FORM 10-Q

PPL CORP - PPL

Filed: May 04, 2017 (period: March 31, 2017)

Quarterly report with a continuing view of a company's financial position

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended March 31, 2017

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _________ to ___________

Commission File Number	Registrant; State of Incorporation; Address and Telephone Number	IRS Employer Identification No.
1-11459	**PPL Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-2758192
1-905	**PPL Electric Utilities Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-0959590
333-173665	**LG&E and KU Energy LLC** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-2893	**Louisville Gas and Electric Company** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150
1-3464	**Kentucky Utilities Company** (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

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

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

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

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

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

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

If emerging growth companies, indicate by check mark if the registrants have elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

PPL Corporation	[ ]
PPL Electric Utilities Corporation	[ ]
LG&E and KU Energy LLC	[ ]
Louisville Gas and Electric Company	[ ]
Kentucky Utilities Company	[ ]

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

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

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

PPL Corporation	Common stock, $0.01 par value, 683,174,778 shares outstanding at April 27, 2017.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at April 27, 2017.
LG&E and KU Energy LLC	PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC.
Louisville Gas and Electric Company	Common stock, no par value, 21,294,223 shares outstanding and all held by LG&E and KU Energy LLC at April 27, 2017.
Kentucky Utilities Company	Common stock, no par value, 37,817,878 shares outstanding and all held by LG&E and KU Energy LLC at April 27, 2017.

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

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

FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2017

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

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

GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its subsidiaries

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

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

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

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

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

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

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

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

PPL EU Services - PPL EU Services Corporation, a subsidiary of PPL that provides administrative, management and support services primarily to PPL Electric.

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

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

PPL WPD Limited - an indirect U.K. subsidiary of PPL Global, which carries a liability for a closed defined benefit pension plan and a receivable from WPD plc. Following a reorganization in October 2015, PPL WPD Limited is now parent to WPD plc having previously been a sister company.

WPD - refers to PPL WPD Limited and its subsidiaries.

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

WPD plc - Western Power Distribution plc, a direct U.K. subsidiary of PPL WPD Limited. Its principal indirectly owned subsidiaries are WPD (East Midlands), WPD (South Wales), WPD (South West) and WPD (West Midlands).

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

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

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

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

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

Other terms and abbreviations

£ - British pound sterling.

2016 Form 10-K - Annual Report to the SEC on Form 10-K for the year ended December 31, 2016.

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 amended the Pennsylvania Public Utility Code and created an energy efficiency and conservation program and smart metering technology requirements, adopted new PLR electricity supply procurement rules, provided remedies for market misconduct and changed the Alternative Energy Portfolio Standard.

Advanced Metering System - meters and meter reading systems that provide two-way communication capabilities, which communicate usage and other relevant data to LG&E and KU at regular intervals, and are also able to receive information from LG&E and KU, such as software upgrades and requests to provide meter readings in real time.

AOCI - accumulated other comprehensive income or loss.

ARO - asset retirement obligation.

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

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

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

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

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

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

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

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

Distribution Automation - advanced grid intelligence enabling LG&E and KU to perform remote monitoring and control, circuit segmentation and "self-healing" of select distribution system circuits, improving grid reliability and efficiency.

DNO - Distribution Network Operator in the U.K.

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

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

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

DSM - Demand Side Management. Pursuant to Kentucky Revised Statute 278.285, the KPSC may determine the reasonableness of DSM programs proposed by any utility under its jurisdiction. DSM programs consist of energy efficiency programs intended to reduce peak demand and delay the investment in additional power plant construction, provide customers with tools and information regarding their energy usage and support energy efficiency.

Earnings from Ongoing Operations - A non-GAAP financial measure of earnings adjusted for the impact of special items and used in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A).

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

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

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

EPS - Earnings per share.

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

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

GBP - British pound sterling.

GHG - greenhouse gas(es).

GLT - Gas Line Tracker. The KPSC approved mechanism for LG&E's recovery of costs associated with gas service lines, gas risers, leak mitigation, and gas main replacements.

IBEW - International Brotherhood of Electrical Workers.

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

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

LIBOR - London Interbank Offered Rate.

Margins - A non-GAAP financial measure of performance used in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A).

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

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

MW - megawatt, one thousand kilowatts.

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

NERC - North American Electric Reliability Corporation.

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

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

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

OCI - other comprehensive income or loss.

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

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

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

PP&E - property, plant and equipment.

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

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

RCRA - Resource Conservation and Recovery Act of 1976.

RECs - Renewable Energy Credits.

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

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

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

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

RPI - Retail Price Index, is a measure of inflation in the United Kingdom published monthly by the Office for National Statistics.

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

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

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

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

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

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

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

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

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

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

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

Forward-looking Information

Statements contained in this Form 10-Q concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in each Registrant's 2016 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.

- the outcome of rate cases or other cost recovery or revenue filings;
- changes in U.S. or U.K. tax laws or regulations;
- effects of cyber-based intrusions or natural disasters, threatened or actual terrorism, war or other hostilities;
- significant decreases in demand for electricity in the U.S.;
- expansion of alternative and distributed sources of electricity generation and storage;
- changes in foreign currency exchange rates for British pound sterling and the related impact on unrealized gains and losses on PPL's foreign currency economic hedges;
- the effectiveness of our risk management programs, including foreign currency and interest rate hedging;
- non-achievement by WPD of performance targets set by Ofgem;
- the effect of changes in RPI on WPD's revenues and index linked debt;
- the March 29, 2017 notification by the U.K. to the European Council of the European Union of the U.K.'s intent to withdraw from the European Union and any actions in response thereto;
- defaults by counterparties or suppliers for energy, capacity, coal, natural gas or key commodities, goods or services;
- capital market conditions, including the availability of capital or credit, changes in interest rates and certain economic indices, and decisions regarding capital structure;
- a material decline in the market value of PPL's equity;
- significant decreases in the fair value of debt and equity securities and its impact on the value of assets in defined benefit plans, and the potential cash funding requirements if fair value declines;
- interest rates and their effect on pension and retiree medical liabilities, ARO liabilities and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial markets and economic conditions;
- the potential impact of any unrecorded commitments and liabilities of the Registrants and their subsidiaries;
- new accounting requirements or new interpretations or applications of existing requirements;
- changes in securities and credit ratings;
- any requirement to record impairment charges pursuant to GAAP with respect to any of our significant investments;
- laws or regulations to reduce emissions of "greenhouse" gases or the physical effects of climate change;
- 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;
- fuel supply for LG&E and KU;
- weather and other conditions affecting generation, transmission and distribution operations, operating costs and customer energy use;
- changes in political, regulatory or economic conditions in states, regions or countries where the Registrants or their subsidiaries conduct business;
- receipt of necessary governmental permits and approvals;
- new state, federal or foreign legislation or regulatory developments;
- the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- our ability to attract and retain qualified employees;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures;
- business dispositions or acquisitions and our ability to realize expected benefits from such business transactions;
- collective labor bargaining negotiations; and
- the outcome of litigation against the Registrants and their subsidiaries.

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

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

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

(Unaudited)
(Millions of Dollars, except share data)

	Three Months Ended March 31,	
	2017	**2016**
Operating Revenues	**$ 1,951**	$ 2,011
Operating Expenses		
Operation		
Fuel	**191**	197
Energy purchases	**215**	233
Other operation and maintenance	**432**	450
Depreciation	**242**	229
Taxes, other than income	**75**	79
Total Operating Expenses	**1,155**	1,188
Operating Income	**796**	823
Other Income (Expense) - net	**(47)**	61
Interest Expense	**217**	224
Income Before Income Taxes	**532**	660
Income Taxes	**129**	179
Net Income	**$ 403**	$ 481
Earnings Per Share of Common Stock:		
Net Income Available to PPL Common Shareowners:		
Basic	**$ 0.59**	$ 0.71
Diluted	**$ 0.59**	$ 0.71
Dividends Declared Per Share of Common Stock	**$ 0.3950**	$ 0.38
Weighted-Average Shares of Common Stock Outstanding (in thousands)		
Basic	**680,882**	675,441
Diluted	**683,084**	678,817

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31,	
	2017	**2016**
Net income	**$ 403**	$ 481
Other comprehensive income (loss):		
Amounts arising during the period - gains (losses), net of tax (expense) benefit:		
Foreign currency translation adjustments, net of tax of ($1), ($2)	**(24)**	(464)
Qualifying derivatives, net of tax of $2, ($15)	**(6)**	80
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):		
Qualifying derivatives, net of tax of $0, $19	**(1)**	(78)
Defined benefit plans:		
Net actuarial (gain) loss, net of tax of ($9), ($9)	**32**	31
Total other comprehensive income (loss)	**1**	(431)
Comprehensive income	**$ 404**	$ 50

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

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

	Three Months Ended March 31,	
	2017	2016
Cash Flows from Operating Activities		
Net income	$ 403	$ 481
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	242	229
Amortization	23	18
Defined benefit plans - expense (income)	(19)	(13)
Deferred income taxes and investment tax credits	161	162
Unrealized (gains) losses on derivatives, and other hedging activities	35	(34)
Stock-based compensation expense	19	13
Other	(1)	(5)
Change in current assets and current liabilities		
Accounts receivable	(43)	(62)
Accounts payable	(84)	(43)
Unbilled revenues	52	18
Fuel, materials and supplies	44	25
Prepayments	(110)	(86)
Taxes payable	(21)	15
Other current liabilities	(60)	(66)
Other	5	18
Other operating activities		
Defined benefit plans - funding	(520)	(123)
Other assets	5	(5)
Other liabilities	4	15
Net cash provided by operating activities	135	557
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(677)	(656)
Expenditures for intangible assets	(3)	(6)
Net (increase) decrease in restricted cash and cash equivalents	2	—
Other investing activities	1	1
Net cash used in investing activities	(677)	(661)
Cash Flows from Financing Activities		
Issuance of long-term debt	64	224
Retirement of long-term debt	—	(224)
Issuance of common stock	73	42
Payment of common stock dividends	(258)	(255)
Net increase (decrease) in short-term debt	744	351
Other financing activities	(16)	(23)
Net cash provided by (used in) financing activities	607	115
Effect of Exchange Rates on Cash and Cash Equivalents	3	(33)
Net Increase (Decrease) in Cash and Cash Equivalents	68	(22)
Cash and Cash Equivalents at Beginning of Period	341	836
Cash and Cash Equivalents at End of Period	$ 409	$ 814
Supplemental Disclosures of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at March 31,	$ 236	$ 279
Accrued expenditures for intangible assets at March 31,	$ 62	$ 64

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

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars, shares in thousands)

	March 31, 2017	December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	**$ 409**	$ 341
Accounts receivable (less reserve: 2017, $53; 2016, $54)		
Customer	**702**	666
Other	**58**	46
Unbilled revenues	**427**	480
Fuel, materials and supplies	**312**	356
Prepayments	**173**	63
Price risk management assets	**95**	63
Other current assets	**51**	52
Total Current Assets	**2,227**	2,067
Property, Plant and Equipment		
Regulated utility plant	**35,229**	34,674
Less: accumulated depreciation - regulated utility plant	**6,197**	6,013
Regulated utility plant, net	**29,032**	28,661
Non-regulated property, plant and equipment	**413**	413
Less: accumulated depreciation - non-regulated property, plant and equipment	**137**	134
Non-regulated property, plant and equipment, net	**276**	279
Construction work in progress	**1,099**	1,134
Property, Plant and Equipment, net	**30,407**	30,074
Other Noncurrent Assets		
Regulatory assets	**1,908**	1,918
Goodwill	**3,050**	3,060
Other intangibles	**644**	700
Pension benefit asset	**363**	9
Price risk management assets	**284**	336
Other noncurrent assets	**151**	151
Total Other Noncurrent Assets	**6,400**	6,174
Total Assets	**$ 39,034**	$ 38,315

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

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars, shares in thousands)

	March 31, 2017	December 31, 2016
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 1,666**	$ 923
Long-term debt due within one year	**417**	518
Accounts payable	**700**	820
Taxes	**80**	101
Interest	**299**	270
Dividends	**270**	259
Customer deposits	**277**	276
Regulatory liabilities	**82**	101
Other current liabilities	**465**	569
Total Current Liabilities	**4,256**	3,837
Long-term Debt	**17,958**	17,808
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**4,055**	3,889
Investment tax credits	**132**	132
Accrued pension obligations	**776**	1,001
Asset retirement obligations	**429**	428
Regulatory liabilities	**897**	899
Other deferred credits and noncurrent liabilities	**422**	422
Total Deferred Credits and Other Noncurrent Liabilities	**6,711**	6,771
Commitments and Contingent Liabilities (Notes 6 and 9)		
Equity		
Common stock - $0.01 par value (a)	**7**	7
Additional paid-in capital	**9,917**	9,841
Earnings reinvested	**3,962**	3,829
Accumulated other comprehensive loss	**(3,777)**	(3,778)
Total Equity	**10,109**	9,899
Total Liabilities and Equity	**$ 39,034**	$ 38,315

(a) 1,560,000 shares authorized; 682,427 and 679,731 shares issued and outstanding at March 31, 2017 and December 31, 2016.

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

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

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Total
December 31, 2016	679,731	$ 7	$ 9,841	$ 3,829	$ (3,778)	$ 9,899
Common stock issued	2,696		97			97
Stock-based compensation			(21)			(21)
Net income				403		403
Dividends and dividend equivalents				(270)		(270)
Other comprehensive income (loss)					1	1
March 31, 2017	682,427	$ 7	$ 9,917	$ 3,962	$ (3,777)	$ 10,109
December 31, 2015	673,857	$ 7	$ 9,687	$ 2,953	$ (2,728)	$ 9,919
Common stock issued	2,527		70			70
Stock-based compensation			(28)			(28)
Net income				481		481
Dividends and dividend equivalents				(256)		(256)
Other comprehensive income (loss)					(431)	(431)
Adoption of stock-based compensation guidance cumulative effect adjustment				7		7
March 31, 2016	676,384	$ 7	$ 9,729	$ 3,185	$ (3,159)	$ 9,762

(a) Shares in thousands. Each share entitles the holder to one vote on any question presented at any shareowners' meeting.

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

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

	Three Months Ended March 31,	
	2017	**2016**
Operating Revenues	**$ 573**	$ 585
Operating Expenses		
Operation		
Energy purchases	**146**	167
Other operation and maintenance	**164**	150
Depreciation	**75**	59
Taxes, other than income	**29**	29
Total Operating Expenses	**414**	405
Operating Income	**159**	180
Other Income (Expense) - net	**1**	3
Interest Expense	**33**	33
Income Before Income Taxes	**127**	150
Income Taxes	**48**	56
Net Income (a)	**$ 79**	$ 94

(a) Net income equals comprehensive income.

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

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

	Three Months Ended March 31, 2017	2016
Cash Flows from Operating Activities		
Net income	$ 79	$ 94
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	75	59
Amortization	8	7
Defined benefit plans - expense	5	2
Deferred income taxes and investment tax credits	41	65
Other	—	(5)
Change in current assets and current liabilities		
Accounts receivable	(27)	(43)
Accounts payable	(18)	(2)
Unbilled revenue	12	5
Prepayments	(75)	(21)
Regulatory assets and liabilities	(11)	(21)
Taxes payable	—	(8)
Other	(14)	(12)
Other operating activities		
Defined benefit plans - funding	(24)	—
Other assets	5	3
Other liabilities	(1)	1
Net cash provided by operating activities	55	124
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(274)	(214)
Expenditures for intangible assets	(2)	(1)
Net cash used in investing activities	(276)	(215)
Cash Flows from Financing Activities		
Issuance of long-term debt	—	224
Retirement of long-term debt	—	(224)
Contributions from parent	100	—
Payment of common stock dividends to parent	(76)	(45)
Net increase (decrease) in short-term debt	204	125
Other financing activities	—	(2)
Net cash provided by (used in) financing activities	228	78
Net Increase (Decrease) in Cash and Cash Equivalents	7	(13)
Cash and Cash Equivalents at Beginning of Period	13	47
Cash and Cash Equivalents at End of Period	$ 20	$ 34
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at March 31,	$ 122	$ 115

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

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

	March 31, 2017	December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	**$ 20**	$ 13
Accounts receivable (less reserve: 2017, $27; 2016, $28)		
Customer	**304**	272
Other	**16**	21
Unbilled revenues	**102**	114
Materials and supplies	**31**	32
Prepayments	**84**	9
Regulatory assets	**13**	19
Other current assets	**6**	8
Total Current Assets	**576**	488
Property, Plant and Equipment		
Regulated utility plant	**9,987**	9,654
Less: accumulated depreciation - regulated utility plant	**2,767**	2,714
Regulated utility plant, net	**7,220**	6,940
Construction work in progress	**557**	641
Property, Plant and Equipment, net	**7,777**	7,581
Other Noncurrent Assets		
Regulatory assets	**1,080**	1,094
Intangibles	**252**	251
Other noncurrent assets	**14**	12
Total Other Noncurrent Assets	**1,346**	1,357
Total Assets	**$ 9,699**	$ 9,426

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

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

	March 31, 2017	December 31, 2016
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 499**	$ 295
Long-term debt due within one year	**224**	224
Accounts payable	**329**	367
Accounts payable to affiliates	**58**	42
Taxes	**12**	12
Interest	**31**	34
Regulatory liabilities	**66**	83
Other current liabilities	**88**	101
Total Current Liabilities	**1,307**	1,158
Long-term Debt	**2,608**	2,607
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,942**	1,899
Accrued pension obligations	**258**	281
Other deferred credits and noncurrent liabilities	**90**	90
Total Deferred Credits and Other Noncurrent Liabilities	**2,290**	2,270
Commitments and Contingent Liabilities (Notes 6 and 9)		
Equity		
Common stock - no par value (a)	**364**	364
Additional paid-in capital	**2,254**	2,154
Earnings reinvested	**876**	873
Total Equity	**3,494**	3,391
Total Liabilities and Equity	**$ 9,699**	$ 9,426

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at March 31, 2017 and December 31, 2016.

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

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2016	66,368	$ 364	$ 2,154	$ 873	$ 3,391
Net income				79	79
Capital contributions from PPL			100		100
Dividends declared on common stock				(76)	(76)
March 31, 2017	66,368	$ 364	$ 2,254	$ 876	$ 3,494
December 31, 2015	66,368	$ 364	$ 1,934	$ 821	$ 3,119
Net income				94	94
Dividends declared on common stock				(45)	(45)
March 31, 2016	66,368	$ 364	$ 1,934	$ 870	$ 3,168

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

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

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31,	
	2017	**2016**
Operating Revenues	**$ 809**	$ 826
Operating Expenses		
Operation		
Fuel	**191**	198
Energy purchases	**69**	66
Other operation and maintenance	**207**	202
Depreciation	**105**	99
Taxes, other than income	**16**	15
Total Operating Expenses	**588**	580
Operating Income	**221**	246
Other Income (Expense) - net	**(2)**	(1)
Interest Expense	**49**	49
Interest Expense with Affiliate	**4**	4
Income Before Income Taxes	**166**	192
Income Taxes	**63**	72
Net Income (a)	**$ 103**	$ 120

(a) Net income approximates comprehensive income.

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31,	
	2017	2016
Cash Flows from Operating Activities		
Net income	$ 103	$ 120
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	105	99
Amortization	7	7
Defined benefit plans - expense	8	7
Deferred income taxes and investment tax credits	48	68
Change in current assets and current liabilities		
Accounts receivable	21	(15)
Accounts payable	(28)	25
Accounts payable to affiliates	7	5
Unbilled revenues	22	8
Fuel, materials and supplies	41	21
Taxes payable	(2)	(25)
Accrued interest	42	42
Other	(38)	(24)
Other operating activities		
Defined benefit plans - funding	(22)	(33)
Expenditures for asset retirement obligations	(6)	(2)
Other assets	1	—
Other liabilities	3	—
Net cash provided by operating activities	312	303
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(184)	(219)
Net cash provided by (used in) investing activities	(184)	(219)
Cash Flows from Financing Activities		
Net increase (decrease) in notes payable with affiliate	(81)	93
Net increase (decrease) in short-term debt	58	(149)
Debt issuance and credit facility costs	(1)	(1)
Distributions to member	(102)	(29)
Net cash provided by (used in) financing activities	(126)	(86)
Net Increase (Decrease) in Cash and Cash Equivalents	2	(2)
Cash and Cash Equivalents at Beginning of Period	13	30
Cash and Cash Equivalents at End of Period	$ 15	$ 28
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at March 31,	$ 75	$ 117

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

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

	March 31, 2017	December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	**$ 15**	$ 13
Accounts receivable (less reserve: 2017, $24; 2016, $24)		
Customer	**215**	235
Other	**24**	17
Unbilled revenues	**148**	170
Fuel, materials and supplies	**256**	297
Prepayments	**25**	24
Regulatory assets	**23**	20
Other current assets	**7**	4
Total Current Assets	**713**	780
Property, Plant and Equipment		
Regulated utility plant	**12,810**	12,746
Less: accumulated depreciation - regulated utility plant	**1,550**	1,465
Regulated utility plant, net	**11,260**	11,281
Construction work in progress	**376**	317
Property, Plant and Equipment, net	**11,636**	11,598
Other Noncurrent Assets		
Regulatory assets	**828**	824
Goodwill	**996**	996
Other intangibles	**93**	95
Other noncurrent assets	**78**	78
Total Other Noncurrent Assets	**1,995**	1,993
Total Assets	**$ 14,344**	$ 14,371

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

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

	March 31, 2017	December 31, 2016
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 243	$ 185
Long-term debt due within one year	94	194
Notes payable with affiliate	82	163
Accounts payable	204	251
Accounts payable to affiliates	13	6
Customer deposits	56	56
Taxes	37	39
Price risk management liabilities	4	4
Regulatory liabilities	16	18
Interest	74	32
Asset retirement obligations	58	60
Other current liabilities	88	119
Total Current Liabilities	969	1,127
Long-term Debt		
Long-term debt	4,572	4,471
Long-term debt to affiliate	400	400
Total Long-term Debt	4,972	4,871
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,786	1,735
Investment tax credits	131	132
Accrued pension obligations	332	350
Asset retirement obligations	374	373
Regulatory liabilities	897	899
Price risk management liabilities	25	27
Other deferred credits and noncurrent liabilities	188	190
Total Deferred Credits and Other Noncurrent Liabilities	3,733	3,706
Commitments and Contingent Liabilities (Notes 6 and 9)		
Member's Equity	4,670	4,667
Total Liabilities and Equity	$ 14,344	$ 14,371

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

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Member's Equity
December 31, 2016	$ 4,667
Net income	103
Distributions to member	(102)
Other comprehensive income	2
March 31, 2017	$ 4,670
December 31, 2015	$ 4,517
Net income	120
Distributions to member	(29)
Other comprehensive income	1
March 31, 2016	$ 4,609

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

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

	Three Months Ended March 31,	
	2017	2016
Operating Revenues		
Retail and wholesale	**$ 374**	$ 375
Electric revenue from affiliate	**17**	11
Total Operating Revenues	**391**	386
Operating Expenses		
Operation		
Fuel	**80**	78
Energy purchases	**64**	62
Energy purchases from affiliate	**2**	2
Other operation and maintenance	**87**	87
Depreciation	**44**	41
Taxes, other than income	**8**	8
Total Operating Expenses	**285**	278
Operating Income	**106**	108
Other Income (Expense) - net	**(2)**	—
Interest Expense	**17**	17
Income Before Income Taxes	**87**	91
Income Taxes	**33**	35
Net Income (a)	**$ 54**	$ 56

(a) Net income equals comprehensive income.

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

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

	Three Months Ended March 31,	
	2017	**2016**
Cash Flows from Operating Activities		
Net income	**$ 54**	$ 56
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**44**	41
Amortization	**3**	3
Defined benefit plans - expense	**2**	3
Deferred income taxes and investment tax credits	**31**	37
Change in current assets and current liabilities		
Accounts receivable	**13**	(5)
Accounts receivable from affiliates	**1**	(4)
Accounts payable	**(12)**	5
Accounts payable to affiliates	**(4)**	—
Unbilled revenues	**9**	7
Fuel, materials and supplies	**33**	31
Taxes payable	**(28)**	(9)
Accrued interest	**13**	13
Other	**(11)**	(9)
Other operating activities		
Defined benefit plans - funding	**(1)**	(13)
Expenditures for asset retirement obligations	**(4)**	(1)
Other assets	**2**	—
Other liabilities	**(3)**	2
Net cash provided by operating activities	**142**	157
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(94)**	(109)
Net cash provided by (used in) investing activities	**(94)**	(109)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term debt	**38**	(60)
Debt issuance and credit facility costs	—	(1)
Payment of common stock dividends to parent	**(87)**	(25)
Contributions from parent	—	30
Net cash provided by (used in) financing activities	**(49)**	(56)
Net Increase (Decrease) in Cash and Cash Equivalents	**(1)**	(8)
Cash and Cash Equivalents at Beginning of Period	**5**	19
Cash and Cash Equivalents at End of Period	**$ 4**	$ 11
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at March 31,	**$ 34**	$ 77

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

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

	March 31, 2017	December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	**$ 4**	$ 5
Accounts receivable (less reserve: 2017, $2; 2016, $2)		
Customer	**97**	109
Other	**10**	11
Accounts receivable from affiliates	**27**	28
Unbilled revenues	**66**	75
Fuel, materials and supplies	**110**	143
Prepayments	**12**	12
Regulatory assets	**12**	9
Other current assets	**2**	1
Total Current Assets	**340**	393
Property, Plant and Equipment		
Regulated utility plant	**5,396**	5,357
Less: accumulated depreciation - regulated utility plant	**534**	498
Regulated utility plant, net	**4,862**	4,859
Construction work in progress	**156**	133
Property, Plant and Equipment, net	**5,018**	4,992
Other Noncurrent Assets		
Regulatory assets	**448**	450
Goodwill	**389**	389
Other intangibles	**57**	59
Other noncurrent assets	**16**	17
Total Other Noncurrent Assets	**910**	915
Total Assets	**$ 6,268**	$ 6,300

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

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

	March 31, 2017	December 31, 2016
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 207**	$ 169
Long-term debt due within one year	**94**	194
Accounts payable	**115**	148
Accounts payable to affiliates	**22**	26
Customer deposits	**27**	27
Taxes	**12**	40
Price risk management liabilities	**4**	4
Regulatory liabilities	**5**	5
Interest	**24**	11
Asset retirement obligations	**29**	41
Other current liabilities	**27**	36
Total Current Liabilities	**566**	701
Long-term Debt	**1,524**	1,423
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,006**	974
Investment tax credits	**36**	36
Accrued pension obligations	**50**	53
Asset retirement obligations	**114**	104
Regulatory liabilities	**419**	419
Price risk management liabilities	**25**	27
Other deferred credits and noncurrent liabilities	**85**	87
Total Deferred Credits and Other Noncurrent Liabilities	**1,735**	1,700
Commitments and Contingent Liabilities (Notes 6 and 9)		
Stockholder's Equity		
Common stock - no par value (a)	**424**	424
Additional paid-in capital	**1,682**	1,682
Earnings reinvested	**337**	370
Total Equity	**2,443**	2,476
Total Liabilities and Equity	**$ 6,268**	$ 6,300

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at March 31, 2017 and December 31, 2016.

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

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CONDENSED STATEMENTS OF EQUITY
Louisville Gas and Electric Company

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)		Common stock		Additional paid-in capital		Earnings reinvested		Total
December 31, 2016	21,294	$	424	$	1,682	$	370	$	2,476
Net income							54		54
Cash dividends declared on common stock							(87)		(87)
March 31, 2017	21,294	$	424	$	1,682	$	337	$	2,443
December 31, 2015	21,294	$	424	$	1,611	$	295	$	2,330
Net income							56		56
Capital contributions from LKE					30				30
Cash dividends declared on common stock							(25)		(25)
March 31, 2016	21,294	$	424	$	1,641	$	326	$	2,391

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

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

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

	Three Months Ended March 31,	
	2017	**2016**
Operating Revenues		
Retail and wholesale	**$ 435**	$ 451
Electric revenue from affiliate	**2**	2
Total Operating Revenues	**437**	453
Operating Expenses		
Operation		
Fuel	**111**	120
Energy purchases	**5**	4
Energy purchases from affiliate	**17**	11
Other operation and maintenance	**109**	106
Depreciation	**60**	58
Taxes, other than income	**8**	7
Total Operating Expenses	**310**	306
Operating Income	**127**	147
Other Income (Expense) - net	**(1)**	(2)
Interest Expense	**24**	24
Income Before Income Taxes	**102**	121
Income Taxes	**39**	46
Net Income (a)	**$ 63**	$ 75

(a) Net income approximates comprehensive income.

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

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

	Three Months Ended March 31,	
	2017	2016
Cash Flows from Operating Activities		
Net income	**$ 63**	$ 75
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**60**	58
Amortization	**4**	4
Defined benefit plans - expense	**2**	2
Deferred income taxes and investment tax credits	**37**	44
Change in current assets and current liabilities		
Accounts receivable	**8**	(8)
Accounts payable	**(4)**	23
Accounts payable to affiliates	**(7)**	2
Unbilled revenues	**13**	1
Fuel, materials and supplies	**8**	(10)
Taxes payable	**(34)**	(8)
Accrued interest	**22**	22
Other	**(12)**	1
Other operating activities		
Defined benefit plans - funding	**(19)**	(10)
Expenditures for asset retirement obligations	**(2)**	(1)
Other assets	**(1)**	—
Other liabilities	**1**	—
Net cash provided by operating activities	**139**	195
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(89)**	(110)
Net cash provided by (used in) investing activities	**(89)**	(110)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term debt	**20**	(14)
Debt issuance and credit facility costs	**—**	(1)
Payment of common stock dividends to parent	**(70)**	(64)
Net cash provided by (used in) financing activities	**(50)**	(79)
Net Increase (Decrease) in Cash and Cash Equivalents	**—**	6
Cash and Cash Equivalents at Beginning of Period	**7**	11
Cash and Cash Equivalents at End of Period	**$ 7**	$ 17
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at March 31,	**$ 41**	$ 40

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

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

	March 31, 2017	December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	**$ 7**	$ 7
Accounts receivable (less reserve: 2017, $1; 2016, $2)		
Customer	**118**	126
Other	**13**	5
Unbilled revenues	**82**	95
Fuel, materials and supplies	**146**	154
Prepayments	**12**	12
Regulatory assets	**11**	11
Other current assets	**5**	3
Total Current Assets	**394**	413
Property, Plant and Equipment		
Regulated utility plant	**7,405**	7,382
Less: accumulated depreciation - regulated utility plant	**1,014**	965
Regulated utility plant, net	**6,391**	6,417
Construction work in progress	**219**	181
Property, Plant and Equipment, net	**6,610**	6,598
Other Noncurrent Assets		
Regulatory assets	**380**	374
Goodwill	**607**	607
Other intangibles	**36**	36
Other noncurrent assets	**59**	57
Total Other Noncurrent Assets	**1,082**	1,074
Total Assets	**$ 8,086**	$ 8,085

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

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

	March 31, 2017	December 31, 2016
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 36**	$ 16
Accounts payable	**76**	78
Accounts payable to affiliates	**50**	56
Customer deposits	**29**	29
Taxes	**11**	45
Regulatory liabilities	**11**	13
Interest	**38**	16
Asset retirement obligations	**29**	19
Other current liabilities	**27**	36
Total Current Liabilities	**307**	308
Long-term Debt	**2,327**	2,327
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,208**	1,170
Investment tax credits	**95**	96
Accrued pension obligations	**44**	62
Asset retirement obligations	**260**	269
Regulatory liabilities	**478**	480
Other deferred credits and noncurrent liabilities	**50**	50
Total Deferred Credits and Other Noncurrent Liabilities	**2,135**	2,127
Commitments and Contingent Liabilities (Notes 6 and 9)		
Stockholder's Equity		
Common stock - no par value (a)	**308**	308
Additional paid-in capital	**2,616**	2,616
Accumulated other comprehensive loss	**—**	(1)
Earnings reinvested	**393**	400
Total Equity	**3,317**	3,323
Total Liabilities and Equity	**$ 8,086**	$ 8,085

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at March 31, 2017 and December 31, 2016.

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

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

	Common stock shares outstanding (a)		Common stock		Additional paid-in capital		Earnings reinvested		Accumulated other comprehensive loss		Total
December 31, 2016	37,818	$	308	$	2,616	$	400	$	(1)	$	3,323
Net income							63				63
Cash dividends declared on common stock							(70)				(70)
Other comprehensive income									1		1
March 31, 2017	37,818	$	308	$	2,616	$	393	$	—	$	3,317
December 31, 2015	37,818	$	308	$	2,596	$	383	$	—	$	3,287
Net income							75				75
Cash dividends declared on common stock							(64)				(64)
March 31, 2016	37,818	$	308	$	2,596	$	394	$	—	$	3,298

(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 each Registrants' 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 footnote disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation in accordance with GAAP are reflected in the condensed financial statements. All adjustments are of a normal recurring nature, except as otherwise disclosed. Each Registrant's Balance Sheet at December 31, 2016 is derived from that Registrant's 2016 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 2016 Form 10-K. The results of operations for the three months ended March 31, 2017 are not necessarily indicative of the results to be expected for the full year ending December 31, 2017 or other future periods, because results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

The classification of certain prior period amounts has been changed to conform to the presentation in the March 31, 2017 financial statements.

2. Summary of Significant Accounting Policies

(All Registrants)

The following accounting policy disclosures represent updates to Note 1 in each indicated Registrant's 2016 Form 10-K and should be read in conjunction with those disclosures.

Accounts Receivable *(PPL and PPL Electric)*

In accordance with a PUC-approved purchase of accounts receivable program, PPL Electric purchases certain accounts receivable from alternative electricity suppliers at a discount, which reflects a provision for uncollectible accounts. The alternative electricity suppliers have no continuing involvement or interest in the purchased accounts receivable. Accounts receivable that are acquired are initially recorded at fair value on the date of acquisition. During the three months ended March 31, 2017 and 2016, PPL Electric purchased $356 million and $382 million of accounts receivable from alternative electricity suppliers.

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3. Segment and Related Information

(PPL)

See Note 2 in PPL's 2016 Form 10-K for a discussion of reportable segments and related information.

Income Statement data for the segments and reconciliation to PPL's consolidated results for the periods ended March 31 are as follows:

	Three Months	
	2017	2016
Income Statement Data		
Revenues from external customers		
U.K. Regulated	$ 568	$ 595
Kentucky Regulated	809	826
Pennsylvania Regulated	573	585
Corporate and Other	1	5
Total	$ 1,951	$ 2,011
Net Income		
U.K. Regulated (a)	$ 286	$ 289
Kentucky Regulated	95	112
Pennsylvania Regulated	79	94
Corporate and Other	(57)	(14)
Total	$ 403	$ 481

(a) Includes unrealized gains and losses from hedging foreign-currency related economic activity. See Note 13 for additional information.

Balance Sheet data for the segments and reconciliation to PPL's consolidated results as of:

	March 31, 2017	December 31, 2016
Balance Sheet Data		
Assets		
U.K. Regulated (a)	$ 15,039	$ 14,537
Kentucky Regulated	14,010	14,037
Pennsylvania Regulated	9,699	9,426
Corporate and Other (b)	286	315
Total	$ 39,034	$ 38,315

(a) Includes $10.9 billion and $10.8 billion of net PP&E as of March 31, 2017 and December 31, 2016. WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP.
(b) Primarily consists of unallocated items, including cash, PP&E and the elimination of inter-segment transactions.

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

PPL Electric has two operating segments that are aggregated into a single reportable segment. LKE, LG&E and KU are individually single operating and reportable segments.

4. Earnings Per Share

(PPL)

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

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

	Three Months	
	2017	2016
Income (Numerator)		
Net income	$ 403	$ 481
Less amounts allocated to participating securities	1	2
Net income available to PPL common shareowners - Basic and Diluted	$ 402	$ 479
Shares of Common Stock (Denominator)		
Weighted-average shares - Basic EPS	680,882	675,441
Add incremental non-participating securities:		
Share-based payment awards	2,202	3,376
Weighted-average shares - Diluted EPS	683,084	678,817
Basic EPS		
Net Income available to PPL common shareowners	$ 0.59	$ 0.71
Diluted EPS		
Net Income available to PPL common shareowners	$ 0.59	$ 0.71

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

	Three Months	
	2017	2016
Stock-based compensation plans (a)	887	2,125
DRIP	445	402

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

See Note 7 for additional information on common stock issued under the ATM Program.

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

	Three Months	
	2017	2016
Stock options	696	696

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5. Income Taxes

Reconciliations of income taxes for the periods ended March 31 are as follows.

(PPL)

	Three Months	
	2017	2016
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 186	$ 231
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	13	13
Valuation allowance adjustments	5	6
Impact of lower U.K. income tax rates	(48)	(54)
U.S. income tax on foreign earnings - net of foreign tax credit	(9)	(2)
Impact of the U.K. Finance Acts	(3)	—
Depreciation not normalized	(3)	(1)
Interest benefit on U.K. financing entities	(4)	(5)
Stock-based compensation	(3)	(8)
Other	(5)	(1)
Total increase (decrease)	(57)	(52)
Total income taxes	$ 129	$ 179

(PPL Electric)

	Three Months	
	2017	2016
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 44	$ 53
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	8	9
Depreciation not normalized	(2)	(1)
Stock-based compensation	(2)	(5)
Total increase (decrease)	4	3
Total income taxes	$ 48	$ 56

(LKE)

	Three Months	
	2017	2016
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 58	$ 67
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	6	7
Other	(1)	(2)
Total increase (decrease)	5	5
Total income taxes	$ 63	$ 72

(LG&E)

	Three Months	
	2017	2016
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 30	$ 32
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	3	3
Total increase (decrease)	3	3
Total income taxes	$ 33	$ 35

(KU)

	Three Months	
	2017	2016
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 36	$ 42
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	4	4
Other	(1)	—
Total increase (decrease)	3	4
Total income taxes	$ 39	$ 46

6. Utility Rate Regulation

(All Registrants)

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

	PPL		PPL Electric	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Current Regulatory Assets:				
Environmental cost recovery	$ 6	$ 6	$ —	$ —
Generation formula rate	11	11	—	—
Transmission service charge	—	7	—	7
Smart meter rider	8	6	8	6
Storm costs	4	5	4	5
Other	7	4	1	1
Total current regulatory assets (a)	$ 36	$ 39	$ 13	$ 19
Noncurrent Regulatory Assets:				
Defined benefit plans	$ 936	$ 947	$ 543	$ 549
Taxes recoverable through future rates	343	340	343	340
Storm costs	44	57	—	9
Unamortized loss on debt	58	61	34	36
Interest rate swaps	126	129	—	—
Accumulated cost of removal of utility plant	160	159	160	159
AROs	228	211	—	—
Other	13	14	—	1
Total noncurrent regulatory assets	$ 1,908	$ 1,918	$ 1,080	$ 1,094
Current Regulatory Liabilities:				
Generation supply charge	$ 19	$ 23	$ 19	$ 23
Transmission service charge	5	—	5	—
Demand side management	2	3	—	—
Universal service rider	14	14	14	14
Transmission formula rate	6	15	6	15
Fuel adjustment clause	13	11	—	—
Act 129 compliance rider	16	17	16	17
Storm damage expense	5	13	5	13
Other	2	5	1	1
Total current regulatory liabilities	$ 82	$ 101	$ 66	$ 83

	PPL		PPL Electric	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 701	$ 700	$ —	$ —
Power purchase agreement - OVEC (b)	74	75	—	—
Net deferred tax assets	22	23	—	—
Defined benefit plans	23	23	—	—
Interest rate swaps	76	78	—	—
Other	1	—	—	—
Total noncurrent regulatory liabilities	$ 897	$ 899	$ —	$ —

	LKE		LG&E		KU	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Current Regulatory Assets:						
Environmental cost recovery	$ 6	$ 6	$ 6	$ 6	$ —	$ —
Generation formula rate	11	11	—	—	11	11
Other	6	3	6	3	—	—
Total current regulatory assets	$ 23	$ 20	$ 12	$ 9	$ 11	$ 11
Noncurrent Regulatory Assets:						
Defined benefit plans	$ 393	$ 398	$ 242	$ 246	$ 151	$ 152
Storm costs	44	48	24	26	20	22
Unamortized loss on debt	24	25	15	16	9	9
Interest rate swaps	126	129	86	88	40	41
AROs	228	211	77	70	151	141
Plant retirement costs	3	4	—	—	3	4
Other	10	9	4	4	6	5
Total noncurrent regulatory assets	$ 828	$ 824	$ 448	$ 450	$ 380	$ 374
Current Regulatory Liabilities:						
Demand side management	$ 2	$ 3	$ 1	$ 2	$ 1	$ 1
Fuel adjustment clause	13	11	4	2	9	9
Other	1	4	—	1	1	3
Total current regulatory liabilities	$ 16	$ 18	$ 5	$ 5	$ 11	$ 13
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal of utility plant	$ 701	$ 700	$ 308	$ 305	$ 393	$ 395
Power purchase agreement - OVEC (b)	74	75	51	52	23	23
Net deferred tax assets	22	23	22	23	—	—
Defined benefit plans	23	23	—	—	23	23
Interest rate swaps	76	78	38	39	38	39
Other	1	—	—	—	1	—
Total noncurrent regulatory liabilities	$ 897	$ 899	$ 419	$ 419	$ 478	$ 480

(a) For PPL, these amounts are included in "Other current assets" on the Balance Sheets.
(b) This liability was recorded as an offset to an intangible asset that was recorded at fair value upon the acquisition of LKE by PPL.

Regulatory Matters

Kentucky Activities

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

On November 23, 2016, LG&E and KU filed requests with the KPSC for increases in annual base electricity rates of approximately $103 million at KU and an increase in annual base electricity and gas rates of approximately $94 million and $14 million at LG&E. The proposed base rate increases would result in an electricity rate increase of 6.4% at KU and electricity and gas rate increases of 8.5% and 4.2% at LG&E. LG&E's and KU's applications include requests for CPCNs for implementing an Advanced Metering System program and a Distribution Automation program. The applications are based on a forecasted test year of July 1, 2017 through June 30, 2018 and a requested return on equity of 10.23%.

On April 19, 2017 and May 1, 2017, LG&E and KU, along with all intervening parties to the proceeding, filed with the KPSC, stipulation and recommendation agreements (stipulations) resolving all issues with the parties. Among other things, the proposed stipulations provide for increases in annual revenue requirements associated with KU base electricity rates of $55 million, LG&E base electricity rates of $59 million and LG&E base gas rates of $8 million, reflecting a return on equity of 9.75%, and the withdrawal of LG&E's and KU's request for a CPCN for the Advanced Metering System. The proposed stipulations would result in a base electricity rate increase of 3.4% at KU and base electricity and gas rate increases of 5.4% and 2.3% at LG&E. The proposed stipulations remain subject to KPSC approval. If approved, new rates and all elements of the stipulations would be effective July 1, 2017. A public hearing on the applications is scheduled to commence on May 9, 2017. LG&E and KU cannot predict the outcome of these proceedings.

Gas Franchise (LKE and LG&E)

LG&E’s gas franchise agreement for the Louisville/Jefferson County service area expired in March 2016. In August 2016, LG&E and Louisville/Jefferson County entered into a revised franchise agreement with a 5-year term (with renewal options). The franchise fee may be modified at Louisville/Jefferson County's election upon 60 days' notice. However, any franchise fee is capped at 3% of gross receipts for natural gas service within the franchise area. The agreement further provides that if the KPSC determines that the franchise fee should be recovered from LG&E's customers, the franchise fee shall revert to zero. In August 2016, LG&E filed an application in a KPSC proceeding to review and rule upon the recoverability of the franchise fee.

In August 2016, Louisville/Jefferson County submitted a motion to dismiss the proceeding filed by LG&E, and, in November 2016 filed an amended complaint against LG&E relating to these issues. LG&E submitted KPSC filings to respond to, request dismissal of and consolidate certain claims or aspects of the proceedings. In January 2017, the KPSC issued an order denying Louisville/Jefferson County's motion to dismiss, consolidating the matter with LG&E's filed application and establishing a procedural schedule for the case. Until the KPSC issues a final order in this proceeding, LG&E cannot predict the ultimate outcome of this matter but does not anticipate that it will have a material effect on its financial condition or results of operation. LG&E continues to provide gas service to customers in this franchise area at existing rates, but without collecting or remitting a franchise fee.

Pennsylvania Activities *(PPL and PPL Electric)*

Act 129

Act 129 requires Pennsylvania Electric Distribution Companies (EDCs) to meet, by specified dates, specified goals for reduction in customer electricity usage and peak demand. EDCs not meeting the requirements of Act 129 are subject to significant penalties. In November 2015, PPL Electric filed with the PUC its Act 129 Phase III Energy Efficiency and Conservation Plan for the period June 1, 2016 through May 31, 2021. In January 2016, PPL Electric and the other parties to the case reached a settlement of all major issues and filed that settlement with the Administrative Law Judge. In June 2016, the PUC issued a final order approving PPL Electric's Phase III Plan as modified by the settlement, allowing PPL Electric to recover, through the Act 129 compliance rider, a maximum $313 million in program cost over the five-year period June 1, 2016 through May 31, 2021.

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

PPL Electric has received PUC approval of its biannual DSP procurement plans for all prior periods required under Act 129. In January 2016, PPL Electric filed a Petition for Approval of a new DSP procurement plan with the PUC for the period June 1, 2017 through May 31, 2021. The parties to the proceeding reached a settlement on all but one issue and a partial settlement agreement and briefs on the open issue were submitted to the Administrative Law Judge (ALJ) in July 2016. In August 2016, the ALJ issued an initial decision, and certain parties filed exceptions and reply exceptions. In October 2016, the PUC issued an order approving the partial settlement agreement and adopting the initial decision with minor modifications. In November 2016, Retail Electric Supply Association (RESA) filed a Petition for Reconsideration of the portion of the October 2016 order that approved the Customer Assistance Program Standard Offer Referral Program (CAP-SOP). In January 2017, the PUC issued an order denying RESA's Petition for Reconsideration and closing the record. In February 2017, RESA filed a Petition for Review with the Commonwealth Court of Pennsylvania regarding the CAP-SOP. This matter remains pending before the court.

7. Financing Activities

Credit Arrangements and Short-term Debt

(All Registrants)

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. For reporting purposes, on a consolidated basis, the credit facilities and commercial paper programs of PPL Electric, LKE, LG&E and KU also apply to PPL and the credit facilities and commercial paper programs of LG&E and KU also apply to LKE. The amounts borrowed below are recorded as "Short-term debt" on the Balance Sheets. The following credit facilities were in place at:

	March 31, 2017					December 31, 2016	
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued
PPL							
U.K.							
WPD plc							
Syndicated Credit Facility (a)	Jan. 2022	£ 210	£ 161	£ —	£ 49	£ 160	£ —
Term Loan Facility (b)	Dec. 2017	230	230	—	—	—	—
WPD (South West)							
Syndicated Credit Facility (c)	July 2021	245	72	—	173	110	—
WPD (East Midlands)							
Syndicated Credit Facility (d)	July 2021	300	128	—	172	9	—
WPD (West Midlands)							
Syndicated Credit Facility	July 2021	300	—	—	300	—	—
Uncommitted Credit Facilities (e)		90	—	4	86	60	4
Total U.K. Credit Facilities (f)		£ 1,375	£ 591	£ 4	£ 780	£ 339	£ 4
U.S.							
PPL Capital Funding							
Syndicated Credit Facility	Jan. 2022	$ 950	$ —	$ 189	$ 761	$ —	$ 20
Syndicated Credit Facility	Nov. 2018	300	—	—	300	—	—
Bilateral Credit Facility	Mar. 2018	150	—	17	133	—	17
Total PPL Capital Funding Credit Facilities		$ 1,400	$ —	$ 206	$ 1,194	$ —	$ 37

		March 31, 2017					December 31, 2016	
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity		Borrowed	Letters of Credit and Commercial Paper Issued
PPL Electric								
Syndicated Credit Facility	Jan. 2022	$ 650	$ —	$ 500	$ 150		$ —	$ 296
LKE								
Syndicated Credit Facility	Oct. 2018	$ 75	$ —	$ —	$ 75		$ —	$ —
LG&E								
Syndicated Credit Facility	Jan. 2022	$ 500	$ —	$ 207	$ 293		$ —	$ 169
KU								
Syndicated Credit Facility	Jan. 2022	$ 400	$ —	$ 36	$ 364		$ —	$ 16
Letter of Credit Facility	Oct. 2017	198	—	198	—		—	198
Total KU Credit Facilities		$ 598	$ —	$ 234	$ 364		$ —	$ 214

(a) The amounts borrowed at March 31, 2017 and December 31, 2016 were USD-denominated borrowings of $200 million for both periods, which bore interest at 1.61% and 1.43%. The unused capacity reflects the amount borrowed in GBP of £161 million as of the date borrowed.
(b) The amount borrowed at March 31, 2017 was a GBP-denominated borrowing which equated to $286 million and bore interest at 1.51%.
(c) The amounts borrowed at March 31, 2017 and December 31, 2016 were GBP-denominated borrowings which equated to $90 million and $137 million and bore interest at 0.66% for both periods.
(d) The amounts borrowed at March 31, 2017 and December 31, 2016 were GBP-denominated borrowings which equated to $159 million and $11 million and bore interest at 0.66% for both periods.
(e) The amount borrowed at December 31, 2016 was a GBP-denominated borrowing which equated to $75 million and bore interest at 1.26%.
(f) At March 31, 2017, the unused capacity under the U.K. credit facilities was $972 million.

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

	March 31, 2017				December 31, 2016	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Capital Funding	1.25%	$ 1,000	$ 189	$ 811	1.10%	$ 20
PPL Electric	1.26%	650	499	151	1.05%	295
LG&E	1.19%	350	207	143	0.94%	169
KU	1.18%	350	36	314	0.87%	16
Total		$ 2,350	$ 931	$ 1,419		$ 500

(LKE)

See Note 10 for discussion of intercompany borrowings.

Long-term Debt

(PPL)

In March 2017, WPD (South Wales) issued £50 million of 0.01% Index-linked Senior Notes due 2029. WPD (South Wales) received proceeds of £53 million, which equated to $64 million at the time of issuance, net of fees and including a premium. The principal amount of the notes is adjusted based on changes in a specified index, as detailed in the terms of the related indenture. The proceeds will be used for general corporate purposes.

(PPL, LKE and LG&E)

In April 2017, the Louisville/Jefferson County Metro Government of Kentucky remarketed $128 million of Pollution Control Revenue Bonds, 2003 Series A (Louisville Gas and Electric Company Project) due 2033 on behalf of LG&E. The bonds were remarketed at a long term rate and will bear interest at 1.50% through their mandatory purchase date of April 1, 2019.

(PPL)

ATM Program

In February 2015, PPL entered into two separate equity distribution agreements, pursuant to which PPL may sell, from time to time, up to an aggregate of $500 million of its common stock. For the periods ended March 31, PPL issued the following:

	Three Months	
	2017	2016
Number of shares (in thousands)	1,364	—
Average share price	$ 36.66	$ —
Net Proceeds	$ 50	$ —

Distributions

In February 2017, PPL declared a quarterly common stock dividend, payable April 3, 2017, of 39.5 cents per share (equivalent to $1.58 per annum). Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors.

8. Defined Benefits

(PPL, LKE and LG&E)

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

	Pension Benefits			
	Three Months			
	U.S.		U.K.	
	2017	2016	2017	2016
PPL				
Service cost	$ 17	$ 17	$ 19	$ 18
Interest cost	42	43	43	62
Expected return on plan assets	(57)	(56)	(125)	(133)
Amortization of:				
Prior service cost	2	1	—	—
Actuarial loss	20	15	35	37
Net periodic defined benefit costs (credits) before special termination benefits	24	20	(28)	(16)
Special termination benefits (a)	2	—	—	—
Net periodic defined benefit costs (credits)	$ 26	$ 20	$ (28)	$ (16)

(a) Enhanced pension benefits offered to certain PPL Electric bargaining unit employees under a one-time voluntary retirement window offered as part of the new five year IBEW contract ratified in March 2017.

	Pension Benefits	
	Three Months	
	2017	2016
LKE		
Service cost	$ 7	$ 6
Interest cost	16	17
Expected return on plan assets	(22)	(21)
Amortization of:		
Prior service cost	2	1
Actuarial loss	11	5
Net periodic defined benefit costs	$ 14	$ 8
LG&E		
Interest cost	$ 3	$ 3
Expected return on plan assets	(5)	(5)
Amortization of:		
Prior service cost	1	1
Actuarial loss	3	2
Net periodic defined benefit costs	$ 2	$ 1

	Other Postretirement Benefits	
	Three Months	
	2017	2016
PPL		
Service cost	$ 2	$ 2
Interest cost	6	6
Expected return on plan assets	(6)	(5)
Net periodic defined benefit costs	$ 2	$ 3
LKE		
Service cost	$ 1	$ 1
Interest cost	2	2
Expected return on plan assets	(1)	(2)
Amortization of prior service cost	—	1
Net periodic defined benefit costs	$ 2	$ 2

(PPL Electric, LG&E and KU)

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

	Three Months	
	2017	2016
PPL Electric	$ 8	$ 6
LG&E	3	2
KU	4	3

Expected Cash Flows - U.K. Pension Plans

(PPL)

For the three months ended March 31, 2017, WPD contributed $462 million to its U.K. pension plans. WPD made additional contributions in the second quarter of 2017 of $23 million. These accelerated contributions fund all 2017 required contributions and a portion of 2018 required contributions. WPD does not expect to make additional contributions in 2017.

9. Commitments and Contingencies

Legal Matters

(All Registrants)

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

WKE Indemnification *(PPL and LKE)*

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

Cane Run Environmental Claims *(PPL, LKE and LG&E)*

In December 2013, six residents, on behalf of themselves and others similarly situated, filed a class action complaint against LG&E and PPL in the U.S. District Court for the Western District of Kentucky alleging violations of the Clean Air Act and RCRA. In addition, these plaintiffs assert common law claims of nuisance, trespass and negligence. These plaintiffs seek injunctive relief and civil penalties, plus costs and attorney fees, for the alleged statutory violations. Under the common law claims, these plaintiffs seek monetary compensation and punitive damages for property damage and diminished property values for a class consisting of residents within four miles of the Cane Run plant. In their individual capacities, these plaintiffs sought compensation for alleged adverse health effects. In response to a motion to dismiss filed by PPL and LG&E, in July 2014, the court dismissed the plaintiffs' RCRA claims and all but one Clean Air Act claim, but declined to dismiss the common law tort claims. In November 2016, plaintiffs filed an amended complaint removing the personal injury claims and removing certain previously named plaintiffs. In February 2017, the District Court issued an order dismissing PPL as a defendant and dismissing the final federal claim against LG&E under the Clean Air Act, and directed the parties to submit briefs regarding whether the court should continue to exercise supplemental jurisdiction regarding the remaining state law-only claims. On April 13, 2017, the District Court issued an order declining to exercise supplemental jurisdiction and dismissing the case in its entirety, subject to certain federal appeals or state court re-filing rights of the parties. PPL, LKE and LG&E cannot predict the outcome of this matter. LG&E retired one coal-fired unit at the Cane Run plant in March 2015 and the remaining two coal-fired units at the plant in June 2015.

E.W. Brown Environmental Claims *(PPL, LKE and KU)*

In October 2015, KU received a notice of intent from Earthjustice and the Sierra Club informing certain federal and state agencies of the Sierra Club's intent to file a citizen suit, following expiration of the mandatory 60-day notification period, for alleged violations of the Clean Water Act. The claimants allege discharges at the E.W. Brown plant in violation of applicable rules and the plant's water discharge permit. The claimants assert that, unless the alleged discharges are promptly brought into compliance, it intends to seek civil penalties, injunctive relief and attorney's fees. In November 2015, the claimants submitted an amended notice of intent to add the Kentucky Waterways Alliance as a claimant. In October 2016, the claimants submitted an additional notice of intent alleging management of waste in a manner that may present an imminent and substantial endangerment under the RCRA. PPL, LKE and KU cannot predict the outcome of this matter or the potential impact on the operations of the E.W. Brown plant, including increased capital or operating costs, if any.

Trimble County Water Discharge Permit *(PPL, LKE, LG&E and KU)*

In May 2010, the Kentucky Waterways Alliance and other environmental groups filed a petition with the Kentucky Energy and Environment Cabinet (KEEC) challenging the Kentucky Pollutant Discharge Elimination System permit issued in April 2010, which covers water discharges from the Trimble County plant. In November 2010, the KEEC issued a final order upholding the permit, which was subsequently appealed by the environmental groups. In September 2013, the Franklin Circuit Court reversed the KEEC order upholding the permit and remanded the permit to the agency for further proceedings. LG&E and the KEEC appealed the order to the Kentucky Court of Appeals. In July 2015, the Court of Appeals upheld the lower court ruling. LG&E and the KEEC moved for discretionary review by the Kentucky Supreme Court. In February 2016, the Kentucky Supreme Court issued an order granting discretionary review and oral arguments were held in September 2016. On April 27, 2017, the Kentucky Supreme Court issued an order reversing the decision of the appellate court and upholding the permit issued to LG&E by the KEEC. PPL, LKE, LG&E and KU are unable to predict the outcome of this matter or the potential impact on the operations of the Trimble County plant, including increased capital or operating costs, if any, but do not expect such costs to be material.

Regulatory Issues *(All Registrants)*

See Note 6 for information on regulatory matters related to utility rate regulation.

Electricity - Reliability Standards

The NERC is responsible for establishing and enforcing mandatory reliability standards (Reliability Standards) regarding the bulk electric system in North America. The FERC oversees this process and independently enforces the Reliability Standards.

The Reliability Standards have the force and effect of law and apply to certain users of the bulk electric system, including electric utility companies, generators and marketers. Under the Federal Power Act, the FERC may assess civil penalties for certain violations.

PPL Electric, LG&E and KU monitor their compliance with the Reliability Standards and self-report or self-log potential violations of applicable reliability requirements whenever identified, and submit accompanying mitigation plans, as required. The resolution of a small number of potential violations is pending. Penalties incurred to date have not been significant. Any Regional Reliability Entity (including RFC or SERC) determination concerning the resolution of violations of the Reliability Standards remains subject to the approval of the NERC and the FERC.

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

Environmental Matters

(All Registrants)

Due to the environmental issues discussed below or other environmental matters, it may be necessary for the Registrants to modify, curtail, replace or cease operation of certain facilities or performance of certain operations to comply with statutes, regulations and other requirements of regulatory bodies or courts. In addition, legal challenges to new environmental permits or rules add to the uncertainty of estimating the future cost of these permits and rules. Finally, the regulatory reviews specified in the President's March 2017 Executive Order (the March 2017 Executive Order) promoting energy independence and economic growth could result in future regulatory changes and additional uncertainty.

WPD's distribution businesses are subject to certain statutory and regulatory environmental requirements. It may be necessary for WPD to incur significant compliance costs, which costs may be recoverable through rates subject to the approval of Ofgem. PPL believes that WPD has taken and continues to take measures to comply with all applicable environmental laws and regulations.

LG&E and KU are entitled to recover, through the ECR mechanism, certain costs of complying with the Clean Air Act, as amended, and those federal, state or local environmental requirements applicable to coal combustion wastes and by-products from facilities that generate electricity from coal in accordance with approved compliance plans. Costs not covered by the ECR mechanism for LG&E and KU and all such costs for PPL Electric are subject to rate recovery before the companies' respective state regulatory authorities, or the FERC, if applicable. Because neither WPD nor PPL Electric owns any generating plants, their exposure to related environmental compliance costs is reduced. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

Air

(PPL, LKE, LG&E and KU)

The Clean Air Act, which regulates air pollutants from mobile and stationary sources in the United States, has a significant impact on the operation of fossil fuel plants. The Clean Air Act requires the EPA periodically to review and establish concentration levels in the ambient air for six criteria pollutants to protect public health and welfare. These concentration levels are known as NAAQS. The six criteria pollutants are carbon monoxide, lead, nitrogen dioxide, ozone, particulate matter and sulfur dioxide.

Federal environmental regulations of these criteria pollutants require states to adopt implementation plans, known as state implementation plans, for certain pollutants, which detail how the state will attain the standards that are mandated by the relevant law or regulation. Each state identifies the areas within its boundaries that meet the NAAQS (attainment areas) and those that do not (non-attainment areas), and must develop a state implementation plan both to bring non-attainment areas into compliance with the NAAQS and to maintain good air quality in attainment areas. In addition, for attainment of ozone and fine particulates standards, states in the eastern portion of the country, including Kentucky, are subject to a regional program developed by the EPA known as the Cross-State Air Pollution Rule. The NAAQS, future revisions to the NAAQS and state implementation plans, or future revisions to regional programs, may require installation of additional pollution controls, the costs of which PPL, LKE, LG&E and KU believe are subject to cost recovery.

Although PPL, LKE, LG&E and KU do not anticipate significant costs to comply with these programs, changes in market or operating conditions could result in different costs than anticipated.

National Ambient Air Quality Standards (NAAQS)

Under the Clean Air Act, the EPA is required to reassess the NAAQS for certain air pollutants on a five-year schedule. In 2008, the EPA revised the NAAQS for ozone and proposed to further strengthen the standard in November 2014. The EPA released a new ozone standard on October 1, 2015. The states and the EPA will determine attainment with the new ozone standard through review of relevant ambient air monitoring data, with attainment or nonattainment designations scheduled no later than October 2017. States are also obligated to address interstate transport issues associated with new ozone standards through the establishment of "good neighbor" state implementation plans for those states that are found to contribute significantly to another state's non-attainment. States that are not in the ozone transport region, including Kentucky, worked together to evaluate the need for further nitrogen oxide reductions from fossil-fueled plants with SCRs. Based on regulatory developments to date, PPL, LKE, LG&E and KU do not anticipate requirements for nitrogen oxide reductions beyond those currently required under the Cross State Air Pollution Rule.

In 2010, the EPA finalized revised NAAQS for sulfur dioxide and required states to identify areas that meet those standards and areas that are in "non-attainment". In July 2013, the EPA finalized non-attainment designations for parts of the country, including part of Jefferson County in Kentucky. Attainment must be achieved by 2018. Based on regulatory developments to date, PPL, LKE, LG&E and KU expect that certain previously required compliance measures, such as upgraded or new sulfur dioxide Scrubbers and additional sulfur dioxide limits at certain plants and the retirement of coal-fired generating units at LG&E's Cane Run plant and KU's Green River plant, are sufficient to achieve compliance with the new sulfur dioxide and ozone standards.

Mercury and Air Toxics Standards (MATS)

In February 2012, the EPA finalized the MATS rule requiring reductions of mercury and other hazardous air pollutants from fossil-fuel fired power plants, with an effective date of April 16, 2012. In a subsequent judicial challenge, the U.S. Supreme Court held that the EPA failed to properly consider costs when deciding to regulate hazardous air emissions from power plants under MATS. The U.S. Supreme Court remanded the matter to the D.C. Circuit Court which, in December 2015, remanded the rule to the EPA without vacating it. The EPA has proposed a supplemental finding regarding costs of the rule. The EPA's MATS rule remains in effect during the pendency of the ongoing proceedings.

LG&E and KU have installed significant controls in response to the MATS rule and in conjunction with compliance with other environmental requirements, including fabric-filter baghouses, upgraded Scrubbers or chemical additive systems for which appropriate KPSC authorization and/or ECR treatment has been received. LG&E and KU have received KPSC approval for a compliance plan providing for installation of additional MATS-related controls; however, the estimated cost of these controls is not expected to be significant for either LG&E or KU.

New Source Review (NSR)

The NSR litigation brought by the EPA, states and environmental groups against coal-fired generating plants in past years continues to proceed through the courts. Although none of this litigation directly involves PPL, LKE, LG&E or KU, it can influence the permitting of large capital projects at LG&E's and KU's power plants, the costs of which cannot presently be determined but could be significant.

Climate Change

There is continuing world-wide attention focused on issues related to climate change. In June 2016, the President announced that the United States, Canada and Mexico have established the North American Climate, Clean Energy, and Environment Partnership Plan, which specifies actions to promote clean energy, address climate change and protect the environment. The plan includes a goal to provide 50% of the energy used in North America from clean energy sources by 2025. The plan does not impose any nation-specific requirements.

In December 2015, 195 nations, including the U.S., signed the Paris Agreement on Climate, which establishes a comprehensive framework for the reduction of greenhouse gas (GHG) emissions from both developed and developing nations. Although the agreement does not establish binding reduction requirements, it requires each nation to prepare, communicate, and maintain GHG reduction commitments. Reductions can be achieved in a variety of ways, including energy conservation, power plant efficiency improvements, reduced utilization of coal-fired generation or replacing coal-fired generation with natural gas or renewable generation. Based on the EPA's Clean Power Plan described below, the U.S. has committed to an initial reduction target of 26% to 28% below 2005 levels by 2025. The March 2017 Executive Order directed the EPA to review proposed and final rules relating to greenhouse gas reductions for consistency with certain policy directives and suspend, revise, or rescind those rules as appropriate. Additionally, the March 2017 Executive Order directs rescission of specified guidance, directives, and prior Presidential actions regarding climate change. PPL, LKE, LG&E and KU cannot predict the outcome of such regulatory actions or the impact, if any, on plant operations, rate treatment or future capital or operating needs.

The U.K. has enacted binding carbon reduction requirements that are applicable to WPD. Under the U.K. law, WPD must purchase carbon allowances to offset emissions associated with WPD's operations. The cost of these allowances is included in WPD's current operating expenses.

The EPA's Rules under Section 111 of the Clean Air Act

As further described below, the EPA finalized rules imposing GHG emission standards for both new and existing power plants. The EPA has also issued a proposed federal implementation plan that would apply to any states that fail to submit an acceptable state implementation plan under these rules. The EPA's authority to promulgate these regulations under Section 111 of the Clean Air Act has been challenged in the D.C. Circuit Court by several states and industry groups. On February 9, 2016, the U.S. Supreme Court stayed the rule for existing plants (the Clean Power Plan) pending the D.C. Circuit Court's review and subsequent review by the U.S. Supreme Court if a writ of certiorari is filed and granted.

The EPA's rule for new power plants imposes separate emission standards for coal and natural gas units based on the application of different technologies. The coal standard is based on the application of partial carbon capture and sequestration technology, but because this technology is not presently commercially viable, the rule effectively precludes the construction of new coal-fired plants. The standard for NGCC power plants is the same as what the EPA proposed in 2012 and is not continuously achievable. The preclusion of new coal-fired plants and the compliance difficulties posed for new natural gas-fired plants could have a significant industry-wide impact.

The President's March 2017 Executive Order requires the EPA to review the rules for new and existing power plants and suspend, revise or rescind them as appropriate.

The EPA's Clean Power Plan

The EPA's rule for existing power plants, referred to as the Clean Power Plan, was published in the Federal Register in October 2015. The Clean Power Plan contains state-specific rate-based and mass-based reduction goals and guidelines for the development, submission and implementation of state implementation plans to achieve the state goals. State-specific goals were calculated from 2012 data by applying the EPA's broad interpretation and definition of the BSER, resulting in the most stringent targets to be met in 2030, with interim targets to be met beginning in 2022. The EPA believes it has offered some flexibility to the states as to how their compliance plans can be crafted, including the option to use a rate-based approach (limit emissions per megawatt hour) or a mass-based approach (limit total tons of emissions per year), and the option to demonstrate compliance through emissions trading and multi-state collaborations. Under the rate-based approach, Kentucky would need to make a 41% reduction from its 2012 emissions rate and under a mass-based approach it would need to make a 36% reduction. These reductions are significantly greater than initially proposed and present significant challenges to the state. If the Clean Power Plan is ultimately upheld and Kentucky fails to develop an approvable implementation plan by the applicable deadline, the EPA may impose a federal implementation plan that could be more stringent than what the state plan might provide. Depending on the provisions of the Kentucky implementation plan, LG&E and KU may need to modify their current portfolio of generating assets during the next decade and/or participate in an allowance trading program.

LG&E and KU are monitoring developments at the state and federal level. Various states, industry groups and individual companies including LKE have filed petitions for reconsideration with EPA and petitions for review with the D.C. Circuit Court challenging the Clean Power Plan. In February 2016, the U.S. Supreme Court stayed the rule pending the D.C. Circuit Court's review. In light of the President's March 2017 Executive Order the next steps in this litigation are unclear. Additionally, the EPA has commenced review of the Clean Power Plan and related actions, as directed by the President's March 2017 Executive Order, to determine whether various rules should be suspended, revised or rescinded. PPL, LKE, LG&E and KU cannot predict the outcome of the pending litigation, any changes in regulations, interpretations, or litigation positions that may be implemented by the U.S. presidential administration or the potential impact, if any, on plant operations, or future capital or operating costs. PPL, LKE, LG&E and KU believe that the costs, which could be significant, would be subject to cost recovery.

In April 2014, the Kentucky General Assembly passed legislation limiting the measures that the Kentucky Energy and Environment Cabinet may consider in setting performance standards to comply with the EPA's regulations governing GHG emissions from existing sources, if enacted. The legislation provides that such state GHG performance standards shall be based on emission reductions, efficiency measures and other improvements available at each power plant, rather than renewable energy, end-use energy efficiency, fuel switching and re-dispatch. These statutory restrictions may make it more difficult for Kentucky to achieve the GHG reduction levels that the EPA has established for Kentucky, if enacted.

Sulfuric Acid Mist Emissions (PPL, LKE and LG&E)

In June 2016, the EPA issued a notice of violation under the Clean Air Act alleging that LG&E violated applicable rules relating to sulfuric acid mist emissions at its Mill Creek plant. The notice alleges failure to install proper controls, failure to operate the facility consistent with good air pollution control practice, and causing emissions exceeding applicable requirements or constituting a nuisance or endangerment. LG&E believes it has complied with applicable regulations during the relevant time period. Discussions between the EPA and LG&E are ongoing. PPL, LKE and LG&E are unable to predict the outcome of this matter or the potential impact on operations of the Mill Creek plant, including increased capital or operating costs, and potential civil penalties or remedial measures, if any.

Water/Waste

(PPL, LKE, LG&E and KU)

Coal Combustion Residuals (CCRs)

In April 2015, the EPA published its final rule regulating CCRs. CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. The rule became effective in October 2015. It imposes extensive new requirements, including location restrictions, design and operating standards, groundwater monitoring and corrective action requirements, and closure and post-closure care requirements on CCR impoundments and landfills that are located on active power plants in the United States and not closed. Under the rule, CCRs are regulated as non-hazardous under Subtitle D of RCRA and beneficial use of CCRs is allowed, with some restrictions. The rule's requirements for covered CCR impoundments and landfills include implementation of groundwater monitoring and commencement or completion of closure activities generally between three and ten years from certain triggering events. The rule requires posting of compliance documentation on a publicly accessible website. Industry groups, environmental groups, individual companies and others have filed legal challenges to the final rule, which are pending before the D.C. Circuit Court of Appeals.

Recently enacted federal legislation has authorized the EPA to approve equally protective state programs that would operate in lieu of the CCR Rule. Kentucky is close to finalizing a state rule aimed at reflecting the requirements of the federal rule.

LG&E and KU have received KPSC approval for a compliance plan providing for construction of additional landfill capacity at the E.W. Brown station, closure of impoundments at the Mill Creek, Trimble County, E.W. Brown, and Ghent stations, and construction of process water management facilities at those plants. In addition to the foregoing measures required for compliance with federal CCR rule requirements, LG&E and KU also received KPSC approval for their plans to close impoundments at the retired Green River, Pineville and Tyrone plants to comply with applicable state law requirements. See Note 6 for additional information.

In connection with the final CCR rule, LG&E and KU recorded adjustments to existing AROs during 2015 and 2016. See Note 19 in the Registrants' 2016 Form 10-K for additional information. Further changes to AROs, current capital plans or operating costs may be required as estimates are refined based on closure developments, groundwater monitoring results, and regulatory or legal proceedings. Costs relating to this rule are subject to rate recovery.

Clean Water Act

Regulations under the federal Clean Water Act dictate permitting and mitigation requirements for facilities and construction projects in the United States. Many of those requirements relate to power plant operations, including requirements related to the treatment of pollutants in effluents prior to discharge, the temperature of effluent discharges and the location, design and construction of cooling water intake structures at generating facilities, standards intended to protect aquatic organisms that become trapped at or pulled through cooling water intake structures at generating facilities. The requirements could impose significant costs for LG&E and KU, which are subject to rate recovery.

Effluent Limitations Guidelines (ELGs)

In September 2015, the EPA released its final ELGs for wastewater discharge permits for new and existing steam electric generating facilities. The rule provides strict technology-based discharge limitations for control of pollutants in scrubber wastewater, fly ash and bottom ash transport water, mercury control wastewater, gasification wastewater and combustion residual leachate. The new guidelines require deployment of additional control technologies providing physical, chemical and biological treatment of wastewaters. The guidelines also mandate operational changes including "no discharge" requirements for fly ash and bottom ash transport waters and mercury control wastewaters. The implementation date for individual generating stations will be determined by the states on a case-by-case basis according to criteria provided by the EPA, but the requirements of the rule must be fully implemented no later than 2023. Industry groups, environmental groups, individual companies and others have filed legal challenges to the final rule, which have been consolidated before the U.S. Court of Appeals for the Fifth Circuit. LG&E and KU are developing compliance strategies and schedules. PPL, LKE, LG&E and KU are unable to fully estimate compliance costs or timing at this time, although certain preliminary estimates are included in current capital forecasts for applicable periods. Costs to comply with ELGs or other discharge limits, which are expected to be significant, are subject to rate recovery.

Seepages and Groundwater Infiltration

Seepages or groundwater infiltration have been detected at active and retired wastewater basins and landfills at various LG&E and KU plants. LG&E and KU have completed, or are completing, assessments of seepages or groundwater infiltration at various facilities and have completed, or are working with agencies to implement, further testing, monitoring or abatement measures, where applicable. A range of reasonable possible losses cannot currently be estimated. Depending on the circumstances in each case, certain costs, which may be subject to rate recovery, could be significant.

(All Registrants)

Waters of the United States (WOTUS)

The U.S. Court of Appeals for the Sixth Circuit has issued a stay of the EPA's rule on the definition of WOTUS pending the court's review of the rule. The effect of the stay is that the WOTUS rule is not in effect anywhere. On February 28, 2017, the President issued an Executive Order directing the EPA and the U.S. Army Corps of Engineers to review the rule for consistency with certain policy directives and rescind or revise it as appropriate. Additionally, the Executive Order directs the agencies to interpret certain jurisdictional provisions in a manner consistent with specified U.S. Supreme Court precedent. The ultimate outcome of the pending judicial and regulatory reviews of the rule remains uncertain. Because of the strict permitting programs already in place in Kentucky and Pennsylvania, the Registrants do not expect the rule to have a significant impact on their operations.

Other Issues

On June 22, 2016, the "Frank Lautenberg Chemical Safety Act" took effect as an amendment to the Toxic Substance Control Act (TSCA). The Act made no changes to the pre-existing TSCA rules as it pertains to polychlorinated biphenyls (PCB). The EPA continues to reassess its PCB regulations as part of the 2010 Advanced Notice of Proposed Rulemaking (ANPRM). The EPA's ANPRM rulemaking is to occur in two phases. Only the second part of the rule, currently scheduled for November 2017, is applicable to PPL operations. This part of the rule relates to the use of PCBs in electrical equipment and natural gas pipelines, as well as continued use of PCB-contaminated porous surfaces. Although the first rulemaking will not directly affect the Registrants' operations, it may indicate certain approaches or principles to occur in the later rulemaking which may affect Registrants' facilities in the United States, including phase-out of some or all equipment containing PCBs. Should such a phase-out be required, the costs, which are subject to rate recovery, could be significant.

Superfund and Other Remediation *(All Registrants)*

PPL Electric is potentially responsible for a share of the costs at several sites listed by the EPA under the federal Superfund program, including the Columbia Gas Plant site and the Brodhead site. Clean-up actions have been or are being undertaken at all of these sites, the costs of which have not been, and are not expected to be, significant to PPL Electric.

PPL Electric, LG&E and KU are investigating, responding to agency inquiries, remediating, or have completed the remediation of, several sites that were not addressed under a regulatory program such as Superfund, but for which PPL Electric, LG&E and KU may be liable for remediation. These include a number of former coal gas manufacturing plants in Pennsylvania and Kentucky previously owned or operated or currently owned by predecessors or affiliates of PPL Electric, LG&E and KU. To date, the costs of these sites have not been significant.

There are additional sites, formerly owned or operated by PPL Electric, LG&E and KU predecessors or affiliates. PPL Electric, LG&E and KU lack information on the condition of such additional sites and are therefore unable to estimate any potential liability they may have or a range of reasonably possible losses, if any, related to these matters.

At March 31, 2017 and December 31, 2016, PPL Electric had a recorded liability of $10 million representing its best estimate of the probable loss incurred to remediate the sites noted above. Depending on the outcome of investigations at sites where investigations have not begun or been completed, or developments at sites for which information is incomplete, additional costs of remediation could be incurred; however, such costs are not expected to be significant.

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

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

Future cleanup or remediation work at sites under review, or at sites not yet identified, may result in significant additional costs for PPL, PPL Electric, LKE, LG&E and KU. Insurance policies maintained by LKE, LG&E and KU may be applicable to certain of the costs or other obligations related to these matters but the amount of insurance coverage or reimbursement cannot be estimated or assured.

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Other

Labor Union Agreements

(PPL and PPL Electric)

In March 2017, members of the IBEW ratified a new five-year labor agreement with PPL. The contract covers nearly 1,400 employees and is effective May 22, 2017. The terms of the new labor agreement are not expected to have a significant impact on the financial results of PPL or PPL Electric.

Guarantees and Other Assurances

(All Registrants)

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

(PPL)

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

(All Registrants)

The table below details guarantees provided as of March 31, 2017. "Exposure" represents the estimated maximum potential amount of future payments that could be required to be made under the guarantee. The probability of expected payment/performance under each of these guarantees is remote except for "WPD guarantee of pension and other obligations of unconsolidated entities" and "Indemnification of lease termination and other divestitures." The total recorded liability at March 31, 2017 and December 31, 2016 was $22 million for PPL and $17 million for LKE. For reporting purposes, on a consolidated basis, all guarantees of PPL Electric, LKE, LG&E and KU also apply to PPL, and all guarantees of LG&E and KU also apply to LKE.

	Exposure at March 31, 2017		Expiration Date
PPL			
Indemnifications related to the WPD Midlands acquisition		(a)	
WPD indemnifications for entities in liquidation and sales of assets	$ 10	(b)	2019
WPD guarantee of pension and other obligations of unconsolidated entities	105	(c)	
PPL Electric			
Guarantee of inventory value	17	(d)	2018
LKE			
Indemnification of lease termination and other divestitures	301	(e)	2021 - 2023
LG&E and KU			
LG&E and KU guarantee of shortfall related to OVEC		(f)	

(a) Indemnifications related to certain liabilities, including a specific unresolved tax issue and those relating to properties and assets owned by the seller that were transferred to WPD Midlands in connection with the acquisition. A cross indemnity has been received from the seller on the tax issue. The maximum exposure and expiration of these indemnifications cannot be estimated because the maximum potential liability is not capped and the expiration date is not specified in the transaction documents.
(b) Indemnification to the liquidators and certain others for existing liabilities or expenses or liabilities arising during the liquidation process. The indemnifications are limited to distributions made from the subsidiary to its parent either prior or subsequent to liquidation or are not explicitly stated in the agreements. The indemnifications generally expire two to seven years subsequent to the date of dissolution of the entities. The exposure noted only includes those cases where the agreements provide for specific limits.

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

(c) Relates to certain obligations of discontinued or modified electric associations that were guaranteed at the time of privatization by the participating members. Costs are allocated to the members and can be reallocated if an existing member becomes insolvent. At March 31, 2017, WPD has recorded an estimated discounted liability for which the expected payment/performance is probable. Neither the expiration date nor the maximum amount of potential payments for certain obligations is explicitly stated in the related agreements, and as a result, the exposure has been estimated.

(d) A third party logistics firm provides inventory procurement and fulfillment services. The logistics firm has title to the inventory, however, upon termination of the contracts, PPL Electric has guaranteed to purchase any remaining inventory that has not been used or sold.

(e) LKE provides certain indemnifications covering the due and punctual payment, performance and discharge by each party of its respective obligations. The most comprehensive of these guarantees is the LKE guarantee covering operational, regulatory and environmental commitments and indemnifications made by WKE under a 2009 Transaction Termination Agreement. This guarantee has a term of 12 years ending July 2021, and a maximum exposure of $200 million, exclusive of certain items such as government fines and penalties that may exceed the maximum. Another WKE-related LKE guarantee covers other indemnifications related to the purchase price of excess power, has a term expiring in 2023, and a maximum exposure of $100 million. In May 2012, LKE's indemnitee received an unfavorable arbitration panel's decision interpreting this matter. In October 2014, LKE's indemnitee filed a motion for discretionary review with the Kentucky Supreme Court seeking to overturn the arbitration decision, and such motion was denied by the court in September 2015. In September 2015, the counterparty issued a demand letter to LKE's indemnitee. In February 2016, the counterparty filed a complaint in Henderson, Kentucky Circuit Court, seeking an award of damages in the matter. The proceeding is currently in the discovery phase. LKE does not believe appropriate contractual, legal or commercial grounds exist for the claim made. LKE believes its indemnification obligations in the WKE matter remain subject to various uncertainties, including additional legal and contractual developments, as well as future prices, availability and demand for the subject excess power. Although the parties have also conducted certain settlement discussions, the ultimate outcomes of the WKE termination-related indemnifications cannot be predicted at this time. Additionally, LKE has indemnified various third parties related to historical obligations for other divested subsidiaries and affiliates. The indemnifications vary by entity and the maximum exposures range from being capped at the sale price to no specified maximum. LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. LKE cannot predict the ultimate outcomes of the various indemnification scenarios, but does not expect such outcomes to result in significant losses above the amounts recorded.

(f) Pursuant to the OVEC power purchase contract, LG&E and KU are obligated to pay for their share of OVEC's excess debt service, post-retirement and decommissioning costs, as well as any shortfall from amounts included within a demand charge designed and expected to cover these costs over the term of the contract. LKE's proportionate share of OVEC's outstanding debt was $120 million at March 31, 2017, consisting of LG&E's share of $83 million and KU's share of $37 million. The maximum exposure and the expiration date of these potential obligations are not presently determinable. See "Energy Purchase Commitments" in Note 13 in PPL's, LKE's, LG&E's and KU's 2016 Form 10-K for additional information on the OVEC power purchase contract. In connection with recent credit market related developments at OVEC or certain of its sponsors, such parties, including LG&E and KU, are analyzing certain potential additional credit support actions to preserve OVEC's access to credit markets or mitigate risks or adverse impacts relating thereto, including increased interest costs and accelerated maturities of OVEC's existing short and long-term debt. The ultimate outcome of these matters, including any potential impact on LG&E's and KU's obligations relating to OVEC debt under the power purchase contract cannot be predicted.

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

PPL, on behalf of itself and certain of its subsidiaries, maintains insurance that covers liability assumed under contract for bodily injury and property damage. The coverage provides maximum aggregate coverage of $225 million. This insurance may be applicable to obligations under certain of these contractual arrangements.

10. Related Party Transactions

Support Costs *(PPL Electric, LKE, LG&E and KU)*

PPL Services, PPL EU Services and LKS provide PPL, PPL Electric, LKE, their respective subsidiaries, including LG&E and KU, and each other, as applicable, with administrative, management and support services. For all service companies, the costs of these services are charged to the respective recipients as direct support costs. General costs that cannot be directly attributed to a specific entity are allocated and charged to the respective recipients as indirect support costs. PPL Services and PPL EU Services use a three-factor methodology that includes the applicable recipients' invested capital, operation and maintenance expenses and number of employees to allocate indirect costs. LKS bases its indirect allocations on the subsidiaries' number of employees, total assets, revenues, number of customers and/or other statistical information. PPL Services, PPL EU Services and LKS charged the following amounts for the periods ended March 31, including amounts applied to accounts that are further distributed between capital and expense on the books of the recipients, based on methods that are believed to be reasonable.

	Three Months	
	2017	2016
PPL Electric from PPL Services	$ 51	$ 37
LKE from PPL Services	6	5
PPL Electric from PPL EU Services	18	17
LG&E from LKS	44	47
KU from LKS	44	56

In addition to the charges for services noted above, LKS makes payments on behalf of LG&E and KU for fuel purchases and other costs for products or services provided by third parties. LG&E and KU also provide services to each other and to LKS. Billings between LG&E and KU relate to labor and overheads associated with union and hourly employees performing work for the other company, charges related to jointly owned generating units and other miscellaneous charges. Tax settlements between LKE and LG&E and KU are reimbursed through LKS.

Intercompany Borrowings *(LKE)*

LKE maintains a $225 million revolving line of credit with a PPL Energy Funding subsidiary whereby LKE can borrow funds on a short-term basis at market-based rates. The interest rates on borrowings are equal to one-month LIBOR plus a spread. At March 31, 2017 and December 31, 2016, $82 million and $163 million were outstanding and reflected in "Notes payable with affiliate" on the Balance Sheets. The interest rates on the outstanding borrowing at March 31, 2017 and December 31, 2016 were 2.29% and 2.12%.

In November 2015, LKE entered into a $400 million ten-year note with a PPL affiliate with an interest rate of 3.5%. At March 31, 2017 and December 31, 2016, the note was reflected in "Long-term debt to affiliate" on the Balance Sheets. Interest expense on this note was not significant at March 31, 2017 and 2016.

Other *(PPL Electric, LG&E and KU)*

See Note 8 for discussions regarding intercompany allocations associated with defined benefits.

11. Other Income (Expense) - net

(PPL)

"Other Income (Expense) - net" for the three months ended March 31, 2017 and 2016 consisted primarily of gains (losses) on foreign currency contracts to economically hedge PPL's translation risk related to its GBP denominated earnings in the U.K. See Note 13 for additional information on these derivatives.

12. Fair Value Measurements

(All Registrants)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models) and/or a cost approach (generally, replacement cost) are used to measure the fair value of an asset or liability, as appropriate. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk. The fair value of a group of financial assets and liabilities is measured on a net basis. Transfers between levels are recognized at end-of-reporting-period values. During the three months ended March 31, 2017 and 2016, there were no transfers between Level 1 and Level 2. See Note 1 in each Registrant's 2016 Form 10-K for information on the levels in the fair value hierarchy.

Recurring Fair Value Measurements

The assets and liabilities measured at fair value were:

	March 31, 2017				December 31, 2016			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	$ 409	$ 409	$ —	$ —	$ 341	$ 341	$ —	$ —
Restricted cash and cash equivalents (a)	25	25	—	—	26	26	—	—
Price risk management assets (b):								
Foreign currency contracts	200	—	200	—	211	—	211	—
Cross-currency swaps	179	—	179	—	188	—	188	—
Total price risk management assets	379	—	379	—	399	—	399	—
Total assets	$ 813	$ 434	$ 379	$ —	$ 766	$ 367	$ 399	$ —
Liabilities								
Price risk management liabilities (b):								
Interest rate swaps	$ 29	$ —	$ 29	$ —	$ 31	$ —	$ 31	$ —
Foreign currency contracts	50	—	50	—	27	—	27	—
Total price risk management liabilities	$ 79	$ —	$ 79	$ —	$ 58	$ —	$ 58	$ —
PPL Electric								
Assets								
Cash and cash equivalents	$ 20	$ 20	$ —	$ —	$ 13	$ 13	$ —	$ —
Restricted cash and cash equivalents (a)	2	2	—	—	2	2	—	—
Total assets	$ 22	$ 22	$ —	$ —	$ 15	$ 15	$ —	$ —
LKE								
Assets								
Cash and cash equivalents	$ 15	$ 15	$ —	$ —	$ 13	$ 13	$ —	$ —
Cash collateral posted to counterparties (c)	2	2	—	—	3	3	—	—
Total assets	$ 17	$ 17	$ —	$ —	$ 16	$ 16	$ —	$ —
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 29	$ —	$ 29	$ —	$ 31	$ —	$ 31	$ —
Total price risk management liabilities	$ 29	$ —	$ 29	$ —	$ 31	$ —	$ 31	$ —
LG&E								
Assets								
Cash and cash equivalents	$ 4	$ 4	$ —	$ —	$ 5	$ 5	$ —	$ —
Cash collateral posted to counterparties (c)	2	2	—	—	3	3	—	—
Total assets	$ 6	$ 6	$ —	$ —	$ 8	$ 8	$ —	$ —
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 29	$ —	$ 29	$ —	$ 31	$ —	$ 31	$ —
Total price risk management liabilities	$ 29	$ —	$ 29	$ —	$ 31	$ —	$ 31	$ —

	March 31, 2017				December 31, 2016			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
KU								
Assets								
Cash and cash equivalents	$ 7	$ 7	$ —	$ —	$ 7	$ 7	$ —	$ —
Total assets	$ 7	$ 7	$ —	$ —	$ 7	$ 7	$ —	$ —

(a) Current portion is included in "Other current assets" and long-term portion is included in "Other noncurrent assets" on the Balance Sheets.
(b) Current portion is included in "Price risk management assets" and "Other current liabilities" and noncurrent portion is included in "Price risk management assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.
(c) Included in "Other noncurrent assets" on the Balance Sheets. Represents cash collateral posted to offset the exposure with counterparties related to certain interest rate swaps under master netting arrangements that are not offset.

Price Risk Management Assets/Liabilities - Interest Rate Swaps/Foreign Currency Contracts/Cross-Currency Swaps *(PPL, LKE, LG&E and KU)*

To manage interest rate risk, PPL, LKE, LG&E and KU use interest rate contracts such as forward-starting swaps, floating-to-fixed swaps and fixed-to-floating swaps. To manage foreign currency risk, PPL uses foreign currency contracts such as forwards, options and cross-currency swaps that contain characteristics of both interest rate and foreign currency contracts. An income approach is used to measure the fair value of these contracts, utilizing readily observable inputs, such as forward interest rates (e.g., LIBOR and government security rates) and forward foreign currency exchange rates (e.g., GBP), as well as inputs that may not be observable, such as credit valuation adjustments. In certain cases, market information cannot practicably be obtained to value credit risk and therefore internal models are relied upon. These models use projected probabilities of default and estimated recovery rates based on historical observances. When the credit valuation adjustment is significant to the overall valuation, the contracts are classified as Level 3.

Financial Instruments Not Recorded at Fair Value *(All Registrants)*

The carrying amounts of long-term debt on the Balance Sheets and their estimated fair values are set forth below. The fair values were estimated using an income approach by discounting future cash flows at estimated current cost of funding rates, which incorporate the credit risk of the Registrants. Long-term debt is classified as Level 2. The effect of third-party credit enhancements is not included in the fair value measurement.

	March 31, 2017		December 31, 2016	
	Carrying Amount (a)	Fair Value	Carrying Amount (a)	Fair Value
PPL	$ 18,375	$ 21,646	$ 18,326	$ 21,355
PPL Electric	2,832	3,141	2,831	3,148
LKE	5,066	5,472	5,065	5,439
LG&E	1,618	1,720	1,617	1,710
KU	2,327	2,532	2,327	2,514

(a) Amounts are net of debt issuance costs.

The carrying amounts of other current financial instruments (except for long-term debt due within one year) approximate their fair values because of their short-term nature.

13. Derivative Instruments and Hedging Activities

Risk Management Objectives

(All Registrants)

PPL has a risk management policy approved by the Board of Directors to manage market risk associated with commodities, interest rates on debt issuances and foreign exchange (including price, liquidity and volumetric risk) and credit risk (including non-performance risk and payment default risk). The Risk Management Committee, comprised of senior management and chaired by the Senior Director-Risk Management, oversees the risk management function. Key risk control activities designed to ensure compliance with the risk policy and detailed programs include, but are not limited to, credit review and approval, validation of transactions, verification of risk and transaction limits, value-at-risk analyses (VaR, a statistical model that attempts to estimate the value of potential loss over a given holding period under normal market conditions at a given confidence level) and the coordination and reporting of the Enterprise Risk Management program.

Market Risk

Market risk includes the potential loss that may be incurred as a result of price changes associated with a particular financial or commodity instrument as well as market liquidity and volumetric risks. Forward contracts, futures contracts, options, swaps and structured transactions are utilized as part of risk management strategies to minimize unanticipated fluctuations in earnings caused by changes in commodity prices, interest rates and foreign currency exchange rates. Many of the contracts meet the definition of a derivative. All derivatives are recognized on the Balance Sheets at their fair value, unless NPNS is elected.

The following summarizes the market risks that affect PPL and its subsidiaries.

Interest rate risk

- PPL and its subsidiaries are exposed to interest rate risk associated with forecasted fixed-rate and existing floating-rate debt issuances. PPL and WPD hold over-the-counter cross currency swaps to limit exposure to market fluctuations on interest and principal payments from changes in foreign currency exchange rates and interest rates. PPL, LKE and LG&E utilize over-the-counter interest rate swaps to limit exposure to market fluctuations on floating-rate debt. PPL, LKE, LG&E and KU utilize forward starting interest rate swaps to hedge changes in benchmark interest rates, when appropriate, in connection with future debt issuances.
- PPL and its subsidiaries are exposed to interest rate risk associated with debt securities and derivatives held by defined benefit plans. This risk is significantly mitigated to the extent that the plans are sponsored at, or sponsored on behalf of, the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place.

Foreign currency risk

- PPL is exposed to foreign currency exchange risk primarily associated with its investments in and earnings of U.K. affiliates.

Commodity price risk

PPL is exposed to commodity price risk through its domestic subsidiaries as described below.

- PPL Electric is exposed to commodity price risk from its obligation as PLR; however, its PUC-approved cost recovery mechanism substantially eliminates its exposure to this risk. PPL Electric also mitigates its exposure to commodity price risk by entering into full-requirement supply agreements to serve its PLR customers. These supply agreements transfer the commodity price risk associated with the PLR obligation to the energy suppliers.
- LG&E's and KU's rates include certain mechanisms for fuel and fuel-related expenses. In addition, LG&E's rates include a mechanism for natural gas supply expenses. These mechanisms generally provide for timely recovery of market price fluctuations associated with these expenses.

Volumetric risk

PPL is exposed to volumetric risk through its subsidiaries as described below.

- WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K. Under the RIIO-ED1 price control period, recovery of such exposure occurs on a two year lag. See Note 1 in PPL's 2016 Form 10-K for additional information on revenue recognition under RIIO-ED1.
- PPL Electric, LG&E and KU are exposed to volumetric risk on retail sales, mainly due to weather and other economic conditions for which there is limited mitigation between rate cases.

Equity securities price risk

- PPL and its subsidiaries are exposed to equity securities price risk associated with defined benefit plans. This risk is significantly mitigated at the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place.

- PPL is exposed to equity securities price risk from future stock sales and/or purchases.

Credit Risk

Credit risk is the potential loss that may be incurred due to a counterparty's non-performance.

PPL is exposed to credit risk from "in-the-money" interest rate and foreign currency derivatives with financial institutions, as well as additional credit risk through certain of its subsidiaries, as discussed below.

In the event a supplier of LG&E, KU or PPL Electric defaults on its obligation, those entities would be required to seek replacement power or replacement fuel in the market. In general, subject to regulatory review or other processes, appropriate incremental costs incurred by these entities would be recoverable from customers through applicable rate mechanisms, thus mitigating the financial risk for these entities.

PPL and its subsidiaries have credit policies in place to manage credit risk, including the use of an established credit approval process, daily monitoring of counterparty positions and the use of master netting agreements or provisions. These agreements generally include credit mitigation provisions, such as margin, prepayment or collateral requirements. PPL and its subsidiaries may request additional credit assurance, in certain circumstances, in the event that the counterparties' credit ratings fall below investment grade, their tangible net worth falls below specified percentages or their exposures exceed an established credit limit.

Master Netting Arrangements

Net derivative positions on the balance sheets are not offset against the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) under master netting arrangements.

PPL had a $13 million obligation to return cash collateral under master netting arrangements at March 31, 2017 and a $19 million obligation to return cash collateral under master netting arrangements at December 31, 2016.

LKE and LG&E had no obligation to return cash collateral under master netting arrangements at March 31, 2017 and December 31, 2016.

PPL, LKE and LG&E posted $2 million of cash collateral under master netting arrangements at March 31, 2017 and $3 million of cash collateral under master netting arrangements at December 31, 2016.

See "Offsetting Derivative Instruments" below for a summary of derivative positions presented in the balance sheets where a right of setoff exists under these arrangements.

Interest Rate Risk

(All Registrants)

PPL and its subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. Various financial derivative instruments are utilized to adjust the mix of fixed and floating interest rates in their debt portfolio, adjust the duration of the debt portfolio and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under PPL's risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolio due to changes in benchmark interest rates. In addition, the interest rate risk of certain subsidiaries is potentially mitigated as a result of the existing regulatory framework or the timing of rate cases.

Cash Flow Hedges

(PPL)

Interest rate risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financings. Financial interest rate swap contracts that qualify as cash flow hedges may be entered into to hedge floating interest rate risk associated with both existing and anticipated debt issuances. PPL held no such contracts at March 31, 2017.

For the three months ended March 31, 2017 and 2016, PPL had no hedge ineffectiveness associated with interest rate derivatives.

At March 31, 2017, PPL held an aggregate notional value in cross-currency interest rate swap contracts of $802 million that range in maturity from 2017 through 2028 to hedge the interest payments and principal of WPD's U.S. dollar-denominated senior notes.

For the three months ended March 31, 2017 and 2016, PPL had no hedge ineffectiveness associated with cross-currency interest rate swap derivatives.

Cash flow hedges are discontinued if it is no longer probable that the original forecasted transaction will occur by the end of the originally specified time period and any amounts previously recorded in AOCI are reclassified into earnings once it is determined that the hedged transaction is not probable of occurring.

For the three months ended March 31, 2017 and 2016, PPL had an insignificant amount of cash flow hedges reclassified into earnings associated with discontinued cash flow hedges.

At March 31, 2017, the amount of accumulated net unrecognized after-tax gains (losses) on qualifying derivatives expected to be reclassified into earnings during the next 12 months is insignificant. Amounts are reclassified as the hedged interest expense is recorded.

Economic Activity *(PPL, LKE and LG&E)*

LG&E enters into interest rate swap contracts that economically hedge interest payments on variable rate debt. Because realized gains and losses from the swaps, including a terminated swap contract, are recoverable through regulated rates, any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities until they are realized as interest expense. Realized gains and losses are recognized in "Interest Expense" on the Statements of Income at the time the underlying hedged interest expense is recorded. At March 31, 2017, LG&E held contracts with a notional amount of $147 million that range in maturity through 2033.

Foreign Currency Risk

(PPL)

PPL is exposed to foreign currency risk, primarily through investments in and earnings of U.K. affiliates. PPL has adopted a foreign currency risk management program designed to hedge certain foreign currency exposures, including firm commitments, recognized assets or liabilities, anticipated transactions and net investments. In addition, PPL enters into financial instruments to protect against foreign currency translation risk of expected GBP earnings.

Net Investment Hedges

PPL enters into foreign currency contracts on behalf of a subsidiary to protect the value of a portion of its net investment in WPD. There were no such contracts outstanding at March 31, 2017.

At March 31, 2017 and December 31, 2016, PPL had $21 million of accumulated net investment hedge after tax gains (losses) that were included in the foreign currency translation adjustment component of AOCI.

Economic Activity

PPL enters into foreign currency contracts on behalf of a subsidiary to economically hedge GBP-denominated anticipated earnings. At March 31, 2017, the total exposure hedged by PPL was approximately £2.8 billion (approximately $3.8 billion based on contracted rates). These contracts had termination dates ranging from April 2017 through December 2019.

Accounting and Reporting

(All Registrants)

All derivative instruments are recorded at fair value on the Balance Sheet as an asset or liability unless NPNS is elected. NPNS contracts for PPL and PPL Electric include certain full-requirement purchase contracts and other physical purchase contracts.

Changes in the fair value of derivatives not designated as NPNS are recognized in earnings unless specific hedge accounting criteria are met and designated as such, except for the changes in fair values of LG&E's and KU's interest rate swaps that are recognized as regulatory assets or regulatory liabilities. See Note 6 for amounts recorded in regulatory assets and regulatory liabilities at March 31, 2017 and December 31, 2016.

See Notes 1 and 17 in each Registrant's 2016 Form 10-K for additional information on accounting policies related to derivative instruments.

(PPL)

The following table presents the fair value and location of derivative instruments recorded on the Balance Sheets.

	March 31, 2017				December 31, 2016			
	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments		Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Current:								
Price Risk Management								
Assets/Liabilities (a):								
Interest rate swaps (b)	$ —	$ —	$ —	$ 4	$ —	$ —	$ —	$ 4
Cross-currency swaps (b)	32	—	—	—	32	—	—	—
Foreign currency contracts	—	—	63	43	—	—	31	21
Total current	32	—	63	47	32	—	31	25
Noncurrent:								
Price Risk Management								
Assets/Liabilities (a):								
Interest rate swaps (b)	—	—	—	25	—	—	—	27
Cross-currency swaps (b)	147	—	—	—	156	—	—	—
Foreign currency contracts	—	—	137	7	—	—	180	6
Total noncurrent	147	—	137	32	156	—	180	33
Total derivatives	$ 179	$ —	$ 200	$ 79	$ 188	$ —	$ 211	$ 58

(a) Current portion is included in "Price risk management assets" and "Other current liabilities" and noncurrent portion is included in "Price risk management assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.
(b) Excludes accrued interest, if applicable.

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities for the periods ended March 31, 2017.

Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion) Three Months		Location of Gain (Loss) Recognized in Income on Derivative	Three Months Gain (Loss) Reclassified from AOCI into Income (Effective Portion)		Three Months Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
Cash Flow Hedges:							
Interest rate swaps	$	—	Interest expense	$	(2)	$	(1)
Cross-currency swaps		(8)	Interest expense		1		—
			Other income (expense) - net		3		—
Total	$	(8)		$	2	$	(1)
Net Investment Hedges:							
Foreign currency contracts	$	—					

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	
Foreign currency contracts	Other income (expense) - net	$	(43)
Interest rate swaps	Interest expense		(2)
	Total	$	(45)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	
Interest rate swaps	Regulatory assets - noncurrent	$	2

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities for the periods ended March 31, 2016.

Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion) Three Months		Location of Gain (Loss) Recognized in Income on Derivative	Three Months Gain (Loss) Reclassified from AOCI into Income (Effective Portion)		Three Months Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
Cash Flow Hedges:							
Interest rate swaps	$	(18)	Interest expense	$	(1)	$	—
Cross-currency swaps		113	Interest expense		1		—
			Other income (expense) - net		97		—
Total	$	95		$	97	$	—
Net Investment Hedges:							
Foreign currency contracts	$	3					

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	
Foreign currency contracts	Other income (expense) - net	$	60
Interest rate swaps	Interest expense		(2)
	Total	$	58

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	
Interest rate swaps	Regulatory assets - noncurrent	$	(6)

(LKE and LG&E)

The following table presents the fair value and the location on the Balance Sheets of derivatives not designated as hedging instruments.

	March 31, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	$ —	$ 4	$ —	$ 4
Total current	—	4	—	4
Noncurrent:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	—	25	—	27
Total noncurrent	—	25	—	27
Total derivatives	$ —	$ 29	$ —	$ 31

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets for the periods ended March 31, 2017.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months
Interest rate swaps	Interest expense	$ (2)

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months
Interest rate swaps	Regulatory assets - noncurrent	$ 2

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets for the periods ended March 31, 2016.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months
Interest rate swaps	Interest expense	$ (2)

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months
Interest rate swaps	Regulatory assets - noncurrent	$ (6)

(PPL, LKE, LG&E and KU)

Offsetting Derivative Instruments

PPL, LKE, LG&E and KU or certain of their subsidiaries have master netting arrangements in place and also enter into agreements pursuant to which they purchase or sell certain energy and other products. Under the agreements, upon termination of the agreement as a result of a default or other termination event, the non-defaulting party typically would have a right to set off amounts owed under the agreement against any other obligations arising between the two parties (whether under the agreement or not), whether matured or contingent and irrespective of the currency, place of payment or place of booking of the obligation.

PPL, LKE, LG&E and KU have elected not to offset derivative assets and liabilities and not to offset net derivative positions against the right to reclaim cash collateral pledged (an asset) or the obligation to return cash collateral received (a liability) under derivatives agreements. The table below summarizes the derivative positions presented in the balance sheets where a right of setoff exists under these arrangements and related cash collateral received or pledged.

	Assets				Liabilities			
		Eligible for Offset				Eligible for Offset		
	Gross	Derivative Instruments	Cash Collateral Received	Net	Gross	Derivative Instruments	Cash Collateral Pledged	Net
March 31, 2017								
Treasury Derivatives								
PPL	$ 379	$ 49	$ 13	$ 317	$ 79	$ 49	$ 2	$ 28
LKE	—	—	—	—	29	—	2	27
LG&E	—	—	—	—	29	—	2	27
December 31, 2016								
Treasury Derivatives								
PPL	$ 399	$ 27	$ 19	$ 353	$ 58	$ 27	$ 3	$ 28
LKE	—	—	—	—	31	—	3	28
LG&E	—	—	—	—	31	—	3	28

Credit Risk-Related Contingent Features

Certain derivative contracts contain credit risk-related contingent features which, when in a net liability position, would permit the counterparties to require the transfer of additional collateral upon a decrease in the credit ratings of PPL, LKE, LG&E and KU or certain of their subsidiaries. Most of these features would require the transfer of additional collateral or permit the counterparty to terminate the contract if the applicable credit rating were to fall below investment grade. Some of these features also would allow the counterparty to require additional collateral upon each downgrade in credit rating at levels that remain above investment grade. In either case, if the applicable credit rating were to fall below investment grade, and assuming no assignment to an investment grade affiliate were allowed, most of these credit contingent features require either immediate payment of the net liability as a termination payment or immediate and ongoing full collateralization on derivative instruments in net liability positions.

Additionally, certain derivative contracts contain credit risk-related contingent features that require adequate assurance of performance be provided if the other party has reasonable concerns regarding the performance of PPL's, LKE's, LG&E's and KU's obligations under the contracts. A counterparty demanding adequate assurance could require a transfer of additional collateral or other security, including letters of credit, cash and guarantees from a creditworthy entity. This would typically involve negotiations among the parties. However, amounts disclosed below represent assumed immediate payment or immediate and ongoing full collateralization for derivative instruments in net liability positions with "adequate assurance" features.

(PPL, LKE and LG&E)

At March 31, 2017, derivative contracts in a net liability position that contain credit risk-related contingent features, collateral posted on those positions and the related effect of a decrease in credit ratings below investment grade are summarized as follows:

	PPL	LKE	LG&E
Aggregate fair value of derivative instruments in a net liability position with credit risk-related contingent features	$ 12	$ 12	$ 12
Aggregate fair value of collateral posted on these derivative instruments	2	2	2
Aggregate fair value of additional collateral requirements in the event of a credit downgrade below investment grade (a)	10	10	10

(a) Includes the effect of net receivables and payables already recorded on the Balance Sheet.

14. Goodwill and Other Intangible Assets

(PPL)

The change in the carrying amount of goodwill for the three months ended March 31, 2017 was due to the effect of foreign currency exchange rates on the U.K. Regulated segment.

The change in the carrying amount of other intangible assets for the three months ended March 31, 2017 was primarily due to a change in WPD's approach in acquiring rights-of-way relating to WPD equipment impacting landowners' property. A shorter term agreement at a lower cost is now being offered which has also reduced the estimated liability for claims not yet settled.

15. Asset Retirement Obligations

(PPL, LKE, LG&E and KU)

The changes in the carrying amounts of AROs were as follows.

	PPL	LKE	LG&E	KU
Balance at December 31, 2016	$ 488	$ 433	$ 145	$ 288
Accretion	5	5	2	3
Obligations settled	(6)	(6)	(4)	(2)
Balance at March 31, 2017	$ 487	$ 432	$ 143	$ 289

PPL's, LKE's, LG&E's and KU's ARO liabilities are primarily related to CCR closure costs. See Note 9 for information on the final CCR rule. For LKE, LG&E and KU, all ARO accretion and depreciation expenses are reclassified as a regulatory asset. ARO regulatory assets associated with approved ECR projects for CCRs are amortized to expense over a period of 10 to 25 years based on retirement expenditures made related to the obligation. For other AROs, at the time of retirement, the related ARO regulatory asset is offset against the associated cost of removal regulatory liability, PP&E and ARO liability.

16. Accumulated Other Comprehensive Income (Loss)

(PPL)

The after-tax changes in AOCI by component for the periods ended March 31 were as follows.

	Foreign currency translation adjustments	Unrealized gains (losses) on qualifying derivatives	Equity investees' AOCI	Defined benefit plans: Prior service costs	Defined benefit plans: Actuarial gain (loss)	Total
PPL						
December 31, 2016	$ (1,627)	$ (7)	$ (1)	$ (8)	$ (2,135)	$ (3,778)
Amounts arising during the period	(24)	(6)	—	—	—	(30)
Reclassifications from AOCI	—	(1)	—	—	32	31
Net OCI during the period	(24)	(7)	—	—	32	1
March 31, 2017	$ (1,651)	$ (14)	$ (1)	$ (8)	$ (2,103)	$ (3,777)
December 31, 2015	$ (520)	$ (7)	$ —	$ (6)	$ (2,195)	$ (2,728)
Amounts arising during the period	(464)	80	—	—	—	(384)
Reclassifications from AOCI	—	(78)	—	—	31	(47)
Net OCI during the period	(464)	2	—	—	31	(431)
March 31, 2016	$ (984)	$ (5)	$ —	$ (6)	$ (2,164)	$ (3,159)

(PPL)

The following table presents the gains (losses) and related income taxes for reclassifications from AOCI for the periods ended March 31. The defined benefit plan components of AOCI are not reflected in their entirety in the Statement of Income during the periods; rather, they are included in the computation of net periodic defined benefit costs (credits) and subject to capitalization. See Note 8 for additional information.

Details about AOCI	Three Months 2017	Three Months 2016	Affected Line Item on the Statements of Income
Qualifying derivatives			
Interest rate swaps	$ (3)	$ (1)	Interest Expense
Cross-currency swaps	3	97	Other Income (Expense) - net
	1	1	Interest Expense
Total Pre-tax	1	97	
Income Taxes	—	(19)	
Total After-tax	1	78	
Defined benefit plans			
Net actuarial loss	(41)	(40)	
Total Pre-tax	(41)	(40)	
Income Taxes	9	9	
Total After-tax	(32)	(31)	
Total reclassifications during the period	$ (31)	$ 47	

17. New Accounting Guidance Pending Adoption

(All Registrants)

Accounting for Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued accounting guidance that establishes a comprehensive new model for the recognition of revenue from contracts with customers. This model is based on the core principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

For public business entities, this guidance can be applied using either a full retrospective or modified retrospective transition method, beginning in annual reporting periods after December 15, 2017 and interim periods within those years. The Registrants will adopt this guidance effective January 1, 2018.

The Registrants have performed an assessment of a significant portion of their revenue under this new guidance to determine its effect on their current revenue recognition policies, and at this time they do not believe it will have a material impact. However, the Registrants will continue to monitor the development of industry specific application guidance which could have an impact on their assessments. The Registrants are currently assessing the disclosure requirements included in the standard, which will result in increased information being provided to enable the users of the financial statements to understand the nature, amount, timing and uncertainty of revenue arising from contracts with customers. The Registrants will determine the transition method they will apply after the industry specific application guidance is final and the implications of using either the full retrospective or modified retrospective transition methods are known.

Accounting for Leases

In February 2016, the FASB issued accounting guidance for leases. This new guidance requires lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). For income statement purposes, the FASB retained a dual model for lessees, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines.

Lessor accounting under the new guidance is similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard. Similar to current practice, lessors will classify leases as operating, direct financing, or sales-type.

The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented.

The Registrants are currently assessing the impact of adopting this guidance and the period they will adopt it.

Accounting for Financial Instrument Credit Losses

In June 2016, the FASB issued accounting guidance that requires the use of a current expected credit loss (CECL) model for the measurement of credit losses on financial instruments within the scope of this guidance, which includes accounts receivable. The CECL model requires an entity to measure credit losses using historical information, current information and reasonable and supportable forecasts of future events, rather than the incurred loss impairment model required under current GAAP.

For public business entities, this guidance will be applied using a modified retrospective approach and is effective for fiscal years beginning after December 15, 2019, and interim periods within those years. All entities may early adopt this guidance in annual reporting periods beginning after December 15, 2018, including interim periods within those years.

The Registrants are currently assessing the impact of adopting this guidance and the period they will adopt it.

Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

In March 2017, the FASB issued accounting guidance that changes the income statement presentation of net periodic benefit cost. This new guidance requires the service cost component to be disaggregated from other components of net benefit cost and presented in the same income statement line items as other employee compensation costs arising from services rendered during the period. The other components of net periodic benefits will be presented separately from the line items that include the service cost and outside of any subtotal of operating income. Only the service cost component is eligible for capitalization.

For public business entities, the guidance on the presentation of the components of net periodic benefit costs will be applied retrospectively. The guidance that limits the capitalization to the service cost component of net periodic benefit costs will be applied prospectively. This guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those years.

The Registrants are currently assessing the impact of adopting this guidance and will adopt this guidance effective January 1, 2018.

(PPL, LKE, LG&E and KU)

Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued accounting guidance that simplifies the test for goodwill impairment by eliminating the second step of the quantitative test. The second step of the quantitative test requires a calculation of the implied fair value of goodwill, which is determined in the same manner as the amount of goodwill in a business combination. Under this new guidance, an entity will now compare the estimated fair value of a reporting unit with its carrying value and recognize an impairment charge for the amount the carrying amount exceeds the fair value of the reporting unit.

For public business entities, this guidance will be applied prospectively and is effective for annual or any interim goodwill impairment tests for fiscal years beginning after December 15, 2019. All entities may early adopt this guidance for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017.

The Registrants are currently assessing the impact of adopting this guidance and the period they will adopt it.

Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations

(All Registrants)

This "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" is separately filed by PPL, PPL Electric, LKE, LG&E and KU. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure for each Registrant's related activities and disclosures. Within combined disclosures, amounts are disclosed for individual Registrants when significant.

The following should be read in conjunction with the Registrants' Condensed Consolidated Financial Statements and the accompanying Notes and with the Registrants' 2016 Form 10-K. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted.

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

- "Overview" provides a description of each Registrant's business strategy and a discussion of important financial and operational developments.

- "Results of Operations" for all Registrants includes a "Statement of Income Analysis" which discusses significant changes in principal line items on the Statements of Income, comparing the three months ended March 31, 2017 with the same period in 2016. For PPL, "Results of Operations" also includes "Segment Earnings" and "Margins" which provide a detailed analysis of earnings by reportable segment. These discussions include non-GAAP financial measures, including "Earnings from Ongoing Operations" and "Margins" and provide explanations of the non-GAAP financial measures and a reconciliation of the non-GAAP financial measures to the most comparable GAAP measure. The "2017 Outlook" discussion identifies key factors expected to impact 2017 earnings. For PPL Electric, LKE, LG&E and KU, a summary of earnings and margins is also provided.

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

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

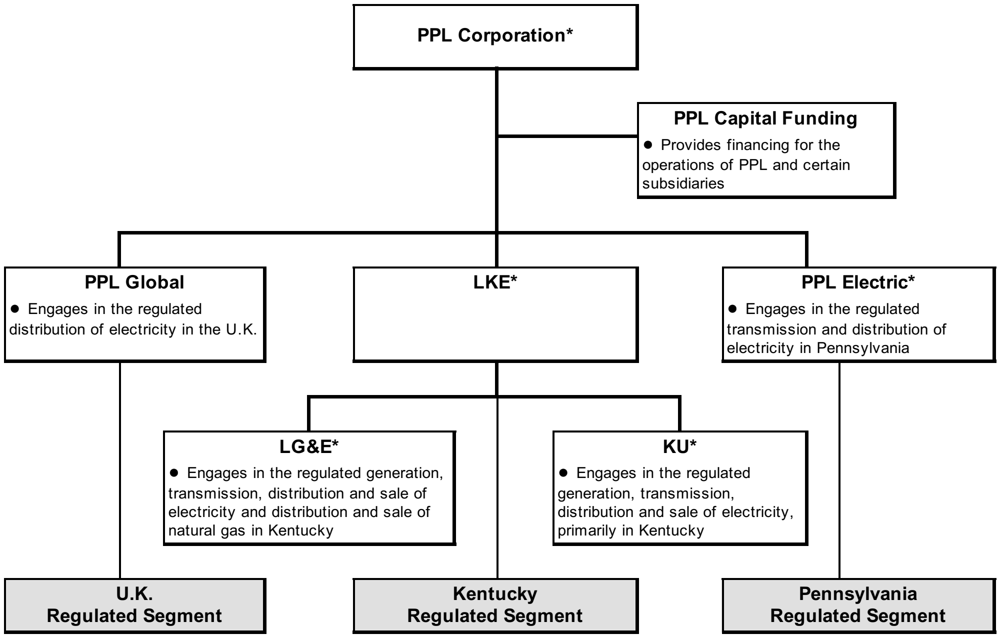
Overview

Introduction

(PPL)

PPL, headquartered in Allentown, Pennsylvania, is a utility holding company. PPL, through its regulated utility subsidiaries, delivers electricity to customers in the U.K., Pennsylvania, Kentucky, Virginia and Tennessee; delivers natural gas to customers in Kentucky; and generates electricity from power plants in Kentucky.

PPL's principal subsidiaries are shown below (* denotes a Registrant).



PPL's reportable segments' results primarily represent the results of PPL Global, LKE and PPL Electric, except that the reportable segments are also allocated certain corporate level financing and other costs that are not included in the results of PPL Global, LKE and PPL Electric. Although PPL Global is not a Registrant, unaudited annual consolidated financial statements for the U.K. Regulated Segment are furnished on a Form 8-K with the SEC.

In addition to PPL, the other Registrants included in this filing are as follows.

(PPL Electric)

PPL Electric, headquartered in Allentown, Pennsylvania, is a direct wholly owned subsidiary of PPL and a regulated public utility that is an electricity transmission and distribution service provider in eastern and central Pennsylvania. PPL Electric is subject to regulation as a public utility by the PUC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act. PPL Electric delivers electricity in its Pennsylvania service area and provides electricity supply to retail customers in that area as a PLR under the Customer Choice Act.

(LKE)

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

(LG&E)

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

(KU)

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

Business Strategy

(All Registrants)

PPL is a fully regulated business consisting of seven diverse, high-performing utilities. These utilities are located in the U.K., Pennsylvania and Kentucky and each jurisdiction has different regulatory structures and customer classes. The Company believes this diverse portfolio provides strong earnings and dividend growth potential that will create significant value for its shareowners and positions PPL well for continued growth and success.

PPL's businesses of WPD, PPL Electric, LG&E and KU plan to achieve growth by providing efficient, reliable and safe operations and strong customer service, maintaining constructive regulatory relationships and achieving timely recovery of costs. These businesses are expected to achieve strong, long-term growth in rate base and RAV, as applicable, driven by planned significant capital expenditures to maintain existing assets and improve system reliability and, for LKE, LG&E and KU, to comply with federal and state environmental regulations related to coal-fired electricity generation facilities. Additionally, significant transmission rate base growth is expected through at least 2020 at PPL Electric.

For the U.S. businesses, our strategy is to recover capital project costs efficiently through various rate-making mechanisms, including periodic base rate case proceedings using forward test years, annual FERC formula rate mechanisms and other regulatory agency-approved recovery mechanisms designed to limit regulatory lag. In Kentucky, the KPSC has adopted a series of regulatory mechanisms (ECR, DSM, GLT, fuel adjustment clause, gas supply clause and recovery on construction work-in-progress) that reduce regulatory lag and provide timely recovery of and return on, as appropriate, prudently incurred costs. In addition, the KPSC requires a utility to obtain a CPCN prior to constructing a facility, unless the construction is an ordinary extension of existing facilities in the usual course of business or does not involve sufficient capital outlay to materially affect the utility's financial condition. Although such KPSC proceedings do not directly address cost recovery issues, the KPSC, in awarding a CPCN, concludes that the public convenience and necessity require the construction of the facility on the basis that the facility is the lowest reasonable cost alternative to address the need. In Pennsylvania, the FERC transmission formula rate, DSIC mechanism, Smart Meter Rider and other recovery mechanisms are in place to reduce regulatory lag and provide for timely recovery of and a return on prudently incurred costs.

Rate base growth in the domestic utilities is expected to result in earnings growth for the foreseeable future. In 2017, earnings from the U.K. Regulated segment are expected to decline mainly due to the unfavorable impact of lower GBP to U.S. dollar exchange rates. RAV growth is expected in the U.K. Regulated segment through the RIIO-ED1 price control period which ends on March 31, 2023 and to result in earnings growth after 2017. See "Item 1. Business - Segment Information - U.K. Regulated Segment" of PPL's 2016 Form 10-K for additional information on RIIO-ED1.

To manage financing costs and access to credit markets, and to fund capital expenditures, a key objective of the Registrants is to maintain their investment grade credit ratings and adequate liquidity positions. In addition, the Registrants have financial and operational risk management programs that, among other things, are designed to monitor and manage exposure to earnings and cash flow volatility, as applicable, related to changes in interest rates, foreign currency exchange rates and counterparty credit quality. To manage these risks, PPL generally uses contracts such as forwards, options and swaps. See "Financial Condition - Risk Management" below for further information.

Earnings generated by PPL's U.K. subsidiaries are subject to foreign currency translation risk. Because WPD's earnings represent such a significant portion of PPL's consolidated earnings, PPL enters into foreign currency contracts to economically hedge the value of the GBP versus the U.S. dollar. These hedges do not receive hedge accounting treatment under GAAP.

The U.K. subsidiaries also have currency exposure to the U.S. dollar to the extent of their U.S. dollar denominated debt. To manage these risks, PPL generally uses contracts such as forwards, options and cross-currency swaps that contain characteristics of both interest rate and foreign currency exchange contracts.

As discussed above, a key component of this strategy is to maintain constructive relationships with regulators in all jurisdictions in which we operate (U.K., U.S. federal and state). This is supported by our strong culture of integrity and delivering on commitments to customers, regulators and shareowners, and a commitment to continue to improve our customer service, reliability and efficiency of operations.

Financial and Operational Developments

U.S. Tax Reform (All Registrants)

Tax reform has been discussed as a high priority of the U.S. presidential administration. Significant uncertainty exists as to the ultimate changes that may be made, the timing of those changes and the related impact to the Registrants' financial condition or results of operations. The Registrants are working with industry groups and carefully monitoring related developments in an effort both to have input to the legislative process where possible and plan effectively to respond to any forthcoming changes in a manner that will optimize value for ratepayers and shareowners.

U.K. Membership in European Union (PPL)

On March 29, 2017, the U.K. formally notified the European Council of the European Union (EU) of its intent to withdraw from the EU, thereby commencing the negotiation of the terms of that withdrawal under Article 50 of the Lisbon Treaty. Article 50 specifies that if a member state decides to withdraw from the EU, it must notify the European Council of its intention to leave the EU, negotiate the terms of withdrawal and establish the legal grounds for its future relationship with the EU. Article 50 provides two years from the date of the Article 50 notification to conclude negotiations. Failure to complete negotiations within two years, unless negotiations are extended, would result in the treaties governing the EU no longer being applicable to the U.K. with there being no agreement in place governing the U.K.'s relationship with the EU. Under the terms of Article 50, negotiations can only be extended beyond two years if all of the 27 remaining EU states agree to an extension. Any withdrawal agreement will need to be approved by both the European Council and the European Parliament. There remains significant uncertainty as to the ultimate outcome of the withdrawal negotiations and the related impact on the U.K. economy and the GBP to U.S. dollar exchange rate.

PPL has executed hedges to mitigate the foreign exchange risk to the Company's U.K. earnings. As of April 20, 2017, PPL's foreign exchange exposure related to budgeted earnings is 100% hedged for the remainder of 2017 at an average rate of $1.21 per GBP and 99% hedged for 2018 and 2019 at an average rate of $1.41 and $1.32 per GBP.

PPL cannot predict either the short-term or long-term impact to foreign exchange rates or long-term impact on PPL's financial condition that may be experienced as a result of the actions taken by the U.K. government to withdraw from the EU, although such impacts could be significant.

Regulatory Requirements

(All Registrants)

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

(PPL, LKE, LG&E and KU)

The businesses of LKE, LG&E and KU are subject to extensive federal, state and local environmental laws, rules and regulations, including those pertaining to CCRs, GHGs, ELGs, and MATS. See Note 9 to the Financial Statements for a discussion of the other significant environmental matters.

Rate Case Proceedings

(PPL, LKE, LG&E and KU)

On November 23, 2016, LG&E and KU filed requests with the KPSC for increases in annual base electricity rates of approximately $103 million at KU and an increase in annual base electricity and gas rates of approximately $94 million and $14 million at LG&E. The proposed base rate increases would result in an electricity rate increase of 6.4% at KU and electricity and gas rate increases of 8.5% and 4.2% at LG&E. LG&E's and KU's applications include requests for CPCNs for implementing an Advanced Metering System program and a Distribution Automation program. The applications are based on a forecasted test year of July 1, 2017 through June 30, 2018 and a requested return on equity of 10.23%.

On April 19, 2017 and May 1, 2017, LG&E and KU, along with all intervening parties to the proceeding, filed with the KPSC, stipulation and recommendation agreements (stipulations) resolving all issues with the parties. Among other things, the proposed stipulations provide for increases in annual revenue requirements associated with KU base electricity rates of $55 million, LG&E base electricity rates of $59 million and LG&E base gas rates of $8 million, reflecting a return on equity of 9.75%, and the withdrawal of LG&E's and KU's request for a CPCN for the Advanced Metering System. The proposed stipulations would result in a base electricity rate increase of 3.4% at KU and base electricity and gas rate increases of 5.4% and 2.3% at LG&E. The proposed stipulations remain subject to KPSC approval. If approved, new rates and all elements of the stipulations would be effective July 1, 2017. A public hearing on the applications is scheduled to commence on May 9, 2017. LG&E and KU cannot predict the outcome of these proceedings.

(PPL, LKE and KU)

On October 31, 2016, KU filed a request with the FERC to modify its formula rates to provide for the recovery of CCR impoundment closure costs from its departing municipal customers. On December 30, 2016, the FERC accepted the revised rate schedules providing recovery of the costs effective December 31, 2016, subject to refund, and established limited hearing and settlement judge procedures relating to determining the applicable amortization period. In March 2017, the parties reached a settlement in principle regarding a suitable amortization period.

Results of Operations

(PPL)

The "Statement of Income Analysis" discussion below describes significant changes in principal line items on PPL's Statements of Income, comparing the three months ended March 31, 2017 with the same period in 2016. The "Segment Earnings" and "Margins" discussions for PPL provide a review of results by reportable segment. These discussions include non-GAAP financial measures, including "Earnings from Ongoing Operations" and "Margins," and provide explanations of the non-GAAP financial measures and a reconciliation of those measures to the most comparable GAAP measure. The "2017 Outlook" discussion identifies key factors expected to impact 2017 earnings.

Tables analyzing changes in amounts between periods within "Statement of Income Analysis," "Segment Earnings" and "Margins" are presented on a constant GBP to U.S. dollar exchange rate basis, where applicable, in order to isolate the impact of the change in the exchange rate on the item being explained. Results computed on a constant GBP to U.S. dollar exchange rate basis are calculated by translating current year results at the prior year weighted-average GBP to U.S. dollar exchange rate.

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

A "Statement of Income Analysis, Earnings and Margins" is presented separately for PPL Electric, LKE, LG&E and KU.
The "Statement of Income Analysis" discussion below describes significant changes in principal line items on the Statements of Income comparing the three months ended March 31, 2017 with the same period in 2016. The "Earnings" discussion provides a summary of earnings. The "Margins" discussion includes a reconciliation of non-GAAP financial measures to "Operating Income."

(All Registrants)

The results for interim periods can be disproportionately influenced by numerous factors and developments and by seasonal variations. As such, the results of operations for interim periods do not necessarily indicate results or trends for the year or future periods.

PPL: Statement of Income Analysis, Segment Earnings and Margins

Statement of Income Analysis

Net income for the periods ended March 31 includes the following results.

	Three Months		
	2017	2016	$ Change
Operating Revenues	$ 1,951	$ 2,011	$ (60)
Operating Expenses			
Operation			
Fuel	191	197	(6)
Energy purchases	215	233	(18)
Other operation and maintenance	432	450	(18)
Depreciation	242	229	13
Taxes, other than income	75	79	(4)
Total Operating Expenses	1,155	1,188	(33)
Other Income (Expense) - net	(47)	61	(108)
Interest Expense	217	224	(7)
Income Taxes	129	179	(50)
Net Income	$ 403	$ 481	$ (78)

Operating Revenues

The increase (decrease) in operating revenues for the period ended March 31, 2017 compared with 2016 was due to:

	Three Months
Domestic:	
PPL Electric Distribution price (a)	$ 12
PPL Electric Distribution volume	(3)
PPL Electric PLR Revenue (b)	(21)
PPL Electric Transmission Formula Rate	1
LKE Volumes	(37)
LKE Fuel and other energy prices (c)	11
LKE DSM	5
Other	(1)
Total Domestic	(33)
U.K.:	
Price	58
Volume	9
Foreign currency exchange rates	(96)
Other	2
Total U.K.	(27)
Total	$ (60)

(a) Distribution rider prices resulted in increases of $12 million for the three months ended March 31, 2017.
(b) Decreased primarily due to lower energy purchase prices at PPL Electric.
(c) Increased due to higher recoveries of fuel and energy purchases primarily as a result of higher commodity costs at LKE.

Energy Purchases

Energy purchases decreased $18 million for the three months ended March 31, 2017 compared with 2016, primarily due to a $23 million decrease in PLR prices, partially offset by a $3 million increase in PLR volumes at PPL Electric.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the period ended March 31, 2017 compared with 2016 was due to:

		Three Months
Domestic:		
PPL Electric Act 129	$	5
PPL Electric payroll-related costs		2
PPL Electric bad debts		(3)
Stock compensation expense		6
Other		5
U.K.:		
Network maintenance		(7)
Foreign currency exchange rates		(8)
Pension (a)		(17)
Other		(1)
Total	$	(18)

(a) The decrease was primarily due to an increase in expected returns on higher asset balances and lower interest costs due to a lower discount rate.

Depreciation

Depreciation increased $13 million for the three months ended March 31, 2017 compared with 2016, primarily due to additional assets placed into service, net of retirements, partially offset by the impact of foreign currency exchange rates at WPD.

Other Income (Expense) - net

Other income (expense) - net decreased $108 million for the three months ended March 31, 2017 compared with 2016, primarily due to changes in realized and unrealized gains (losses) on foreign currency contracts to economically hedge GBP denominated earnings from WPD.

Interest Expense

The increase (decrease) in interest expense for the period ended March 31, 2017 compared with 2016 was due to:

		Three Months
Long-term debt interest expense	$	4
Foreign currency exchange rates		(15)
Other		4
Total	$	(7)

Income Taxes

The increase (decrease) in income taxes for the period ended March 31, 2017 compared with 2016 was due to:

		Three Months
Change in pre-tax income at current period tax rates	$	(39)
U.S. income tax on foreign earnings - net of foreign tax credit		(7)
Impact of U.K. Finance Acts		(3)
Depreciation not normalized		(2)
Stock-based compensation		5
Other		(4)
Total	$	(50)

Segment Earnings

PPL's net income by reportable segments for the periods ended March 31 were as follows:

	Three Months		
	2017	2016	$ Change
U.K. Regulated	$ 286	$ 289	$ (3)
Kentucky Regulated	95	112	(17)
Pennsylvania Regulated	79	94	(15)
Corporate and Other (a)	(57)	(14)	(43)
Net Income	$ 403	$ 481	$ (78)

(a) Primarily represents financing and certain other costs incurred at the corporate level that have not been allocated or assigned to the segments, which are presented to reconcile segment information to PPL's consolidated results. The change in 2017 compared with 2016 is primarily due to the utilization of an estimated annual effective tax rate, which requires the tax benefits realized in the current period to be recognized over the annual period. This impact is expected to reverse through the remainder of the year.

Earnings from Ongoing Operations

Management utilizes "Earnings from Ongoing Operations" as a non-GAAP financial measure that should not be considered as an alternative to net income, an indicator of operating performance determined in accordance with GAAP. PPL believes that Earnings from Ongoing Operations is useful and meaningful to investors because it provides management's view of PPL's earnings performance as another criterion in making investment decisions. In addition, PPL's management uses Earnings from Ongoing Operations in measuring achievement of certain corporate performance goals, including targets for certain executive incentive compensation. Other companies may use different measures to present financial performance.

Earnings from Ongoing Operations is adjusted for the impact of special items. Special items are presented in the financial tables on an after-tax basis with the related income taxes on special items separately disclosed. Income taxes on special items, when applicable, are calculated based on the effective tax rate of the entity where the activity is recorded. Special items include:

• Unrealized gains or losses on foreign currency-related economic hedges (as discussed below).
• Gains and losses on sales of assets not in the ordinary course of business.
• Impairment charges.
• Significant workforce reduction and other restructuring effects.
• Acquisition and divestiture-related adjustments.
• Other charges or credits that are, in management's view, non-recurring or otherwise not reflective of the company's ongoing operations.

Unrealized gains or losses on foreign currency economic hedges include the changes in fair value of foreign currency contracts used to hedge GBP-denominated anticipated earnings. The changes in fair value of these contracts are recognized immediately within GAAP earnings. Management believes that excluding these amounts from Earnings from Ongoing Operations until settlement of the contracts provides a better matching of the financial impacts of those contracts with the economic value of PPL's underlying hedged earnings. See Note 13 to the Financial Statements and "Risk Management" below for additional information on foreign currency-related economic activity.

PPL's Earnings from Ongoing Operations by reportable segment for the periods ended March 31 were as follows:

	Three Months		
	2017	2016	$ Change
U.K. Regulated	$ 307	$ 265	$ 42
Kentucky Regulated	96	112	(16)
Pennsylvania Regulated	79	94	(15)
Corporate and Other	(57)	(13)	(44)
Earnings from Ongoing Operations	$ 425	$ 458	$ (33)

See "Reconciliation of Earnings from Ongoing Operations" below for a reconciliation of this non-GAAP financial measure to Net Income.

U.K. Regulated Segment

The U.K. Regulated segment consists of PPL Global, which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from GBP into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs and certain acquisition-related financing costs. The U.K. Regulated segment represents 71% of PPL's Net Income for the three months ended March 31, 2017 and 39% of PPL's assets at March 31, 2017.

Net Income and Earnings from Ongoing Operations for the periods ended March 31 include the following results.

	Three Months		
	2017	2016	$ Change
Operating revenues	$ 568	$ 595	$ (27)
Other operation and maintenance	64	97	(33)
Depreciation	55	60	(5)
Taxes, other than income	31	35	(4)
Total operating expenses	150	192	(42)
Other Income (Expense) - net	(43)	61	(104)
Interest Expense	94	106	(12)
Income Taxes	(5)	69	(74)
Net Income	286	289	(3)
Less: Special Items	(21)	24	(45)
Earnings from Ongoing Operations	$ 307	$ 265	$ 42

The following after-tax gains (losses), which management considers special items, impacted the U.K. Regulated segment's results and are excluded from Earnings from Ongoing Operations during the periods ended March 31.

		Three Months	
	Income Statement Line Item	2017	2016
Foreign currency-related economic hedges, net of tax of $12, ($13) (a)	Other Income (Expense) - net	$ (21)	$ 24
Total Special Items		$ (21)	$ 24

(a) Represents unrealized gains (losses) on contracts that economically hedge anticipated GBP-denominated earnings.

The changes in the components of the U.K. Regulated segment's results between these periods are due to the factors set forth below, which reflect amounts classified as U.K. Gross Margins, the items that management considers special and the effects of movements in foreign currency exchange, including the effects of foreign currency hedge contracts, on separate lines and not in their respective Statement of Income line items.

	Three Months
U.K.	
Gross margins	$ 70
Other operation and maintenance	24
Depreciation	(5)
Interest expense	(2)
Other	(2)
Income taxes	(5)
U.S.	
Interest expense and other	(1)
Income taxes	34
Foreign currency exchange, after-tax	(71)
Earnings from Ongoing Operations	42
Special items, after-tax	(45)
Net Income	$ (3)

U.K.

- See "Margins - Changes in Margins" for an explanation of U.K. Gross Margins.

- Lower other operation and maintenance expense primarily due to $17 million from lower pension expense due to an increase in expected returns on higher asset balances and lower interest costs due to a lower discount rate and $7 million from lower network maintenance expense.

- Higher income taxes primarily due to an increase of $17 million from higher pre-tax income partially offset by a decrease of $10 million primarily related to accelerated tax deductions.

U.S.

- Lower income taxes primarily due to the tax benefit on accelerated pension contributions made in the first quarter of 2017.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations of LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain acquisition-related financing costs are allocated to the Kentucky Regulated segment. The Kentucky Regulated segment represents 24% of PPL's Net Income for the three months ended March 31, 2017 and 36% of PPL's assets at March 31, 2017.

Net Income and Earnings from Ongoing Operations for the periods ended March 31 include the following results.

	Three Months		
	2017	2016	$ Change
Operating revenues	$ 809	$ 826	$ (17)
Fuel	191	198	(7)
Energy purchases	69	66	3
Other operation and maintenance	207	202	5
Depreciation	105	99	6
Taxes, other than income	16	15	1
Total operating expenses	588	580	8
Other Income (Expense) - net	(2)	(1)	(1)
Interest Expense	65	65	—
Income Taxes	59	68	(9)
Net Income	95	112	(17)
Less: Special Items	(1)	—	(1)
Earnings from Ongoing Operations	$ 96	$ 112	$ (16)

The following after-tax gains (losses), which management considers special items, impacted the Kentucky Regulated segment's results and are excluded from Earnings from Ongoing Operations during the periods ended March 31.

		Three Months	
	Income Statement Line Item	2017	2016
Adjustment to investment, net of tax of $0, $0 (a)	Other Income (Expense) - net	$ (1)	$ —
Total Special Items		$ (1)	$ —

(a) KU recorded a write-off of an equity method investment.

The changes in the components of the Kentucky Regulated segment's results between these periods are due to the factors set forth below, which reflect amounts classified as Kentucky Gross Margins and the items that management considers special on separate lines and not in their respective Statement of Income line items.

	Three Months
Kentucky Gross Margins	$ (18)
Other operation and maintenance	(3)
Depreciation	(2)
Taxes, other than income	(2)
Income Taxes	9
Earnings from Ongoing Operations	(16)
Special items, after-tax	(1)
Net Income	$ (17)

- See "Margins - Changes in Margins" for an explanation of Kentucky Gross Margins.
- Lower income taxes primarily due to lower pre-tax income.

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric. In addition, certain costs are allocated to the Pennsylvania Regulated segment. The Pennsylvania Regulated segment represents 20% of PPL's Net Income for the three months ended March 31, 2017 and 25% of PPL's assets at March 31, 2017.

Net Income and Earnings from Ongoing Operations for the periods ended March 31 include the following results.

	Three Months		
	2017	2016	$ Change
Operating revenues	$ 573	$ 585	$ (12)
Energy purchases	146	167	(21)
Other operation and maintenance	164	150	14
Depreciation	75	59	16
Taxes, other than income	29	29	—
Total operating expenses	414	405	9
Other Income (Expense) - net	1	3	(2)
Interest Expense	33	33	—
Income Taxes	48	56	(8)
Net Income	79	94	(15)
Less: Special Items (a)	—	—	—
Earnings from Ongoing Operations	$ 79	$ 94	$ (15)

(a) There are no items that management considers special for the periods presented.

The changes in the components of the Pennsylvania Regulated segment's results between these periods are due to the factors set forth below, which reflect amounts classified as Pennsylvania Gross Margins on a separate line and not in their respective Statement of Income line items.

	Three Months
Pennsylvania Gross Margins	$ 1
Other operation and maintenance	(10)
Depreciation	(12)
Other Income (Expense) - net	(2)
Income Taxes	8
Net Income	$ (15)

- See "Margins - Changes in Margins" for an explanation of Pennsylvania Gross Margins.
- Higher other operation and maintenance expense primarily due to $8 million of higher corporate service costs allocated to PPL Electric.

- Higher depreciation expense primarily due to transmission and distribution additions placed into service related to the ongoing efforts to improve reliability and replace aging infrastructure, net of retirements.

- Lower income taxes primarily due to lower pre-tax income.

Reconciliation of Earnings from Ongoing Operations

The following tables contain after-tax gains (losses), in total, which management considers special items, that are excluded from Earnings from Ongoing Operations and a reconciliation to PPL's "Net Income" for the periods ended March 31.

	2017 Three Months				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
Net Income	$ 286	$ 95	$ 79	$ (57)	$ 403
Less: Special Items (expense) benefit:					
Foreign currency-related economic hedges, net of tax of $12	(21)	—	—	—	(21)
Adjustment to investment, net of tax of $0	—	(1)	—	—	(1)
Total Special Items	(21)	(1)	—	—	(22)
Earnings from Ongoing Operations	$ 307	$ 96	$ 79	$ (57)	$ 425

	2016 Three Months				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
Net Income	$ 289	$ 112	$ 94	$ (14)	$ 481
Less: Special Items (expense) benefit:					
Foreign currency-related economic hedges, net of tax of ($13)	24	—	—	—	24
Spinoff of the Supply segment, net of tax of $1	—	—	—	(1)	(1)
Total Special Items	24	—	—	(1)	23
Earnings from Ongoing Operations	$ 265	$ 112	$ 94	$ (13)	$ 458

Margins

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

- "U.K. Gross Margins" is a single financial performance measure of the electricity distribution operations of the U.K. Regulated segment. In calculating this measure, direct costs such as connection charges from National Grid, which owns and manages the electricity transmission network in England and Wales, and Ofgem license fees (recorded in "Other operation and maintenance" on the Statements of Income) are deducted from operating revenues, as they are costs passed through to customers. As a result, this measure represents the net revenues from the delivery of electricity across WPD's distribution network in the U.K. and directly related activities.

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

- "Pennsylvania Gross Margins" is a single financial performance measure of the electricity transmission and distribution operations of the Pennsylvania Regulated segment and PPL Electric. In calculating this measure, utility revenues and expenses associated with approved recovery mechanisms, including energy provided as a PLR, are offset with minimal impact on earnings. Costs associated with these mechanisms are recorded in "Energy purchases," "Other operation and maintenance," (which are primarily Act 129 and Universal Service program costs), "Depreciation" (which is primarily related to the Smart Meter program) and "Taxes, other than income," (which is primarily gross receipts tax) on the Statements of Income. This measure represents the net revenues from the Pennsylvania Regulated segment's and PPL Electric's electricity delivery operations.

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

Changes in Margins

The following table shows Margins by PPL's reportable segment and by component, as applicable, for the periods ended March 31 as well as the change between periods. The factors that gave rise to the changes are described following the table.

	Three Months		
	2017	2016	$ Change
U.K. Regulated			
U.K. Gross Margins	$ 536	$ 557	$ (21)
Impact of changes in foreign currency exchange rates			(91)
U.K. Gross Margins excluding impact of foreign currency exchange rates			$ 70
Kentucky Regulated			
Kentucky Gross Margins			
LG&E	$ 226	$ 228	$ (2)
KU	281	297	(16)
Total Kentucky Gross Margins	$ 507	$ 525	$ (18)
Pennsylvania Regulated			
Pennsylvania Gross Margins			
Distribution	$ 258	$ 258	$ —
Transmission	108	107	1
Total Pennsylvania Gross Margins	$ 366	$ 365	$ 1

U.K. Gross Margins

U.K. Gross Margins, excluding the impact of changes in foreign currency exchange rates, increased primarily due to $58 million from the April 1, 2016 price increase, which includes $14 million of the recovery of prior customer rebates, and $9 million of higher volumes.

Kentucky Gross Margins

Kentucky Gross Margins decreased primarily due to $22 million of lower electricity sales volumes driven by milder weather in the first quarter of 2017 ($5 million at LG&E and $17 million at KU).

Pennsylvania Gross Margins

Pennsylvania Gross Margins increased primarily due to an increase of $11 million primarily from returns on additional transmission capital investments focused on replacing aging infrastructure and improving reliability, partially offset by a $10 million decrease as a result of a lower peak transmission system load in 2016 which negatively affected transmission revenue for the first quarter of 2017.

Reconciliation of Margins

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

	2017 Three Months				
	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 559 (c)	$ 809	$ 573	$ 10	$ 1,951
Operating Expenses					
Fuel	—	191	—	—	191
Energy purchases	—	69	146	—	215
Other operation and maintenance	23	26	29	354	432
Depreciation	—	16	4	222	242
Taxes, other than income	—	—	28	47	75
Total Operating Expenses	23	302	207	623	1,155
Total	$ 536	$ 507	$ 366	$ (613)	$ 796

	2016 Three Months				
	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 584 (c)	$ 826	$ 585	$ 16	$ 2,011
Operating Expenses					
Fuel	—	198	—	(1)	197
Energy purchases	—	66	167	—	233
Other operation and maintenance	27	24	25	374	450
Depreciation	—	12	—	217	229
Taxes, other than income	—	1	28	50	79
Total Operating Expenses	27	301	220	640	1,188
Total	$ 557	$ 525	$ 365	$ (624)	$ 823

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.
(c) Excludes ancillary revenues of $9 million and $11 million for the three months ended March 31, 2017 and 2016.

2017 Outlook

(PPL)

The following projections and factors underlying these projections (on an after-tax basis) are provided for PPL's segments and the Corporate and Other category and the related Registrants.

(PPL's U.K. Regulated Segment)

Lower net income is projected in 2017 compared with 2016 due to a lower assumed GBP exchange rate in 2017, lower incentive revenues, higher interest expense and higher depreciation expense, partially offset by lower operation and maintenance expense, including pension expense, and higher revenues from the April 1, 2017 price increase.

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

Relatively flat net income is projected in 2017 compared with 2016 primarily driven by electricity and gas base rate increases, offset by higher operation and maintenance expense and higher depreciation expense.

(PPL's Pennsylvania Regulated Segment and PPL Electric)

Relatively flat net income is projected in 2017 compared with 2016 primarily driven by higher transmission earnings and lower operation and maintenance expense, offset by higher depreciation expense, higher interest expense and higher income taxes.

(PPL's Corporate and Other Category)

Relatively flat costs are projected in 2017 compared with 2016.

(All Registrants)

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," the rest of this Item 2, Notes 6 and 9 to the Financial Statements and "Item 1A. Risk Factors" in this Form 10-Q (as applicable) and "Item 1. Business" and "Item 1A. Risk Factors" in the Registrants' 2016 Form 10-K for a discussion of the risks, uncertainties and factors that may impact future earnings.

PPL Electric: Statement of Income Analysis, Earnings and Margins

Statement of Income Analysis

Net income for the periods ended March 31 includes the following results.

	Three Months		
	2017	2016	$ Change
Operating Revenues	$ 573	$ 585	$ (12)
Operating Expenses			
Operation			
Energy purchases	146	167	(21)
Other operation and maintenance	164	150	14
Depreciation	75	59	16
Taxes, other than income	29	29	—
Total Operating Expenses	414	405	9
Other Income (Expense) - net	1	3	(2)
Interest Expense	33	33	—
Income Taxes	48	56	(8)
Net Income	$ 79	$ 94	$ (15)

Operating Revenues

The increase (decrease) in operating revenues for the period ended March 31, 2017 compared with 2016 was due to:

	Three Months
Distribution Price (a)	$ 12
Distribution volume	(3)
PLR (b)	(21)
Transmission Formula Rate	1
Other	(1)
Total	$ (12)

(a) Distribution rider prices resulted in increases of $12 million for the three months ended March 31, 2017.
(b) Decrease primarily due to lower energy prices as described below.

Energy Purchases

Energy purchases decreased by $21 million for the three months ended March 31, 2017 compared with 2016 due to lower PLR prices of $23 million, partially offset by higher PLR volumes of $3 million.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the period ended March 31, 2017 compared with 2016 was due to:

	Three Months
Corporate service costs	$ 8
Contractor-related expenses	2
Payroll-related costs	2
Act 129	5
Bad debts	(3)
Total	$ 14

Depreciation

Depreciation increased $16 million for the three months ended March 31, 2017 compared with 2016, primarily due to additional assets placed into service, related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure, net of retirements.

Income Taxes

The increase (decrease) in income taxes for the period ended March 31, 2017 compared with 2016 was due to:

	Three Months
Change in pre-tax income at current period tax rates	$ (10)
Depreciation not normalized	(1)
Stock-based compensation	3
Total	$ (8)

Earnings

	Three Months Ended March 31,	
	2017	2016
Net Income	$ 79	$ 94
Special items, gains (losses), after-tax (a)	—	—

(a) There are no items management considers special for the periods presented.

Earnings decreased for the three month period in 2017 compared with 2016 primarily due to higher other operation and maintenance expense, primarily due to higher corporate service costs, and higher depreciation expense, primarily due to transmission and distribution additions placed into service related to the ongoing efforts to improve reliability and replace aging infrastructure, net of retirements. Higher transmission margins due to additional capital investments were offset by lower peak transmission demand.

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

		Three Months
Pennsylvania Gross Margins	$	1
Other operation and maintenance		(10)
Depreciation		(12)
Other Income (Expense) - net		(2)
Income Taxes		8
Net Income	$	(15)

Margins

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

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

	2017 Three Months			2016 Three Months		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 573	$ —	$ 573	$ 585	$ —	$ 585
Operating Expenses						
Energy purchases	146	—	146	167	—	167
Other operation and maintenance	29	135	164	25	125	150
Depreciation	4	71	75	—	59	59
Taxes, other than income	28	1	29	28	1	29
Total Operating Expenses	207	207	414	220	185	405
Total	$ 366	$ (207)	$ 159	$ 365	$ (185)	$ 180

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

LKE: Statement of Income Analysis, Earnings and Margins

Statement of Income Analysis

Net income for the periods ended March 31 includes the following results.

	Three Months		
	2017	2016	$ Change
Operating Revenues	$ 809	$ 826	$ (17)
Operating Expenses			
Operation			
Fuel	191	198	(7)
Energy purchases	69	66	3
Other operation and maintenance	207	202	5
Depreciation	105	99	6
Taxes, other than income	16	15	1
Total Operating Expenses	588	580	8
Other Income (Expense) - net	(2)	(1)	(1)
Interest Expense	49	49	—
Interest Expense with Affiliate	4	4	—
Income Taxes	63	72	(9)
Net Income	$ 103	$ 120	$ (17)

Operating Revenues

The increase (decrease) in operating revenues for the period ended March 31, 2017 compared with 2016 was due to:

	Three Months
Volumes	$ (37)
Fuel and other energy prices (a)	11
DSM	5
Other	4
Total	$ (17)

(a) Increase due to higher recoveries of fuel and energy purchases due to higher commodity costs.

Fuel

Fuel decreased $7 million for the three months ended March 31, 2017 compared with 2016 primarily due to a $12 million decrease in volumes, driven by milder weather, partially offset by a $5 million increase in fuel prices.

Income Taxes

Income taxes decreased $9 million for the three months ended March 31, 2017 compared with 2016 primarily due to lower pre-tax income.

Earnings

	Three Months Ended March 31,	
	2017	2016
Net Income	$ 103	$ 120
Special items, gains (losses), after-tax	(1)	—

Earnings decreased for the three month period in 2017 compared with 2016 primarily due to lower electricity sales volumes driven by milder weather.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins and an item that management considers special on separate lines and not in their respective Statement of Income line items.

	Three Months
Margins	$ (18)
Other operation and maintenance	(3)
Depreciation	(2)
Taxes, other than income	(2)
Income Taxes	9
Special items, gains (losses), after-tax (a)	(1)
Net Income	$ (17)

(a) See PPL's "Results of Operations - Segment Earnings - Kentucky Regulated Segment" for details of the special item.

Margins

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

The following table contains the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended March 31.

	2017 Three Months			2016 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 809	$ —	$ 809	$ 826	$ —	$ 826
Operating Expenses						
Fuel	191	—	191	198	—	198
Energy purchases	69	—	69	66	—	66
Other operation and maintenance	26	181	207	24	178	202
Depreciation	16	89	105	12	87	99
Taxes, other than income	—	16	16	1	14	15
Total Operating Expenses	302	286	588	301	279	580
Total	$ 507	$ (286)	$ 221	$ 525	$ (279)	$ 246

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

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

Statement of Income Analysis

Net income for the periods ended March 31 includes the following results.

	Three Months		
	2017	2016	$ Change
Operating Revenues			
Retail and wholesale	$ 374	$ 375	$ (1)
Electric revenue from affiliate	17	11	6
Total Operating Revenues	391	386	5
Operating Expenses			
Operation			
Fuel	80	78	2
Energy purchases	64	62	2
Energy purchases from affiliate	2	2	—
Other operation and maintenance	87	87	—
Depreciation	44	41	3
Taxes, other than income	8	8	—
Total Operating Expenses	285	278	7
Other Income (Expense) - net	(2)	—	(2)
Interest Expense	17	17	—
Income Taxes	33	35	(2)
Net Income	$ 54	$ 56	$ (2)

Operating Revenues

The increase (decrease) in operating revenues for the period ended March 31, 2017 compared with 2016 was due to:

	Three Months
Volumes	$ (5)
Fuel and other energy prices	4
DSM	3
Other	3
Total	$ 5

Earnings

	Three Months Ended March 31,	
	2017	2016
Net Income	$ 54	$ 56
Special items, gains (losses), after-tax (a)	—	—

(a) There are no items management considers special for the periods presented.

Earnings decreased for the three month period in 2017 compared with 2016 primarily due to higher depreciation expense, fuel costs and energy purchases, partially offset by higher native load sales to KU due to timing of plant outages.

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

		Three Months
Margins	$	(2)
Other operation and maintenance		1
Taxes, other than income		(1)
Other Income (Expense) - net		(2)
Income Taxes		2
Net Income	$	(2)

Margins

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

The following table contains the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended March 31.

	2017 Three Months			2016 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 391	$ —	$ 391	$ 386	$ —	$ 386
Operating Expenses						
Fuel	80	—	80	78	—	78
Energy purchases, including affiliate	66	—	66	64	—	64
Other operation and maintenance	10	77	87	9	78	87
Depreciation	9	35	44	6	35	41
Taxes, other than income	—	8	8	1	7	8
Total Operating Expenses	165	120	285	158	120	278
Total	$ 226	$ (120)	$ 106	$ 228	$ (120)	$ 108

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

KU: Statement of Income Analysis, Earnings and Margins

Statement of Income Analysis

Net income for the periods ended March 31 includes the following results.

	Three Months		
	2017	2016	$ Change
Operating Revenues			
Retail and wholesale	$ 435	$ 451	$ (16)
Electric revenue from affiliate	2	2	—
Total Operating Revenues	437	453	(16)
Operating Expenses			
Operation			
Fuel	111	120	(9)
Energy purchases	5	4	1
Energy purchases from affiliate	17	11	6
Other operation and maintenance	109	106	3
Depreciation	60	58	2
Taxes, other than income	8	7	1
Total Operating Expenses	310	306	4
Other Income (Expense) - net	(1)	(2)	1
Interest Expense	24	24	—
Income Taxes	39	46	(7)
Net Income	$ 63	$ 75	$ (12)

Operating Revenue

The increase (decrease) in operating revenue for the period ended March 31, 2017 compared with 2016 was due to:

	Three Months
Volumes	$ (24)
Fuel and other energy prices (a)	6
DSM	2
Total	$ (16)

(a) Increase due to higher recoveries of fuel due to higher commodity costs.

Fuel

Fuel decreased $9 million for the three months ended March 31, 2017 compared with 2016 primarily due to a $16 million decrease in volumes, driven by milder weather, partially offset by a $7 million increase in fuel prices.

Energy purchases from affiliate

Energy purchases from affiliate increased $6 million for the three months ended March 31, 2017 compared with 2016 primarily due to higher native load purchases from LG&E due to timing of plant outages.

Income Taxes

Income taxes decreased $7 million for the three months ended March 31, 2017 compared with 2016 primarily due to lower pre-tax income.

Earnings

	Three Months Ended March 31,	
	2017	2016
Net Income	$ 63	$ 75
Special items, gains (losses), after-tax	(1)	—

Earnings decreased for the three month period in 2017 compared with 2016 primarily due to lower sales volumes driven by milder weather and higher energy purchases from affiliate, partially offset by lower fuel expense and lower income taxes.

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

	Three Months
Margins	$ (16)
Other operation and maintenance	(2)
Depreciation	(1)
Taxes, other than income	(1)
Other Income (Expense) - net	2
Income Taxes	7
Special items, gains (losses), after-tax (a)	(1)
Net Income	$ (12)

(a) See PPL's "Results of Operations - Segment Earnings - Kentucky Regulated Segment" for details of the special item.

Margins

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

The following table contains the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended March 31.

	2017 Three Months			2016 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 437	$ —	$ 437	$ 453	$ —	$ 453
Operating Expenses						
Fuel	111	—	111	120	—	120
Energy purchases, including affiliate	22	—	22	15	—	15
Other operation and maintenance	16	93	109	15	91	106
Depreciation	7	53	60	6	52	58
Taxes, other than income	—	8	8	—	7	7
Total Operating Expenses	156	154	310	156	150	306
Total	$ 281	$ (154)	$ 127	$ 297	$ (150)	$ 147

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

Financial Condition

The remainder of this Item 2 in this Form 10-Q is presented on a combined basis, providing information, as applicable, for all Registrants.

Liquidity and Capital Resources

(All Registrants)

The Registrants had the following at:

	PPL (a)	PPL Electric	LKE	LG&E	KU
March 31, 2017					
Cash and cash equivalents	$ 409	$ 20	$ 15	$ 4	$ 7
Short-term debt	1,666	499	243	207	36
Notes payable with affiliate		—	82	—	—
December 31, 2016					
Cash and cash equivalents	$ 341	$ 13	$ 13	$ 5	$ 7
Short-term debt	923	295	185	169	16
Notes payable with affiliate		—	163	—	—

(a) At March 31, 2017, $51 million of cash and cash equivalents were denominated in GBP. If these amounts would be remitted as dividends, PPL would not anticipate a material incremental U.S. tax cost. Historically, dividends paid by foreign subsidiaries have been limited to distributions of the current year's earnings. See Note 5 to the Financial Statements in PPL's 2016 Form 10-K for additional information on undistributed earnings of WPD.

(All Registrants)

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

	PPL	PPL Electric	LKE	LG&E	KU
2017					
Operating activities	$ 135	$ 55	$ 312	$ 142	$ 139
Investing activities	(677)	(276)	(184)	(94)	(89)
Financing activities	607	228	(126)	(49)	(50)
2016					
Operating activities	$ 557	$ 124	$ 303	$ 157	$ 195
Investing activities	(661)	(215)	(219)	(109)	(110)
Financing activities	115	78	(86)	(56)	(79)
Change - Cash Provided (Used)					
Operating activities	$ (422)	$ (69)	$ 9	$ (15)	$ (56)
Investing activities	(16)	(61)	35	15	21
Financing activities	492	150	(40)	7	29

Operating Activities

The components of the change in cash provided by (used in) operating activities for the three months ended March 31, 2017 compared with 2016 were as follows.

		PPL		PPL Electric		LKE		LG&E		KU
Change - Cash Provided (Used)										
Net income	$	(78)	$	(15)	$	(17)	$	(2)	$	(12)
Non-cash components		90		1		(13)		(4)		(5)
Working capital		(36)		(31)		28		(15)		(29)
Defined benefit plan funding		(397)		(24)		11		12		(9)
Other operating activities		(1)		—		—		(6)		(1)
Total	$	(422)	$	(69)	$	9	$	(15)	$	(56)

(PPL)

PPL's cash provided by operating activities in 2017 decreased $422 million compared with 2016.

- The $90 million increase in net non-cash components was primarily due to an increase in unrealized losses on derivatives.
- The $36 million decrease in cash from changes in working capital was primarily due to a decrease in accounts payable (primarily due to timing of payments), a decrease in taxes payable (primarily due to an increase in current income tax benefit in 2017) and an increase in prepayments (primarily due to higher tax payments) partially offset by a decrease in unbilled revenue and accounts receivable (primarily due to less favorable weather in 2017 compared to 2016) and a decrease in fuel, materials and supplies (primarily due to a decrease in volumes due to less favorable weather in 2017 compared to 2016).
- Defined benefit plan funding was $397 million higher in 2017. The increase was primarily due to the acceleration of WPD's contributions to its U.K. pension plans. See Note 8 to the Financial Statements for additional information.

(PPL Electric)

PPL Electric's cash provided by operating activities in 2017 decreased $69 million compared with 2016.

- The $31 million decrease in cash from changes in working capital was primarily due to an increase in prepayments (primarily due to higher tax payments) and a decrease in accounts payable (primarily due to timing of payments) partially offset by a decrease in accounts receivable (primarily due to unfavorable weather in 2017), a net decrease in current regulatory assets and regulatory liabilities (due to the timing of rate recovery mechanisms) and an increase in taxes payable (primarily due to a decrease in income tax expense in 2017).
- Defined benefit plan funding was $24 million higher in 2017.

(LKE)

LKE's cash provided by operating activities in 2017 increased $9 million compared with 2016.

- The increase in cash from changes in working capital was primarily driven by decreases in accounts receivable and unbilled revenues due to less favorable weather in 2017 compared to 2016 and an increase in taxes payable due to timing of payments, partially offset by a decrease in accounts payable due to timing of fuel purchases and payments.

(LG&E)

LG&E's cash provided by operating activities in 2017 decreased $15 million compared with 2016.

- The decrease in cash from changes in working capital was primarily driven by decreases in taxes payable due to timing of payments and accounts payable due to timing of fuel purchases and payments, partially offset by decreases in accounts receivable and unbilled revenues due to less favorable weather in 2017 compared to 2016.

(KU)

KU's cash provided by operating activities in 2017 decreased $56 million compared with 2016.

- The decrease in cash from changes in working capital was primarily driven by decreases in taxes payable due to timing of payments, accounts payable due to timing of fuel purchases and payments and accounts payable to affiliates due to higher intercompany settlements associated with operational expenses and inventory, partially offset by decreases in accounts receivable and unbilled revenues due to less favorable weather in 2017 compared to 2016.

Investing Activities

(All Registrants)

Expenditures for Property, Plant and Equipment

Investment in PP&E is the primary investing activity of the Registrants. The change in cash used in expenditures for PP&E for the three months ended March 31, 2017 compared with 2016 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Decrease (Increase)	$ (21)	$ (60)	$ 35	$ 15	$ 21

For PPL, the increase in expenditures was due to higher project expenditures at WPD and PPL Electric partially offset by lower project expenditures at LG&E and KU and a decrease in foreign currency exchange rates. The increase in project expenditures for WPD was primarily due to an increase in expenditures to enhance system reliability. The increase in expenditures for PPL Electric was primarily due to the smart meter implementation project and various enhancement reliability projects. The decrease in expenditures for LG&E was primarily due to reduced spending for environmental air projects at LG&E's Mill Creek plant. The decrease in expenditures for KU was primarily due to reduced spending for environmental air projects at KU's Ghent plant.

Financing Activities

(All Registrants)

The components of the change in cash provided by (used in) financing activities for the three months ended March 31, 2017 compared with 2016 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Debt issuance/retirement, net	$ 64	$ —	$ —	$ —	$ —
Stock issuances/redemptions, net	31	—	—	—	—
Dividends	(3)	(31)	—	(62)	(6)
Capital contributions/distributions, net	—	100	(73)	(30)	—
Change in short-term debt, net	393	79	207	98	34
Notes payable with affiliate	—	—	(174)	—	—
Other financing activities	7	2	—	1	1
Total	$ 492	$ 150	$ (40)	$ 7	$ 29

See Note 7 to the Financial Statements in this Form 10-Q for information on 2017 short and long-term debt activity, equity transactions and PPL dividends. See the Registrants' 2016 Form 10-K for information on 2016 activity.

Credit Facilities

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. Amounts borrowed under these credit facilities are reflected in "Short-term debt" on the Balance Sheets. At March 31, 2017, the total committed borrowing capacity and the use of that capacity under these credit facilities was as follows:

External

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	$ 1,400	$ —	$ 206	$ 1,194
PPL Electric Credit Facility	650	—	500	150
LKE Credit Facility	75	—	—	75
LG&E Credit Facility	500	—	207	293
KU Credit Facilities	598	—	234	364
Total LKE	1,173	—	441	732
Total U.S. Credit Facilities (a)	$ 3,223	$ —	$ 1,147	$ 2,076
Total U.K. Credit Facilities (b)	£ 1,285	£ 591	£ —	£ 694

(a) The commitments under the U.S. credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than the following percentages of the total committed capacity: PPL - 10%, PPL Electric - 7%, LKE - 21%, LG&E - 7% and KU - 37%.
(b) The amounts borrowed at March 31, 2017 were a USD-denominated borrowing of $200 million and GBP-denominated borrowings which equated to $535 million. At March 31, 2017, the USD equivalent of unused capacity under the U.K. committed credit facilities was $864 million.

The commitments under the U.K. credit facilities are provided by a diverse bank group, with no one bank providing more than 20% of the total committed capacity.

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

Intercompany (LKE, LG&E and KU)

	Committed Capacity	Borrowed	Other Used Capacity	Unused Capacity
LKE Credit Facility	$ 225	$ 82	$ —	$ 143
LG&E Money Pool (a)	500	—	207	293
KU Money Pool (a)	500	—	36	464

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

See Note 10 to the Financial Statements for further discussion of intercompany credit facilities.

Commercial Paper *(All Registrants)*

PPL, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's Syndicated Credit Facility. The following commercial paper programs were in place at March 31, 2017:

	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Capital Funding	$ 1,000	$ 189	$ 811
PPL Electric	650	499	151
LG&E	350	207	143
KU	350	36	314
Total LKE	700	243	457
Total PPL	$ 2,350	$ 931	$ 1,419

Long-term Debt

(PPL)

In March 2017, WPD (South Wales) issued £50 million of 0.01% Index-linked Senior Notes due 2029. WPD (South Wales) received proceeds of £53 million, which equated to $64 million at the time of issuance, net of fees and including a premium. The principal amount of the notes is adjusted based on changes in a specified index, as detailed in the terms of the related indenture. The proceeds will be used for general corporate purposes.

(PPL, LKE and LG&E)

In April 2017, the Louisville/Jefferson County Metro Government of Kentucky remarketed $128 million of Pollution Control Revenue Bonds, 2003 Series A (Louisville Gas and Electric Company Project) due 2033 on behalf of LG&E. The bonds were remarketed at a long term rate and will bear interest at 1.50% through their mandatory purchase date of April 1, 2019.

(PPL)

ATM Program

For the period ended March 31, 2017, PPL issued the following:

Number of shares (in thousands)		1,364
Average share price	$	36.66
Net Proceeds	$	50

See Note 7 to the Financial Statements for further discussion of the ATM program.

Common Stock Dividends

In February 2017, PPL declared a quarterly common stock dividend, payable April 3, 2017, of 39.5 cents per share (equivalent to $1.58 per annum). Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors.

Rating Agency Actions

(All Registrants)

Moody's and S&P have periodically reviewed the credit ratings of the debt of the Registrants and their subsidiaries. Based on their respective independent reviews, the rating agencies may make certain ratings revisions or ratings affirmations.

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of the Registrants and their subsidiaries are based on information provided by the Registrants and other sources. The ratings of Moody's and S&P are not a recommendation to buy, sell or hold any securities of the Registrants or their subsidiaries. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities. The credit ratings of the Registrants and their subsidiaries affect their liquidity, access to capital markets and cost of borrowing under their credit facilities. A downgrade in the Registrants' or their subsidiaries' credit ratings could result in higher borrowing costs and reduced access to capital markets. The Registrants and their subsidiaries have no credit rating triggers that would result in the reduction of access to capital markets or the acceleration of maturity dates of outstanding debt.

The rating agencies have taken the following actions related to the Registrants and their subsidiaries during 2017:

(PPL Electric)

In January 2017, Moody's and S&P affirmed their commercial paper ratings for PPL Electric's $650 million commercial paper program.

(LG&E)

In March 2017, Moody's and S&P confirmed ratings of A1 and A to LG&E's 2003 Series A Pollution Control Revenue Bonds.

Ratings Triggers

(PPL, LKE, LG&E and KU)

Various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, interest rate and foreign currency instruments (for PPL), contain provisions that require the posting of additional collateral or permit the counterparty to terminate the contract, if PPL's, LKE's, LG&E's or KU's or their subsidiaries' credit rating, as applicable, were to fall below investment grade. See Note 13 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral requirements for PPL, LKE and LG&E for derivative contracts in a net liability position at March 31, 2017.

(All Registrants)

For additional information on the Registrants' liquidity and capital resources, see "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Registrants' 2016 Form 10-K.

Risk Management

Market Risk

(All Registrants)

See Notes 12 and 13 to the Financial Statements for information about the Registrants' risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These are not precise indicators of expected future losses, but are rather only indicators of possible losses under normal market conditions at a given confidence level.

Interest Rate Risk

The Registrants and their subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. The Registrants and their subsidiaries utilize various financial derivative instruments to adjust the mix of fixed and floating interest rates in their debt portfolios, adjust the duration of their debt portfolios and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under the risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolios due to changes in the absolute level of interest rates. In addition, the interest rate risk of certain subsidiaries is potentially mitigated as a result of the existing regulatory framework or the timing of rate cases.

The following interest rate hedges were outstanding at March 31, 2017.

	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through
PPL				
Cash flow hedges				
Cross-currency swaps (c)	$ 802	$ 182	$ (90)	2028
Economic hedges				
Interest rate swaps (d)	147	(30)	(2)	2033
LKE				
Economic hedges				
Interest rate swaps (d)	147	(30)	(2)	2033
LG&E				
Economic hedges				
Interest rate swaps (d)	147	(30)	(2)	2033

(a) Includes accrued interest, if applicable.
(b) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability. Sensitivities represent a 10% adverse movement in interest rates, except for cross-currency swaps which also includes a 10% adverse movement in foreign currency exchange rates.
(c) Cross-currency swaps are utilized to hedge the principal and interest payments of WPD's U.S. dollar-denominated senior notes. Changes in the fair value of these instruments are recorded in equity and reclassified into earnings in the same period during which the item being hedged affects earnings.
(d) Realized changes in the fair value of such economic hedges are recoverable through regulated rates and any subsequent changes in the fair value of these derivatives are included in regulatory assets or regulatory liabilities.

The Registrants are exposed to a potential increase in interest expense and to changes in the fair value of their debt portfolios. The estimated impact of a 10% adverse movement in interest rates on interest expense at March 31, 2017 was insignificant for PPL, PPL Electric, LKE, LG&E and KU. The estimated impact of a 10% adverse movement in interest rates on the fair value of debt at March 31, 2017 is shown below.

	10% Adverse Movement in Rates
PPL	$ 563
PPL Electric	137
LKE	180
LG&E	66
KU	99

Foreign Currency Risk (PPL)

PPL is exposed to foreign currency risk primarily through investments in U.K. affiliates. Under its risk management program, PPL may enter into financial instruments to hedge certain foreign currency exposures, including translation risk of expected earnings, firm commitments, recognized assets or liabilities, anticipated transactions and net investments.

The following foreign currency hedges were outstanding at March 31, 2017.

	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Maturities Ranging Through
Economic hedges (b)	£ 2,840	$ 150	$ (333)	2019

(a) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability.
(b) To economically hedge the translation risk of expected earnings denominated in GBP.

(All Registrants)

Commodity Price Risk

PPL is exposed to commodity price risk through its domestic subsidiaries as described below.

- PPL Electric is exposed to commodity price risk from its obligation as PLR; however, its PUC-approved cost recovery mechanism substantially eliminates its exposure to this risk. PPL Electric also mitigates its exposure to commodity price risk by entering into full-requirement supply agreements to serve its PLR customers. These supply agreements transfer the commodity price risk associated with the PLR obligation to the energy suppliers.
- LG&E's and KU's rates include certain mechanisms for fuel and fuel-related expenses. In addition, LG&E's rates include a mechanism for natural gas supply expenses. These mechanisms generally provide for timely recovery of market price fluctuations associated with these expenses.

Volumetric Risk

PPL is exposed to volumetric risk through its subsidiaries as described below.

- WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K. Under the RIIO-ED1 price control period, recovery of such exposure occurs on a two year lag. See Note 1 in PPL's 2016 Form 10-K for additional information on revenue recognition under RIIO-ED1.
- PPL Electric, LG&E and KU are exposed to volumetric risk on retail sales, mainly due to weather and other economic conditions for which there is limited mitigation between rate cases.

Credit Risk *(All Registrants)*

See Notes 12 and 13 to the Financial Statements in this Form 10-Q and "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition - Risk Management - Credit Risk" in the Registrants' 2016 Form 10-K for additional information.

Foreign Currency Translation *(PPL)*

The value of the British pound sterling fluctuates in relation to the U.S. dollar. Changes in this exchange rate resulted in a foreign currency translation loss of $24 million for the three months ended March 31, 2017, which primarily reflected a $46 million decrease to PP&E and a $10 million decrease to goodwill partially offset by a $28 million decrease to long-term debt and a $4 million decrease to other net liabilities. Changes in this exchange rate resulted in a foreign currency translation loss of $466 million for the three months ended March 31, 2016, which primarily reflected a $909 million decrease to PP&E and a $214 million decrease to goodwill partially offset by a $557 million decrease to long-term debt and a $100 million decrease to other net liabilities. The impact of foreign currency translation is recorded in AOCI.

Related Party Transactions *(All Registrants)*

The Registrants are not aware of any material ownership interests or operating responsibility by senior management in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with the Registrants. See Note 10 to the Financial Statements for additional information on related party transactions for PPL Electric, LKE, LG&E and KU.

Acquisitions, Development and Divestitures *(All Registrants)*

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with, modify or terminate the projects. Any resulting transactions may impact future financial results. See Note 8 to the Financial Statements in the Registrants' 2016 Form 10-K for information on the more significant activities.

Environmental Matters *(All Registrants)*

Extensive federal, state and local environmental laws and regulations are applicable to PPL's, PPL Electric's, LKE's, LG&E's and KU's air emissions, water discharges and the management of hazardous and solid waste, as well as other aspects of the

Registrants' businesses. The cost of compliance or alleged non-compliance cannot be predicted with certainty but could be significant. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed. Costs may take the form of increased capital expenditures or operating and maintenance expenses, monetary fines, penalties or other restrictions. In addition, the regulatory reviews specified in the President's March 2017 Executive Order promoting energy independence and economic growth could result in future regulatory changes and additional uncertainty. Many of these environmental law considerations are also applicable to the operations of key suppliers, or customers, such as coal producers and industrial power users, and may impact the cost for their products or their demand for the Registrants' services. Increased capital and operating costs are subject to rate recovery. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

See Note 9 to the Financial Statements for a discussion of the more significant environmental matters including:
- Legal Matters,
- Climate Change,
- Coal Combustion Residuals,
- Effluent Limitations Guidelines, and
- National Ambient Air Quality Standards.

Additionally, see "Item 1. Business - Environmental Matters" in the Registrants' 2016 Form 10-K for additional information on environmental matters.

New Accounting Guidance *(All Registrants)*

See Note 17 to the Financial Statements for a discussion of new accounting guidance pending adoption.

Application of Critical Accounting Policies *(All Registrants)*

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following table summarizes the accounting policies by Registrant that are particularly important to an understanding of the reported financial condition or results of operations, and require management to make estimates or other judgments of matters that are inherently uncertain. See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Registrants' 2016 Form 10-K for a discussion of each critical accounting policy.

	PPL	PPL Electric	LKE	LG&E	KU
Defined Benefits	X	X	X	X	X
Income Taxes	X	X	X	X	X
Goodwill Impairment	X		X	X	X
AROs	X		X	X	X
Price Risk Management	X				
Regulatory Assets and Liabilities	X	X	X	X	X
Revenue Recognition - Unbilled Revenue			X	X	X

PPL Corporation
PPL Electric Utilities Corporation
LG&E and KU Energy LLC
Louisville Gas and Electric Company
Kentucky Utilities Company

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Reference is made to "Risk Management" in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The Registrants' principal executive officers and principal financial officers, based on their evaluation of the Registrants' disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) have concluded that, as of March 31, 2017, the Registrants' disclosure controls and procedures are effective to ensure that material information relating to the Registrants and their consolidated subsidiaries is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, particularly during the period for which this quarterly report has been prepared. The aforementioned principal officers have concluded that the disclosure controls and procedures are also effective to ensure that information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive and principal financial officers, to allow for timely decisions regarding required disclosure.

(b) Change in internal controls over financial reporting.

The Registrants' principal executive officers and principal financial officers have concluded that there were no changes in the Registrants' internal control over financial reporting during the Registrants' first fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrants' internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding pending administrative and judicial proceedings involving regulatory, environmental and other matters, which information is incorporated by reference into this Part II, see:

- "Item 3. Legal Proceedings" in each Registrant's 2016 Form 10-K; and
- Notes 6 and 9 to the Financial Statements.

Item 1A. Risk Factors

There have been no material changes in the Registrants' risk factors from those disclosed in "Item 1A. Risk Factors" of the Registrants' 2016 Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

Item 6. Exhibits

The following Exhibits indicated by an asterisk preceding the Exhibit number are filed herewith. The balance of the Exhibits has heretofore been filed with the Commission and pursuant to Rule 12(b)-32 are incorporated herein by reference. Exhibits indicated by a [_] are filed or listed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

*10(a)	- Third Amendment to Revolving Credit Agreement, dated as of March 17, 2017, to the Existing Credit Agreement, dated as of March 26, 2014, between PPL Capital Funding, Inc., the Borrower, PPL Corporation, the Guarantor, The Bank of Nova Scotia, as the Administrative Agent, Sole Lead Arranger and Sole Bookrunner, and each Lender
10(b)	- £230,000,000 Term Loan Agreement, dated March 28, 2017, between Western Power Distribution plc and HSBC Bank, PLC and Mizuho Bank, Ltd., as Mandated Lead Arrangers, and Mizuho Bank, Ltd., as Facility Agent (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 5, 2017)
*12(a)	- PPL Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(b)	- PPL Electric Utilities Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(c)	- LG&E and KU Energy LLC and Subsidiaries Computation of Ratio of Earnings to Fixed Charges
*12(d)	- Louisville Gas and Electric Company Computation of Ratio of Earnings to Fixed Charges
*12(e)	- Kentucky Utilities Company Computation of Ratio of Earnings to Fixed Charges

Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended March 31, 2017, filed by the following officers for the following companies:

*31(a)	- PPL Corporation's principal executive officer
*31(b)	- PPL Corporation's principal financial officer
*31(c)	- PPL Electric Utilities Corporation's principal executive officer
*31(d)	- PPL Electric Utilities Corporation's principal financial officer
*31(e)	- LG&E and KU Energy LLC's principal executive officer
*31(f)	- LG&E and KU Energy LLC's principal financial officer
*31(g)	- Louisville Gas and Electric Company's principal executive officer
*31(h)	- Louisville Gas and Electric Company's principal financial officer
*31(i)	- Kentucky Utilities Company's principal executive officer
*31(j)	- Kentucky Utilities Company's principal financial officer

Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended March 31, 2017, furnished by the following officers for the following companies:

*32(a)	- PPL Corporation's principal executive officer and principal financial officer
*32(b)	- PPL Electric Utilities Corporation's principal executive officer and principal financial officer
*32(c)	- LG&E and KU Energy LLC's principal executive officer and principal financial officer
*32(d)	- Louisville Gas and Electric Company's principal executive officer and principal financial officer
*32(e)	- Kentucky Utilities Company's principal executive officer and principal financial officer

101.INS	- XBRL Instance Document
101.SCH	- XBRL Taxonomy Extension Schema
101.CAL	- XBRL Taxonomy Extension Calculation Linkbase
101.DEF	- XBRL Taxonomy Extension Definition Linkbase
101.LAB	- XBRL Taxonomy Extension Label Linkbase
101.PRE	- XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiaries.

PPL Corporation

(Registrant)

Date: May 4, 2017

/s/ Stephen K. Breininger

Stephen K. Breininger
Vice President and Controller

(Principal Accounting Officer)

PPL Electric Utilities Corporation

(Registrant)

Date: May 4, 2017

/s/ Marlene C. Beers

Marlene C. Beers
Controller

(Principal Financial Officer and Principal Accounting Officer)

LG&E and KU Energy LLC

(Registrant)

Louisville Gas and Electric Company

(Registrant)

Kentucky Utilities Company

(Registrant)

Date: May 4, 2017

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Exhibit 10(a)
EXECUTION VERSION

THIRD AMENDMENT TO REVOLVING CREDIT AGREEMENT

THIS THIRD AMENDMENT TO REVOLVING CREDIT AGREEMENT, dated as of March 17, 2017 (this "Amendment"), to the Existing Credit Agreement (as defined below) is made by PPL CAPITAL FUNDING, INC., a Delaware corporation (the "Borrower"), PPL CORPORATION, a Pennsylvania corporation (the "Guarantor") and each Lender (such capitalized term and other capitalized terms used in this preamble and the recitals below to have the meanings set forth in, or are defined by reference in, Article I below).

W I T N E S S E T H:

WHEREAS, the Borrower, the Guarantor, the Lenders and The Bank of Nova Scotia, as the Administrative Agent, Sole Lead Arranger and Sole Bookrunner, are all parties to the Revolving Credit Agreement, dated as of March 26, 2014 (as amended or otherwise modified prior to the date hereof, the "Existing Credit Agreement", and as amended by this Amendment and as the same may be further amended, supplemented, amended and restated or otherwise modified from time to time, the "Credit Agreement"); and

WHEREAS, the Borrower has requested that the Lenders amend the Existing Credit Agreement in order to extend the maturity date therein and the Lenders are willing to modify the Existing Credit Agreement on the terms and subject to the conditions hereinafter set forth;

NOW, THEREFORE, the parties hereto hereby covenant and agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1. Certain Definitions. The following terms when used in this Amendment shall have the following meanings (such meanings to be equally applicable to the singular and plural forms thereof):

"Amendment" is defined in the preamble.

"Borrower" is defined in the preamble.

"Credit Agreement" is defined in the first recital.

"Existing Credit Agreement" is defined in the first recital.

"Guarantor" is defined in the preamble.

SECTION 1.2. Other Definitions. Terms for which meanings are provided in the Existing Revolving Credit Agreement are, unless otherwise defined herein or the context otherwise requires, used in this Amendment with such meanings.

ARTICLE II
AMENDMENTS TO THE EXISTING CREDIT AGREEMENT

Effective as of the date hereof, but subject to the satisfaction of the conditions in Article III,

(a) Section 1.1 of the Existing Credit Agreement is hereby amended by adding the following definitions in the appropriate alphabetical order:

"FCPA" has the meaning set forth in Section 5.16.

"Sanctioned Country" means a country, region or territory that is, or whose government is, the subject of comprehensive territorial Sanctions (currently, Crimea, Cuba, Iran, North Korea, Sudan, and Syria).

"Sanctions" means sanctions administered or enforced by OFAC, the U.S. State Department, the European Union, any European Union member state, Her Majesty's Treasury of the United Kingdom or any other applicable sanctions authority.

(b) Section 1.1 of the Existing Credit Agreement is hereby amended by deleting the definition "Sanctioned Entity" where it appears therein.

(c) Section 1.1 of the Existing Credit Agreement is hereby amended by amending and restating the following definitions in their entirety as follows:

"London Interbank Offered Rate" means for any Euro-Dollar Loan for any Interest Period, the rate which appears on the Bloomberg Page BBAM1 (or on such other substitute Bloomberg page that displays rates at which US dollar deposits are offered by leading banks in the London interbank deposit market), or the rate which is quoted by another source selected by the Administrative Agent which has been approved by the British Bankers' Association as an authorized information vendor for the purpose of displaying rates at which US dollar deposits are offered by leading banks in the London interbank deposit market (for purposes of this definition, an "Alternate Source"), at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period as the London interbank offered rate for Dollars for an amount comparable to such Euro-Dollar Loan and having a borrowing date and a maturity comparable to such Interest Period (or if there shall at any time, for any reason, no longer exist a Bloomberg Page BBAM1 (or any substitute page) or any Alternate Source, a comparable replacement rate determined by the Administrative Agent at such time (which determination shall be conclusive absent manifest error)). Notwithstanding the foregoing, if the London Interbank Offered Rate determined in accordance with the foregoing shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"Sanctioned Person" means a Person that is, or is owned or controlled by Persons that are, (i) the subject of any Sanctions, or (ii) located, organized or resident in a Sanctioned Country.

"Termination Date" means the earliest to occur of (i) March 16, 2018 and (ii) such earlier date upon which all Commitments shall have been terminated in their entirety in accordance with this Agreement.

(d) Sections 5.04(a), 5.04(c), 5.05 and 5.13 of the Existing Credit Agreement are hereby amended by replacing references to "December 31, 2015" with "December 31, 2016".

(e) Section 5.15 of the Existing Credit Agreement is hereby amended and restated in its entirety as follows:

Section 5.15. OFAC. None of the Borrower, the Guarantor or any Subsidiary of the Guarantor, nor, to the knowledge of the Guarantor or the Borrower, any director, officer, or Affiliate of the Borrower, the Guarantor or any of its Subsidiaries: (i) is a Sanctioned Person, (ii) has more than 10% of its assets in Sanctioned Persons or in Sanctioned Countries, or (iii) derives more than 10% of its operating income from investments in, or transactions with Sanctioned Persons or Sanctioned Countries.

(f) Article V of the Existing Credit Agreement is hereby amended by adding a new Section 5.16 as follows:

Section 5.16. Anti-Corruption. None of the Borrower, the Guarantor or any of its Subsidiaries, nor, to the knowledge of the Borrower or the Guarantor, any director, officer, agent, employee or other person acting on behalf of the Borrower or the Guarantor or any of its Subsidiaries is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the "FCPA") or any other applicable anti-corruption law; and the Loan Parties have instituted and maintain policies and procedures designed to ensure continued compliance therewith.

(g) Section 6.06 of the Existing Credit Agreement is hereby amended and restated in its entirety as follows:

Section 6.06. Use of Proceeds. The proceeds of the Loans made under this Agreement will be used by the Borrower for general corporate purposes of the Borrower and its Affiliates, including for working capital purposes and for making investments in or loans to the Guarantor and Affiliates of the Loan Parties. The Borrower will request the issuance of Letters of Credit solely for general corporate purposes of the Borrower and its Affiliates. No such use of the proceeds for general corporate purposes will be, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any Margin Stock within the meaning of Regulation U. The proceeds of any Loan will not be used, directly or indirectly, to fund any activities or business of or with any Sanctioned Person, or in any Sanctioned Country. No part of the proceeds of the Loans will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity in violation of the FCPA or any other applicable anti-corruption law.

ARTICLE III
CONDITIONS TO EFFECTIVENESS

This Amendment and the amendments contained herein shall become effective as of the date hereof when each of the conditions set forth in this Article III shall have been fulfilled to the satisfaction of the Administrative Agent.

SECTION 3.1. Counterparts. The Administrative Agent shall have received counterparts hereof executed on behalf of the Borrower, the Guarantor and the each of the Lenders.

SECTION 3.2. Costs and Expenses, etc. The Administrative Agent shall have received for the account of each Lender, all fees, costs and expenses due and payable pursuant to Section 9.03 of the Credit Agreement, if then invoiced.

SECTION 3.3. Resolutions, etc. The Administrative Agent shall have received from the Borrower and the Guarantor (i) a copy of a good standing certificate for such Loan Party, dated a date reasonably close to the date hereof and (ii) a certificate, dated as of the date hereof, of a Secretary or an Assistant Secretary of each Loan Party certifying (a) that attached thereto is a true, correct and complete copy of (x) the articles or certificate of incorporation of such Loan Party certified by the Secretary of State (or equivalent body) of the jurisdiction of incorporation of such Loan Party and (y) the bylaws of such Loan Party, and (b) that attached thereto is a true, correct and complete copy of resolutions adopted by the board of directors of such Loan Party authorizing the execution, delivery and performance of this Amendment and each other document delivered in connection herewith and that such resolutions have not been amended and are in full force.

SECTION 3.4. Opinion of Counsel. The Administrative Agent shall have received an opinion, dated the date hereof and addressed to the Administrative Agent and all Lenders, from counsel to the Borrower, in form and substance satisfactory to the Administrative Agent.

SECTION 3.1. Satisfactory Legal Form. The Administrative Agent and its counsel shall have received all information, and such counterpart originals or such certified or other copies of such materials, as the Administrative Agent or its counsel may reasonably request, and all legal matters incident to the effectiveness of this Amendment shall be satisfactory to the Administrative Agent and its counsel. All documents executed or submitted pursuant hereto or in connection herewith shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel.

ARTICLE IV
MISCELLANEOUS

SECTION 4.1. Cross-References. References in this Amendment to any Article or Section are, unless otherwise specified, to such Article or Section of this Amendment.

SECTION 4.2. Loan Document Pursuant to Existing Credit Agreement. This Amendment is a Loan Document executed pursuant to the Existing Credit Agreement and shall (unless otherwise expressly indicated therein) be construed, administered and applied in accordance with all of the terms and provisions of the Existing Credit Agreement, as amended hereby, including Article IX thereof.

SECTION 4.3. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 4.4. Counterparts. This Amendment may be executed by the parties hereto in several counterparts, each of which when executed and delivered shall be an original and all of which shall constitute together but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by facsimile shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 4.5. Governing Law. THIS AMENDMENT WILL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING FOR SUCH PURPOSE SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK).

SECTION 4.6. Full Force and Effect; Limited Amendment. Except as expressly amended hereby, all of the representations, warranties, terms, covenants, conditions and other provisions of the Existing Credit Agreement and the Loan Documents shall remain unchanged and shall continue to be, and shall remain, in full force and effect in accordance with their respective terms. The amendments set forth herein shall be limited precisely as provided for herein to the provisions expressly amended herein and shall not be deemed to be an amendment to, waiver of, consent to or modification of any other term or provision of the Existing Credit Agreement or any other Loan Document or of any transaction or further or future action on the part of any Obligor which would require the consent of the Lenders under the Existing Credit Agreement or any of the Loan Documents.

SECTION 4.7. Representations and Warranties. In order to induce the Lenders to execute and deliver this Amendment, the Borrower and Guarantor each hereby represents and warrants to the Lenders, on the date this Amendment becomes effective pursuant to Article III, that both before and after giving effect to this Amendment, all representations and warranties set forth in Article V of the Credit Agreement are true and correct as of such date, except to the extent that any such statement expressly relates to an earlier date (in which case such statement was true and correct on and as of such earlier date).

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment as of the date first above written.

PPL CAPITAL FUNDING, INC., as the Borrower

By: ______________________________
Name:
Title:

PPL CORPORATION, as the Guarantor

By: ______________________________
Name:
Title:

THE BANK OF NOVA SCOTIA, as the Administrative Agent and as a Lender

By: ______________________________
Name:
Title:

Exhibit 12(a)

PPL CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	Three Months Ended March 31,	Years Ended December 31,				
	2017	**2016**	**2015 (a)**	**2014 (a)**	**2013 (a)**	**2012 (a)**
Earnings, as defined:						
Income from Continuing Operations Before Income Taxes	**$ 532**	$ 2,550	$ 2,068	$ 2,129	$ 1,728	$ 1,406
Adjustment to reflect earnings from equity method investments on a cash basis (b)	**1**	(1)	(1)	—	—	34
	533	2,549	2,067	2,129	1,728	1,440
Total fixed charges as below	**222**	917	1,054	1,095	1,096	1,065
Less:						
Capitalized interest	**1**	4	11	11	11	6
Preferred security distributions of subsidiaries on a pre-tax basis	**—**	—	—	—	—	5
Interest expense and fixed charges related to discontinued operations	**—**	—	150	186	235	235
Total fixed charges included in Income from Continuing Operations Before Income Taxes	**221**	913	893	898	850	819
Total earnings	**$ 754**	$ 3,462	$ 2,960	$ 3,027	$ 2,578	$ 2,259
Fixed charges, as defined:						
Interest charges (c)	**$ 219**	$ 900	$ 1,038	$ 1,073	$ 1,058	$ 1,019
Estimated interest component of operating rentals	**3**	17	16	22	38	41
Preferred security distributions of subsidiaries on a pre-tax basis	**—**	—	—	—	—	5
Total fixed charges (d)	**$ 222**	$ 917	$ 1,054	$ 1,095	$ 1,096	$ 1,065
Ratio of earnings to fixed charges	**3.4**	3.8	2.8	2.8	2.4	2.1
Ratio of earnings to combined fixed charges and preferred stock dividends (e)	**3.4**	3.8	2.8	2.8	2.4	2.1

(a) Reflects PPL's former Supply segment as Discontinued Operations.

(b) Includes other-than-temporary impairment loss of $25 million in 2012.

(c) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.

(d) Interest on unrecognized tax benefits is not included in fixed charges.

(e) PPL, the parent holding company, does not have any preferred stock outstanding; therefore, the ratio of earnings to combined fixed charges and preferred stock dividends is the same as the ratio of earnings to fixed charges.

Exhibit 12(b)

PPL ELECTRIC UTILITIES CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	Three Months Ended March 31,	Years Ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**	**2012**
Earnings, as defined:						
Income Before Income Taxes	**$ 127**	$ 552	$ 416	$ 423	$ 317	$ 204
Total fixed charges as below	**35**	141	139	131	117	107
Total earnings	**$ 162**	$ 693	$ 555	$ 554	$ 434	$ 311
Fixed charges, as defined:						
Interest charges (a)	**$ 34**	$ 137	$ 135	$ 127	$ 113	$ 104
Estimated interest component of operating rentals	**1**	4	4	4	4	3
Total fixed charges (b)	**$ 35**	$ 141	$ 139	$ 131	$ 117	$ 107
Ratio of earnings to fixed charges	**4.6**	4.9	4.0	4.2	3.7	2.9
Preferred stock dividend requirements on a pre-tax basis	**$ —**	$ —	$ —	$ —	$ —	$ 6
Fixed charges, as above	**35**	141	139	131	117	107
Total fixed charges and preferred stock dividends	**$ 35**	$ 141	$ 139	$ 131	$ 117	$ 113
Ratio of earnings to combined fixed charges and preferred stock dividends	**4.6**	4.9	4.0	4.2	3.7	2.8

(a) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.

(b) Interest on unrecognized tax benefits is not included in fixed charges.

Exhibit 12(c)

LG&E AND KU ENERGY LLC AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Three Months Ended March 31,	Years Ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**	**2012**
Earnings, as defined:						
Income from Continuing Operations Before Income Taxes	**$ 166**	$ 686	$ 603	$ 553	$ 551	$ 331
Adjustment to reflect earnings from equity method investments on a cash basis (a)	**1**	(1)	(1)	(1)	(1)	33
	167	685	602	552	550	364
Total fixed charges as below	**55**	223	189	173	151	157
Total earnings	**$ 222**	$ 908	$ 791	$ 725	$ 701	$ 521
Fixed charges, as defined:						
Interest charges (b) (c)	**$ 53**	$ 214	$ 181	$ 167	$ 145	$ 151
Estimated interest component of operating rentals	**2**	9	8	6	6	6
Total fixed charges	**$ 55**	$ 223	$ 189	$ 173	$ 151	$ 157
Ratio of earnings to fixed charges	**4.0**	4.1	4.2	4.2	4.6	3.3

(a) Includes other-than-temporary impairment loss of $25 million in 2012.

(b) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

(c) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(d)

LOUISVILLE GAS AND ELECTRIC COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Three Months Ended March 31,	Years Ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**	**2012**
Earnings, as defined:						
Income Before Income Taxes	**$ 87**	$ 329	$ 299	$ 272	$ 257	$ 192
Total fixed charges as below	**18**	76	61	51	36	44
Total earnings	**$ 105**	$ 405	$ 360	$ 323	$ 293	$ 236
Fixed charges, as defined:						
Interest charges (a) (b)	**$ 17**	$ 71	$ 57	$ 49	$ 34	$ 42
Estimated interest component of operating rentals	**1**	5	4	2	2	2
Total fixed charges	**$ 18**	$ 76	$ 61	$ 51	$ 36	$ 44
Ratio of earnings to fixed charges	**5.8**	5.3	5.9	6.3	8.1	5.4

(a) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

(b) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(e)

KENTUCKY UTILITIES COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Three Months Ended March 31,	Years Ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**	**2012**
Earnings, as defined:						
Income Before Income Taxes	**$ 102**	$ 428	$ 374	$ 355	$ 360	$ 215
Adjustment to reflect earnings from equity method investments on a cash basis (a)	**1**	(1)	(1)	(1)	(1)	33
	103	427	373	354	359	248
Total fixed charges as below	**25**	100	86	80	73	72
Total earnings	**$ 128**	$ 527	$ 459	$ 434	$ 432	$ 320
Fixed charges, as defined:						
Interest charges (b)	**$ 24**	$ 96	$ 82	$ 77	$ 70	$ 69
Estimated interest component of operating rentals	**1**	4	4	3	3	3
Total fixed charges	**$ 25**	$ 100	$ 86	$ 80	$ 73	$ 72
Ratio of earnings to fixed charges	**5.1**	5.3	5.3	5.4	5.9	4.4

(a) Includes other-than-temporary impairment loss of $25 million in 2012.

(b) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

Exhibit 31(a)

CERTIFICATION

I, WILLIAM H. SPENCE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2017

/s/ William H. Spence

William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

Exhibit 31(b)

CERTIFICATION

I, VINCENT SORGI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2017

/s/ Vincent Sorgi

Vincent Sorgi
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

Exhibit 31(c)

CERTIFICATION

I, GREGORY N. DUDKIN, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2017

/s/ Gregory N. Dudkin

Gregory N. Dudkin
President
(Principal Executive Officer)
PPL Electric Utilities Corporation

Exhibit 31(d)

CERTIFICATION

I, MARLENE C. BEERS, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2017

/s/ Marlene C. Beers

Marlene C. Beers
Controller
(Principal Financial Officer)
PPL Electric Utilities Corporation

Exhibit 31(e)

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2017

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)
LG&E and KU Energy LLC

Exhibit 31(f)

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2017

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer)
LG&E and KU Energy LLC

Exhibit 31(g)

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2017

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)
Louisville Gas and Electric Company

Exhibit 31(h)

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2017

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer)
Louisville Gas and Electric Company

Exhibit 31(i)

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kentucky Utilities Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2017

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)
Kentucky Utilities Company

Exhibit 31(j)

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kentucky Utilities Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2017

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer)
Kentucky Utilities Company

Exhibit 32(a)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2017

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, William H. Spence, the Principal Executive Officer of the Company, and Vincent Sorgi, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2017

/s/ William H. Spence
William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

/s/ Vincent Sorgi
Vincent Sorgi
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(b)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ELECTRIC UTILITIES CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2017

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Gregory N. Dudkin, the Principal Executive Officer of the Company, and Marlene C. Beers, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2017

/s/ Gregory N. Dudkin
Gregory N. Dudkin
President
(Principal Executive Officer)
PPL Electric Utilities Corporation

/s/ Marlene C. Beers
Marlene C. Beers
Controller
(Principal Financial Officer)
PPL Electric Utilities Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(c)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LG&E AND KU ENERGY LLC'S FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2017

In connection with the quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "Company") for the quarter ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2017

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)
LG&E and KU Energy LLC

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer)
LG&E and KU Energy LLC

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(d)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LOUISVILLE GAS AND ELECTRIC COMPANY'S FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2017

In connection with the quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "Company") for the quarter ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2017

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)
Louisville Gas and Electric Company

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer)
Louisville Gas and Electric Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(e)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR KENTUCKY UTILITIES COMPANY'S FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2017

In connection with the quarterly report on Form 10-Q of Kentucky Utilities Company (the "Company") for the quarter ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2017

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)
Kentucky Utilities Company

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer)
Kentucky Utilities Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.