424 | \$ | 1,303 | \$ | 133 | \$ | 1,860 |
| Net income | | | | | | | 29 | | 29 |
| Capital contributions from LKE | | | | | 29 | | | | 29 |
| Cash dividends declared on common stock | | | | | | | (29) | | (29) |
| June 30, 2013 | 21,294 | \$ | 424 | \$ | 1,332 | \$ | 133 | \$ | 1,889 |
| December 31, 2012 | 21,294 | \$ | 424 | \$ | 1,278 | \$ | 108 | \$ | 1,810 |
| Net income | | | | | | | 73 | | 73 |
| Capital contributions from LKE | | | | | 54 | | | | 54 |
| Cash dividends declared on common stock | | | | | | | (48) | | (48) |
| June 30, 2013 | 21,294 | \$ | 424 | \$ | 1,332 | \$ | 133 | \$ | 1,889 |

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

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

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CONDENSED STATEMENTS OF INCOME

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---------------------------------|--------------------------------|--------|------------------------------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| Operating Revenues | | | | |
| Retail and wholesale | \$ 402 | \$ 380 | \$ 894 | \$ 811 |
| Electric revenue from affiliate | 2 | 3 | 8 | 4 |
| Total Operating Revenues | 404 | 383 | 902 | 815 |
| Operating Expenses | | | | |
| Operation | | | | |
| Fuel | 127 | 128 | 287 | 263 |
| Energy purchases | 7 | 6 | 13 | 12 |
| Energy purchases from affiliate | 24 | 14 | 61 | 35 |
| Other operation and maintenance | 107 | 98 | 205 | 195 |
| Depreciation | 47 | 46 | 95 | 92 |
| Taxes, other than income | 6 | 6 | 13 | 12 |
| Total Operating Expenses | 318 | 298 | 674 | 609 |
| Operating Income | 86 | 85 | 228 | 206 |
| Other Income (Expense) - net | | 2 | | 1 |
| Interest Expense | 20 | 17 | 39 | 34 |
| Income Before Income Taxes | 66 | 70 | 189 | 173 |
| Income Taxes | 26 | 26 | 72 | 65 |
| Net Income (a) | \$ 40 | \$ 44 | \$ 117 | \$ 108 |

(a) Net income approximates comprehensive income.

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

CONDENSED STATEMENTS OF CASH FLOWS

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars)

| | Six Months Ended June 30, | |
|--|---------------------------|--------|
| | 2014 | 2013 |
| Cash Flows from Operating Activities | | |
| Net income | \$ 117 | \$ 108 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation | 95 | 92 |
| Amortization | 4 | 7 |
| Defined benefit plans - expense | 2 | 12 |
| Deferred income taxes and investment tax credits | 89 | 72 |
| Other | 5 | (2) |
| Change in current assets and current liabilities | | |
| Accounts receivable | (44) | (39) |
| Accounts payable | 10 | 33 |
| Accounts payable to affiliates | 13 | (7) |
| Unbilled revenues | 8 | (4) |
| Fuel, materials and supplies | (1) | |
| Taxes payable | (19) | (10) |
| Other | 16 | 5 |
| Other operating activities | | |
| Defined benefit plans - funding | (3) | (61) |
| Other assets | (1) | (3) |
| Other liabilities | 6 | (13) |
| Net cash provided by operating activities | 297 | 190 |
| Cash Flows from Investing Activities | | |
| Expenditures for property, plant and equipment | (305) | (341) |
| Other investing activities | | 1 |
| Net cash provided by (used in) investing activities | (305) | (340) |
| Cash Flows from Financing Activities | | |
| Net increase (decrease) in short-term debt | 25 | 102 |
| Payment of common stock dividends to parent | (86) | (55) |
| Contributions from parent | 66 | 92 |
| Net cash provided by (used in) financing activities | 5 | 139 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (3) | (11) |
| Cash and Cash Equivalents at Beginning of Period | 21 | 21 |
| Cash and Cash Equivalents at End of Period | \$ 18 | \$ 10 |

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

CONDENSED BALANCE SHEETS

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars, shares in thousands)

| | June 30, 2014 | December 31, 2013 |
|--|------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 18 | \$ 21 |
| Accounts receivable (less reserve: 2014, \$4; 2013, \$4) | | |
| Customer | 136 | 122 |
| Other | 34 | 9 |
| Unbilled revenues | 87 | 95 |
| Fuel, materials and supplies | 125 | 124 |
| Prepayments | 8 | 4 |
| Regulatory assets | 3 | 10 |
| Other current assets | 5 | 6 |
| Total Current Assets | 416 | 391 |
| Property, Plant and Equipment | | |
| Regulated utility plant | 5,472 | 5,143 |
| Less: accumulated depreciation - regulated utility plant | 525 | 446 |
| Regulated utility plant, net | 4,947 | 4,697 |
| Other, net | 1 | 1 |
| Construction work in progress | 1,055 | 1,139 |
| Property, Plant and Equipment, net | 6,003 | 5,837 |
| Other Noncurrent Assets | | |
| Regulatory assets | 165 | 171 |
| Goodwill | 607 | 607 |
| Other intangibles | 89 | 101 |
| Other noncurrent assets | 59 | 56 |
| Total Other Noncurrent Assets | 920 | 935 |
| Total Assets | \$ 7,339 | \$ 7,163 |

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

CONDENSED BALANCE SHEETS

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars, shares in thousands)

| | June 30, 2014 | December 31, 2013 |
|---|------------------|----------------------|
| Liabilities and Equity | | |
| Current Liabilities | | |
| Short-term debt | \$ 175 | \$ 150 |
| Accounts payable | 125 | 159 |
| Accounts payable to affiliates | 38 | 25 |
| Customer deposits | 26 | 26 |
| Taxes | 14 | 33 |
| Regulatory liabilities | 1 | 5 |
| Interest | 11 | 11 |
| Other current liabilities | 58 | 36 |
| Total Current Liabilities | 448 | 445 |
| Long-term Debt | 2,091 | 2,091 |
| Deferred Credits and Other Noncurrent Liabilities | | |
| Deferred income taxes | 747 | 658 |
| Investment tax credits | 96 | 97 |
| Accrued pension obligations | 2 | 11 |
| Asset retirement obligations | 185 | 177 |
| Regulatory liabilities | 542 | 551 |
| Other deferred credits and noncurrent liabilities | 88 | 89 |
| Total Deferred Credits and Other Noncurrent Liabilities | 1,660 | 1,583 |
| Commitments and Contingent Liabilities (Notes 6 and 10) | | |
| Stockholder's Equity | | |
| Common stock - no par value (a) | 308 | 308 |
| Additional paid-in capital | 2,571 | 2,505 |
| Accumulated other comprehensive income (loss) | | 1 |
| Earnings reinvested | 261 | 230 |
| Total Equity | 3,140 | 3,044 |
| Total Liabilities and Equity | \$ 7,339 | \$ 7,163 |

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at June 30, 2014 and December 31, 2013.

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

CONDENSED STATEMENTS OF EQUITY

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars)

| | Common stock shares outstanding (a) | Common stock | Additional paid-in capital | Earnings reinvested | Accumulated other comprehensive income (loss) | Total |
|--|---|-----------------|----------------------------------|------------------------|---|----------|
| March 31, 2014 | 37,818 | \$ 308 | \$ 2,545 | \$ 270 | | \$ 3,123 |
| Net income | | | | 40 | | 40 |
| Capital contributions from LKE | | | 26 | | | 26 |
| Cash dividends declared on common stock | | | | (49) | | (49) |
| June 30, 2014 | 37,818 | \$ 308 | \$ 2,571 | \$ 261 | | \$ 3,140 |
| December 31, 2013 | 37,818 | \$ 308 | \$ 2,505 | \$ 230 | \$ 1 | \$ 3,044 |
| Net income | | | | 117 | | 117 |
| Capital contributions from LKE | | | 66 | | | 66 |
| Cash dividends declared on common stock | | | | (86) | | (86) |
| Other comprehensive income (loss) | | | | | (1) | (1) |
| June 30, 2014 | 37,818 | \$ 308 | \$ 2,571 | \$ 261 | \$ | \$ 3,140 |
| March 31, 2013 | 37,818 | \$ 308 | \$ 2,398 | \$ 177 | \$ 1 | \$ 2,884 |
| Net income | | | | 44 | | 44 |
| Capital contributions from LKE | | | 42 | | | 42 |
| Cash dividends declared on common stock | | | | (42) | | (42) |
| June 30, 2013 | 37,818 | \$ 308 | \$ 2,440 | \$ 179 | \$ 1 | \$ 2,928 |
| December 31, 2012 | 37,818 | \$ 308 | \$ 2,348 | \$ 126 | \$ 1 | \$ 2,783 |
| Net income | | | | 108 | | 108 |
| Capital contributions from LKE | | | 92 | | | 92 |
| Cash dividends declared on common stock | | | | (55) | | (55) |
| June 30, 2013 | 37,818 | \$ 308 | \$ 2,440 | \$ 179 | \$ 1 | \$ 2,928 |

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

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

Combined Notes to Condensed Financial Statements (Unaudited)

1. Interim Financial Statements

(All Registrants)

Capitalized terms and abbreviations appearing in the unaudited combined notes to condensed financial statements are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure for their related activities and disclosures. Within combined disclosures, amounts are disclosed for any Registrant when significant.

The accompanying unaudited condensed financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation in accordance with GAAP are reflected in the condensed financial statements. All adjustments are of a normal recurring nature, except as otherwise disclosed. Each Registrant's Balance Sheet at December 31, 2013 is derived from that Registrant's 2013 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 2013 Form 10-K. The results of operations for the three and six months ended June 30, 2014 are not necessarily indicative of the results to be expected for the full year ending December 31, 2014 or other future periods, because results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

The classification of certain prior period amounts has been changed to conform to the presentation in the June 30, 2014 financial statements.

2. Summary of Significant Accounting Policies

(All Registrants)

The following accounting policy disclosures represent updates to Note 1 in each Registrant's 2013 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 designed to facilitate competitive markets for electricity in Pennsylvania, PPL Electric purchases certain accounts receivable from alternative electricity suppliers (including PPL EnergyPlus) at a discount, which reflects a provision for uncollectible accounts. The alternative electricity suppliers have no continuing involvement or interest in the purchased accounts receivable. The purchased accounts receivable are initially recorded at fair value using a market approach based on the purchase price paid and are classified as Level 2 in the fair value hierarchy. During the three and six months ended June 30, 2014, PPL Electric purchased \$253 million and \$614 million of accounts receivable from unaffiliated third parties and \$79 million and \$184 million from PPL EnergyPlus. During the three and six months ended June 30, 2013, PPL Electric purchased \$220 million and \$479 million of accounts receivable from unaffiliated third parties and \$70 million and \$147 million from PPL EnergyPlus.

New Accounting Guidance Adopted (All Registrants)

Accounting for Obligations Resulting from Joint and Several Liability Arrangements

Effective January 1, 2014, the Registrants retrospectively adopted accounting guidance for the recognition, measurement and disclosure of certain obligations resulting from joint and several liability arrangements when the amount of the obligation is fixed at the reporting date. If the obligation is determined to be in the scope of this guidance, it will be measured as the sum of the amount the reporting entity agreed to pay on the basis of its arrangements among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. This guidance also requires additional disclosures for these obligations.

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

Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity

Effective January 1, 2014, PPL prospectively adopted accounting guidance that requires a cumulative translation adjustment to be released into earnings when an entity ceases to have a controlling financial interest in a subsidiary or group of assets within a consolidated foreign entity and the sale or transfer results in the complete or substantially complete liquidation of the foreign entity. For the step acquisition of previously held equity method investments that are foreign entities, this guidance clarifies that the amount of accumulated other comprehensive income that is reclassified and included in the calculation of a gain or loss shall include any foreign currency translation adjustment related to that previously held investment.

The initial adoption of this guidance did not have a significant impact on PPL; however, the impact in future periods could be material.

Presentation of Unrecognized Tax Benefits When Net Operating Loss Carryforwards, Similar Tax Losses, or Tax Credit Carryforwards Exist

Effective January 1, 2014, the Registrants prospectively adopted accounting guidance that requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position, or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets.

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

3. Segment and Related Information

(PPL)

See Note 2 in PPL's 2013 Form 10-K for a discussion of reportable segments and related information.

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

Financial data for the segments and reconciliation to PPL's consolidated results for the periods ended June 30 are:

| | Three Months | | Six Months | |
|----------------------------------|--------------|--------|------------|----------|
| | 2014 | 2013 | 2014 | 2013 |
| Income Statement Data | | | | |
| Revenues from external customers | | | | |
| U.K. Regulated | \$ 672 | \$ 572 | \$ 1,320 | \$ 1,220 |
| Kentucky Regulated | 722 | 682 | 1,656 | 1,482 |
| Pennsylvania Regulated | 448 | 413 | 1,039 | 925 |

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| | | | | |
|--|----------|----------|----------|----------|
| Supply (a) | 1,027 | 1,780 | 74 | 2,274 |
| Corporate and Other | 5 | 3 | 8 | 6 |
| Total | \$ 2,874 | \$ 3,450 | \$ 4,097 | \$ 5,907 |
| Intersegment electric revenues | | | | |
| Supply | \$ 21 | \$ 12 | \$ 48 | \$ 26 |
| Net Income Attributable to PPL Shareowners | | | | |
| U.K. Regulated (a) | \$ 187 | \$ 245 | \$ 393 | \$ 558 |
| Kentucky Regulated | 58 | 49 | 165 | 134 |
| Pennsylvania Regulated | 52 | 45 | 137 | 109 |
| Supply (a) | 5 | 77 | (70) | 31 |
| Corporate and Other (c) | (73) | (11) | (80) | (14) |
| Total | \$ 229 | \$ 405 | \$ 545 | \$ 818 |

| | | June 30, 2014 | December 31, 2013 |
|---------------------------|-------------------------|------------------|----------------------|
| Balance Sheet Data | | | |
| Assets | | | |
| | U.K. Regulated | \$ 16,496 | \$ 15,895 |
| | Kentucky Regulated | 12,211 | 12,016 |
| | Pennsylvania Regulated | 7,252 | 6,846 |
| | Supply | 11,793 | 11,408 |
| | Corporate and Other (b) | 441 | 94 |
| Total assets | | \$ 48,193 | \$ 46,259 |

- (a) Includes unrealized gains and losses from economic activity. See Note 14 for additional information.
(b) Primarily consists of unallocated items, including cash, PP&E and the elimination of inter-segment transactions.
(c) 2014 includes certain costs related to the anticipated spinoff of PPL Energy Supply, including deferred income tax expense and third party costs. See Note 8 for additional information.

4. Earnings Per Share

(PPL)

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

Reconciliations of the amounts of income and shares of PPL common stock (in thousands) for the periods ended June 30 used in the EPS calculation are:

| | Three Months | | Six Months | |
|--|--------------|--------|------------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| Income (Numerator) | | | | |
| Income from continuing operations after income taxes attributable to PPL shareowners | \$ 229 | \$ 404 | \$ 545 | \$ 817 |
| Less amounts allocated to participating securities | 1 | 2 | 3 | 4 |
| Income from continuing operations after income taxes available to PPL common shareowners - Basic | 228 | 402 | 542 | 813 |
| Plus interest charges (net of tax) related to Equity Units (a) | | 15 | 9 | 30 |
| Income from continuing operations after income taxes available to PPL common shareowners - Diluted | \$ 228 | \$ 417 | \$ 551 | \$ 843 |
| Income (loss) from discontinued operations (net of income taxes) available | | | | |

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| to PPL common shareowners - Basic and Diluted | \$ | \$ | 1 | \$ | \$ | 1 |
|--|----|---------|----|---------|----|---------|
| Net income attributable to PPL shareowners | \$ | 229 | \$ | 405 | \$ | 818 |
| Less amounts allocated to participating securities | | 1 | | 2 | | 4 |
| Net income available to PPL common shareowners - Basic | | 228 | | 403 | | 814 |
| Plus interest charges (net of tax) related to Equity Units (a) | | | | 15 | | 30 |
| Net income available to PPL common shareowners - Diluted | \$ | 228 | \$ | 418 | \$ | 844 |
| Shares of Common Stock (Denominator) | | | | | | |
| Weighted-average shares - Basic EPS | | 653,132 | | 589,834 | | 586,683 |
| Add incremental non-participating securities: | | | | | | |
| Share-based payment awards | | 2,100 | | 1,133 | | 971 |
| Equity Units (a) | | 10,560 | | 73,388 | | 72,689 |
| Forward sale agreements | | | | 260 | | 920 |
| Weighted-average shares - Diluted EPS | | 665,792 | | 664,615 | | 661,263 |
| Basic EPS | | | | | | |
| Net Income Available to PPL common shareowners | \$ | 0.35 | \$ | 0.68 | \$ | 1.39 |
| Diluted EPS | | | | | | |
| Net Income Available to PPL common shareowners | \$ | 0.34 | \$ | 0.63 | \$ | 1.28 |

(a) The If-Converted Method was applied to the Equity Units prior to settlement. See Note 7 for additional information on the 2011 Equity Units, including the issuance of PPL common stock on May 1, 2014 to settle the 2011 Purchase Contracts.

For the periods ended June 30, PPL issued common stock related to stock-based compensation plans, ESOP and DRIP as follows (in thousands):

| | Three Months | | Six Months | |
|------------------------------------|--------------|------|------------|-------|
| | 2014 | 2013 | 2014 | 2013 |
| Stock-based compensation plans (a) | 922 | 938 | 2,018 | 1,384 |
| ESOP | | | &# | |