

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

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended September 30, 2021  
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	<b>PPL Corporation</b> (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	<b>PPL Electric Utilities Corporation</b> (Exact name of Registrant as specified in its charter) Pennsylvania Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-0959590
1-2893	<b>Louisville Gas and Electric Company</b> (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	<b>Kentucky Utilities Company</b> (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

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Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol:</u>	<u>Name of each exchange on which registered</u>
Common Stock of PPL Corporation	PPL	New York Stock Exchange
Junior Subordinated Notes of PPL Capital Funding, Inc. 2007 Series A due 2067	PPL/67	New York Stock Exchange

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

PPL Corporation	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
PPL Electric Utilities Corporation	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Louisville Gas and Electric Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Kentucky Utilities Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

Indicate by check mark whether the registrants have submitted electronically every Interactive Data File required to be submitted 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 such files).

PPL Corporation	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
PPL Electric Utilities Corporation	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Louisville Gas and Electric Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Kentucky Utilities Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, 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	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PPL Electric Utilities Corporation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Louisville Gas and Electric Company	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kentucky Utilities Company	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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	<input type="checkbox"/>
PPL Electric Utilities Corporation	<input type="checkbox"/>
Louisville Gas and Electric Company	<input type="checkbox"/>
Kentucky Utilities Company	<input type="checkbox"/>

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

PPL Corporation	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
PPL Electric Utilities Corporation	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Louisville Gas and Electric Company	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Kentucky Utilities Company	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>

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

PPL Corporation	Common stock, \$0.01 par value, 750,715,902 shares outstanding at October 31, 2021.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at October 31, 2021.
Louisville Gas and Electric Company	Common stock, no par value, 21,294,223 shares outstanding and all held by LG&E and KU Energy LLC at October 31, 2021.
Kentucky Utilities Company	Common stock, no par value, 37,817,878 shares outstanding and all held by LG&E and KU Energy LLC at October 31, 2021.

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

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**PPL CORPORATION**  
**PPL ELECTRIC UTILITIES CORPORATION**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**KENTUCKY UTILITIES COMPANY**

FORM 10-Q  
FOR THE QUARTER ENDED SEPTEMBER 30, 2021

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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, 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.

Unless otherwise specified, references in this Report, individually, to PPL Corporation, PPL Electric Utilities Corporation, 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' financial statements in accordance with GAAP. This presentation has been applied where identification of particular subsidiaries is not material to the matter being disclosed, and to conform narrative disclosures to the presentation of financial information on a consolidated basis.

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## GLOSSARY OF TERMS AND ABBREVIATIONS

### **PPL Corporation and its subsidiaries**

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

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

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

**LKS** - LG&E and KU Services Company, a subsidiary of LKE that provides administrative, management, and support services primarily to LG&E and KU, as well as to LKE and its other 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 fully and unconditionally 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 Energy Holdings** - PPL Energy Holdings, LLC, a subsidiary of PPL and the parent holding company of PPL Energy Funding, LKE 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, prior to the sale of the U.K. utility business on June 14, 2021, primarily through its subsidiaries, owned and operated WPD, PPL's regulated electricity distribution businesses in the U.K. PPL Global was not included in the sale of the U.K. utility business on June 14, 2021.

**PPL Rhode Island Holdings** - PPL Rhode Island Holdings, LLC, a subsidiary of PPL Energy Holdings formed for the purpose of acquiring Narragansett Electric to which certain interests of PPL Energy Holdings in the Narragansett SPA were assigned.

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

**PPL WPD Limited** - PPL WPD Limited, a U.K. subsidiary of PPL Global. Prior to the sale of the U.K. utility business on June 14, 2021, PPL WPD Limited was an indirect parent to WPD. PPL WPD Limited was not included in the sale of the U.K. utility business on June 14, 2021.

**Safari Energy** - Safari Energy, LLC, a subsidiary of PPL, acquired in June 2018, that provides solar energy solutions for commercial customers in the U.S.

**Other terms and abbreviations**

**£** - British pound sterling.

**2020 Form 10-K** - Annual Report to the SEC on Form 10-K for the year ended December 31, 2020.

**Act 11** - Act 11 of 2012 that became effective on April 16, 2012. The Pennsylvania legislation authorized 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 (AEPS).

**Act 129 Smart Meter program** - PPL Electric's system wide meter replacement program that installs wireless digital meters that provide secure communication between PPL Electric and the meter as well as all related infrastructure.

**Adjusted Gross 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).

**Advanced Metering Infrastructure** - meters and meter reading infrastructure 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.

**AFUDC** - allowance for funds used during construction. The cost of equity and debt funds used to finance construction projects of regulated businesses, which is capitalized as part of construction costs.

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

**ARO** - asset retirement obligation.

**ATM Program** - at-the-market stock offering program.

**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.

**COVID-19** - the disease caused by the novel coronavirus identified in 2019 that caused a global pandemic.

**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. A CPCN is required for any capital addition, subject to KPSC jurisdiction, in excess of \$100 million.

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

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

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

**DSIC** - 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(s)** - greenhouse gas(es).

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

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

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

**LIBOR** - London Interbank Offered Rate.

**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.

**Narragansett Electric** - The Narragansett Electric Company, an entity that serves electric and natural gas customers in Rhode Island. In March 2021, PPL and its subsidiary, PPL Energy Holdings announced a pending acquisition of Narragansett Electric.

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

**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.

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

**OVEC** - Ohio Valley Electric Corporation, located in Piketon, Ohio, an entity in which LG&E owns a 5.63% interest and KU owns a 2.50% interest, which are recorded at cost. OVEC owns and operates two coal-fired power plants, the Kyger Creek plant in Ohio and the Clifty Creek plant in Indiana, with combined capacities of 2,120 MW.

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

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

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

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

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

**PPL WPD Investments Limited** – PPL WPD Investments Limited, which was, prior to the sale of the U.K. utility business on June 14, 2021, a subsidiary of PPL WPD Limited and parent to WPD plc. PPL WPD Investments Limited was included in the sale of the U.K. utility business on June 14, 2021.

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

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

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

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

**Riverstone** - Riverstone Holdings LLC, a Delaware limited liability company and, as of December 6, 2016, ultimate parent company of the entities that own the competitive power generation business contributed to Talen Energy.

**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.

**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.

**S&P** - S&P Global Ratings, a credit rating agency.

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

**Talen Energy** - Talen Energy Corporation, the Delaware corporation formed to be the publicly traded company and owner of the competitive generation assets of PPL Energy Supply and certain affiliates of Riverstone, which as of December 6, 2016, became wholly owned by Riverstone.

**Talen Energy Marketing** - Talen Energy Marketing, LLC, the successor name of PPL EnergyPlus after the spinoff of PPL Energy Supply that marketed and traded wholesale and retail electricity and gas, and supplied energy and energy services in competitive markets, after the June 1, 2015 spinoff of PPL Energy Supply.

**TCJA** - Tax Cuts and Jobs Act. Comprehensive U.S. federal tax legislation enacted on December 22, 2017.

**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.

**U.K. utility business** – PPL WPD Investments Limited and its subsidiaries, including, notably, WPD plc and the four DNOs, which substantially represented PPL's U.K. Regulated segment. The U.K. utility business was sold on June 14, 2021.

**VEBA** - Voluntary Employee Beneficiary Association. A tax-exempt trust under the Internal Revenue Code Section 501(c)(9) used by employers to fund and pay eligible medical, life and similar benefits.

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

**WPD** - Prior to the sale of the U.K. utility business on June 14, 2021, refers to PPL WPD Limited and its subsidiaries. WPD was included in the sale of the U.K. utility business on June 14, 2021.

**WPD (East Midlands)** - Western Power Distribution (East Midlands) plc, a British regional electricity distribution utility company. WPD (East Midlands) was included in the sale of the U.K. utility business on June 14, 2021.

**WPD plc** - Western Power Distribution plc, a U.K. indirect 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 plc was included in the sale of the U.K. utility business on June 14, 2021.

**WPD Midlands** - refers to WPD (East Midlands) and WPD (West Midlands), collectively. WPD Midlands was included in the sale of the U.K. utility business on June 14, 2021.

**WPD (South Wales)** - Western Power Distribution (South Wales) plc, a British regional electricity distribution utility company. WPD (South Wales) was included in the sale of the U.K. utility business on June 14, 2021.

**WPD (South West)** - Western Power Distribution (South West) plc, a British regional electricity distribution utility company. WPD (South West) was included in the sale of the U.K. utility business on June 14, 2021.

**WPD (West Midlands)** - Western Power Distribution (West Midlands) plc, a British regional electricity distribution utility company. WPD (West Midlands) was included in the sale of the U.K. utility business on June 14, 2021.

## 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 2020 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 and adversely from the forward-looking statements:

- strategic acquisitions, dispositions, or similar transactions, including the expected acquisition of Narragansett Electric, and our ability to consummate these business transactions or realize expected benefits from them;
- the COVID-19 pandemic and its continuing impact on economic conditions and financial markets;
- other pandemic health events or other catastrophic events such as fires, earthquakes, explosions, floods, droughts, tornadoes, hurricanes, and other extreme weather-related events (including events potentially caused or exacerbated by climate change);
- the outcome of rate cases or other cost recovery or revenue proceedings;
- changes in state or federal tax laws or regulations;
- the direct or indirect effects on PPL or its subsidiaries or business systems of cyber-based intrusion or the threat of cyberattacks;
- significant decreases in demand for electricity;
- expansion of alternative and distributed sources of electricity generation and storage;
- the effectiveness of our risk management programs, including interest rate hedging;
- 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 their 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 the corporate credit ratings or securities analyst rankings of the Registrants and their securities;
- any requirement to record impairment charges pursuant to GAAP with respect to any of our significant investments;
- laws or regulations to reduce emissions of GHGs or the physical effects of climate change;
- continuing ability to access fuel supply for LG&E and KU, as well as the ability to recover fuel costs and environmental expenditures in a timely manner at LG&E and KU and natural gas supply costs at LG&E;
- weather and other conditions affecting generation, transmission and distribution operations, operating costs and customer energy use;
- war, armed conflicts, terrorist attacks, or similar disruptive events;
- 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;
- collective labor bargaining negotiations; and
- the outcome of litigation involving the Registrants and their subsidiaries.

Any forward-looking statements should be considered in light of these 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 the statement to reflect subsequent developments or information.

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

(Unaudited)

(Millions of Dollars, except share data)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Operating Revenues</b>	<b>\$ 1,512</b>	<b>\$ 1,400</b>	<b>\$ 4,298</b>	<b>\$ 4,103</b>
<b>Operating Expenses</b>				
Operation				
Fuel	195	177	531	478
Energy purchases	167	136	524	470
Other operation and maintenance	393	346	1,164	1,054
Depreciation	274	257	810	762
Taxes, other than income	52	47	153	131
Total Operating Expenses	<u>1,081</u>	<u>963</u>	<u>3,182</u>	<u>2,895</u>
<b>Operating Income</b>	<b>431</b>	<b>437</b>	<b>1,116</b>	<b>1,208</b>
Other Income (Expense) - net	12	6	25	11
Interest Expense	<u>183</u>	<u>161</u>	<u>810</u>	<u>479</u>
<b>Income (Loss) from Continuing Operations Before Income Taxes</b>	<b>260</b>	<b>282</b>	<b>331</b>	<b>740</b>
Income Taxes	<u>51</u>	<u>165</u>	<u>455</u>	<u>266</u>
<b>Income (Loss) from Continuing Operations After Income Taxes</b>	<b>209</b>	<b>117</b>	<b>(124)</b>	<b>474</b>
Income (Loss) from Discontinued Operations (net of income taxes) (Note 9)	<u>(2)</u>	<u>164</u>	<u>(1,490)</u>	<u>705</u>
<b>Net Income (Loss)</b>	<b><u>\$ 207</u></b>	<b><u>\$ 281</u></b>	<b><u>\$ (1,614)</u></b>	<b><u>\$ 1,179</u></b>
<b>Earnings Per Share of Common Stock:</b>				
<b>Basic and Diluted</b>				
Income (Loss) from Continuing Operations After Income Taxes	<u>\$ 0.27</u>	<u>\$ 0.15</u>	<u>\$ (0.16)</u>	<u>\$ 0.62</u>
Income (Loss) from Discontinued Operations (net of income taxes)	<u>—</u>	<u>0.22</u>	<u>(1.94)</u>	<u>0.91</u>
Net Income (Loss) Available to PPL Common Shareowners	<u><u>\$ 0.27</u></u>	<u><u>\$ 0.37</u></u>	<u><u>\$ (2.10)</u></u>	<u><u>\$ 1.53</u></u>
<b>Weighted-Average Shares of Common Stock Outstanding (in thousands)</b>				
Basic	<b>767,733</b>	768,786	<b>768,781</b>	768,502
Diluted	<b>769,849</b>	769,660	<b>768,781</b>	769,270

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

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

### PPL Corporation and Subsidiaries

(Unaudited)  
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Net income (loss)</b>	<b>\$ 207</b>	<b>\$ 281</b>	<b>\$ (1,614)</b>	<b>\$ 1,179</b>
<b>Other comprehensive income (loss):</b>				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Foreign currency translation adjustments, net of tax of \$0, \$0, (\$123), \$1	—	643	372	291
Qualifying derivatives, net of tax of \$0, \$12, \$11, \$4	—	(52)	(39)	(16)
Defined benefit plans:				
Net actuarial gain (loss), net of tax of \$4, \$5, \$6, \$6	(12)	(16)	(18)	(17)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Qualifying derivatives, net of tax of \$0, (\$12), (\$4), (\$8)	1	48	25	25
Defined benefit plans:				
Prior service costs, net of tax of (\$3), (\$1), (\$1), (\$1)	9	—	2	2
Net actuarial (gain) loss, net of tax of (\$4), (\$12), (\$30), (\$35)	10	52	117	146
Reclassifications from AOCI due to sale of the U.K. utility business - (gains) losses, net of tax expense (benefit):				
Foreign currency translation adjustments, net of tax of \$0, \$0, \$140, \$0	—	—	786	—
Qualifying derivatives, net of tax of \$0, \$0, \$0, \$0	—	—	15	—
Defined benefit plans:				
Prior service costs, net of tax of \$0, \$0, (\$2), \$0	—	—	8	—
Net actuarial (gain) loss, net of tax of \$0, \$0, (\$798), \$0	—	—	2,769	—
Total other comprehensive income (loss)	8	675	4,037	431
<b>Comprehensive income (loss)</b>	<b>\$ 215</b>	<b>\$ 956</b>	<b>\$ 2,423</b>	<b>\$ 1,610</b>

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)

	Nine Months Ended September 30,	
	2021	2020
<b>Cash Flows from Operating Activities</b>		
Net income (loss)	\$ (1,614)	\$ 1,179
Loss (income) from discontinued operations (net of income taxes)	1,490	(705)
Income from continuing operations (net of income taxes)	(124)	474
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	810	762
Amortization	30	40
Deferred income taxes and investment tax credits	51	164
Impairment of solar panels	37	—
Loss on extinguishment of debt	395	—
Other	7	33
Change in current assets and current liabilities		
Accounts payable	(32)	(33)
Unbilled revenues	67	93
Prepayments	(33)	(43)
Taxes payable	75	94
Regulatory assets and liabilities, net	50	(44)
Other	46	147
Other operating activities		
Defined benefit plans - funding	(41)	(61)
Other assets	(105)	(7)
Other liabilities	19	(40)
Net cash provided by operating activities - continuing operations	1,252	1,579
Net cash provided by operating activities - discontinued operations	726	668
Net cash provided by operating activities	1,978	2,247
<b>Cash Flows from Investing Activities</b>		
Expenditures for property, plant and equipment	(1,460)	(1,690)
Proceeds from sale of discontinued operations, net of cash divested	10,560	—
Other investing activities	(22)	—
Net cash provided by (used in) investing activities - continuing operations	9,078	(1,690)
Net cash provided by (used in) investing activities - discontinued operations	(607)	(668)
Net cash provided by (used in) investing activities	8,471	(2,358)
<b>Cash Flows from Financing Activities</b>		
Issuance of long-term debt	650	1,598
Retirement of long-term debt	(4,606)	(975)
Proceeds from project financing	21	152
Issuance of common stock	5	32
Payment of common stock dividends	(961)	(956)
Purchase of treasury stock	(282)	—
Issuance of term loan	—	300
Retirement of term loan	(300)	—
Retirement of commercial paper	(73)	—
Net increase (decrease) in short-term debt	(795)	(213)
Other financing activities	(29)	(21)
Net cash provided by (used in) financing activities - continuing operations	(6,370)	(83)
Net cash provided by (used in) financing activities - discontinued operations	(411)	78
Contributions (to) from discontinued operations	365	38
Net cash provided by (used in) financing activities	(6,416)	33
<b>Effect of Exchange Rates on Cash, Cash Equivalents and Restricted Cash included in Discontinued Operations</b>	8	(6)
<b>Net (Increase) Decrease in Cash, Cash Equivalents and Restricted Cash included in Discontinued Operations</b>	284	(72)
<b>Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash</b>	4,325	(156)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	443	660
Cash, Cash Equivalents and Restricted Cash at End of Period	\$ 4,768	\$ 504
<b>Supplemental Disclosures of Cash Flow Information</b>		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at September 30,	\$ 214	\$ 228

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)

	September 30, 2021	December 31, 2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,767	\$ 442
Accounts receivable (less reserve: 2021, \$61; 2020, \$71)		
Customer	578	603
Other	73	86
Unbilled revenues (less reserve: 2021, \$2; 2020, \$4)	233	301
Fuel, materials and supplies	304	302
Prepayments	90	53
Other current assets	92	130
Current assets held for sale (Note 9)	—	18,983
Total Current Assets	<u>6,137</u>	<u>20,900</u>
<b>Property, Plant and Equipment</b>		
Regulated utility plant	30,056	29,040
Less: accumulated depreciation - regulated utility plant	6,434	6,008
Regulated utility plant, net	<u>23,622</u>	<u>23,032</u>
Non-regulated property, plant and equipment	269	237
Less: accumulated depreciation - non-regulated property, plant and equipment	41	37
Non-regulated property, plant and equipment, net	<u>228</u>	<u>200</u>
Construction work in progress	1,356	1,268
Property, Plant and Equipment, net	<u>25,206</u>	<u>24,500</u>
<b>Other Noncurrent Assets</b>		
Regulatory assets	1,286	1,262
Goodwill	716	716
Other intangibles	344	351
Other noncurrent assets (less reserve for accounts receivable: 2021, \$5; 2020 \$0)	482	387
Total Other Noncurrent Assets	<u>2,828</u>	<u>2,716</u>
<b>Total Assets</b>	<u>\$ 34,171</u>	<u>\$ 48,116</u>

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)

	September 30, 2021	December 31, 2020
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Short-term debt	\$ —	\$ 1,168
Long-term debt due within one year	474	1,074
Accounts payable	635	745
Taxes	144	69
Interest	138	113
Dividends	318	319
Regulatory liabilities	187	79
Other current liabilities	447	465
Current liabilities held for sale (Note 9)	—	11,023
Total Current Liabilities	2,343	15,055
<b>Long-term Debt</b>	10,665	13,615
<b>Deferred Credits and Other Noncurrent Liabilities</b>		
Deferred income taxes	3,108	2,536
Investment tax credits	120	122
Accrued pension obligations	195	189
Asset retirement obligations	160	132
Regulatory liabilities	2,452	2,530
Other deferred credits and noncurrent liabilities	552	564
Total Deferred Credits and Other Noncurrent Liabilities	6,587	6,073
<b>Commitments and Contingent Liabilities (Notes 7 and 11)</b>		
<b>Equity</b>		
Common stock - \$0.01 par value (a)	8	8
Additional paid-in capital	12,290	12,270
Treasury stock	(282)	—
Earnings reinvested	2,743	5,315
Accumulated other comprehensive loss	(183)	(4,220)
Total Equity	14,576	13,373
<b>Total Liabilities and Equity</b>	<b>\$ 34,171</b>	<b>\$ 48,116</b>

(a) 1,560,000 shares authorized, 769,723 shares issued and 760,109 shares outstanding at September 30, 2021. 1,560,000 shares authorized; 768,907 shares issued and outstanding at December 31, 2020.

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	Treasury stock	Earnings reinvested	Accumulated other comprehensive loss	Total
<b>June 30, 2021</b>	769,564	\$ 8	\$ 12,281	\$ —	\$ 2,854	\$ (191)	\$ 14,952
Common stock issued	159		4				4
Treasury stock acquired	(9,614)			(282)			(282)
Stock-based compensation			5				5
Net income (loss)					207		207
Dividends and dividend equivalents (b)					(318)		(318)
Other comprehensive income (loss)						8	8
<b>September 30, 2021</b>	<u>760,109</u>	<u>\$ 8</u>	<u>\$ 12,290</u>	<u>\$ (282)</u>	<u>\$ 2,743</u>	<u>\$ (183)</u>	<u>\$ 14,576</u>
<b>December 31, 2020</b>	768,907	\$ 8	12,270	\$ —	\$ 5,315	\$ (4,220)	\$ 13,373
Common stock issued	816		24				24
Treasury stock acquired	(9,614)			(282)			(282)
Stock-based compensation			(4)				(4)
Net income (loss)					(1,614)		(1,614)
Dividends and dividend equivalents (b)					(958)		(958)
Other comprehensive income (loss)						4,037	4,037
<b>September 30, 2021</b>	<u>760,109</u>	<u>\$ 8</u>	<u>\$ 12,290</u>	<u>\$ (282)</u>	<u>\$ 2,743</u>	<u>\$ (183)</u>	<u>\$ 14,576</u>
<b>June 30, 2020</b>	768,783	\$ 8	12,255	\$ —	\$ 5,383	\$ (4,602)	\$ 13,044
Common stock issued	14		1				1
Stock-based compensation			4				4
Net income (loss)					281		281
Dividends and dividend equivalents (b)					(319)		(319)
Other comprehensive income (loss)						675	675
<b>September 30, 2020</b>	<u>768,797</u>	<u>\$ 8</u>	<u>\$ 12,260</u>	<u>\$ —</u>	<u>\$ 5,345</u>	<u>\$ (3,927)</u>	<u>\$ 13,686</u>
<b>December 31, 2019</b>	767,233	\$ 8	12,214	\$ —	\$ 5,127	\$ (4,358)	\$ 12,991
Common stock issued	1,564		48				48
Stock-based compensation			(2)				(2)
Net income (loss)					1,179		1,179
Dividends and dividend equivalents (b)					(959)		(959)
Other comprehensive income (loss)						431	431
Adoption of financial instrument credit losses guidance cumulative effect adjustment					(2)		(2)
<b>September 30, 2020</b>	<u>768,797</u>	<u>\$ 8</u>	<u>\$ 12,260</u>	<u>\$ —</u>	<u>\$ 5,345</u>	<u>\$ (3,927)</u>	<u>\$ 13,686</u>

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

(b) Dividends declared per share of common stock were \$0.415 and \$1.245 for the three and nine months ended September 30, 2021 and September 30, 2020.

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

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# CONDENSED CONSOLIDATED STATEMENTS OF INCOME

## PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)  
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Operating Revenues</b>	<b>\$ 627</b>	<b>\$ 586</b>	<b>\$ 1,769</b>	<b>\$ 1,748</b>
<b>Operating Expenses</b>				
Operation				
Energy purchases	143	118	402	373
Other operation and maintenance	147	122	400	388
Depreciation	105	102	322	301
Taxes, other than income	30	30	88	78
Total Operating Expenses	425	372	1,212	1,140
<b>Operating Income</b>	<b>202</b>	<b>214</b>	<b>557</b>	<b>608</b>
Other Income (Expense) - net	6	7	16	15
Interest Income from Affiliate	2	1	2	2
Interest Expense	39	44	124	130
<b>Income Before Income Taxes</b>	<b>171</b>	<b>178</b>	<b>451</b>	<b>495</b>
Income Taxes	45	44	116	125
<b>Net Income (a)</b>	<b>\$ 126</b>	<b>\$ 134</b>	<b>\$ 335</b>	<b>\$ 370</b>

(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)

	Nine Months Ended September 30,	
	2021	2020
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 335	\$ 370
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	322	301
Amortization	14	21
Defined benefit plans - expense (income)	(7)	(1)
Deferred income taxes and investment tax credits	75	68
Other	(15)	—
Change in current assets and current liabilities		
Accounts receivable	(24)	(35)
Accounts payable	(39)	(7)
Unbilled revenues	37	54
Materials and supplies	3	(23)
Prepayments	(32)	(30)
Regulatory assets and liabilities, net	81	(31)
Other	5	1
Other operating activities		
Defined benefit plans - funding	(21)	(21)
Other assets	(18)	(20)
Other liabilities	(12)	9
Net cash provided by operating activities	<u>704</u>	<u>656</u>
<b>Cash Flows from Investing Activities</b>		
Expenditures for property, plant and equipment	(680)	(840)
Increase in notes receivable from affiliate	(575)	—
Other investing activities	(1)	(4)
Net cash used in investing activities	<u>(1,256)</u>	<u>(844)</u>
<b>Cash Flows from Financing Activities</b>		
Issuance of long-term debt	650	—
Retirement of long-term debt	(400)	—
Contributions from parent	1,075	740
Return of capital to parent	(500)	(745)
Payment of common stock dividends to parent	(251)	(323)
Net increase in short-term debt	—	280
Other financing activities	(3)	—
Net cash provided by (used in) financing activities	<u>571</u>	<u>(48)</u>
<b>Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash</b>	<b>19</b>	<b>(236)</b>
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	<b>40</b>	<b>264</b>
Cash, Cash Equivalents and Restricted Cash at End of Period	<u><b>\$ 59</b></u>	<u><b>\$ 28</b></u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
<b>Significant non-cash transactions:</b>		
Accrued expenditures for property, plant and equipment at September 30,	\$ 131	\$ 150

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)

	September 30, 2021	December 31, 2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 59	\$ 40
Accounts receivable (less reserve: 2021, \$30; 2020, \$41)		
Customer	295	311
Other	27	17
Accounts receivable from affiliates	11	10
Notes receivable from affiliate	575	—
Unbilled revenues (less reserve: 2021, \$1; 2020, \$2)	84	121
Materials and supplies	59	59
Prepayments	41	9
Regulatory assets	32	40
Other current assets	16	13
Total Current Assets	1,199	620
<b>Property, Plant and Equipment</b>		
Regulated utility plant	13,927	13,514
Less: accumulated depreciation - regulated utility plant	3,387	3,297
Regulated utility plant, net	10,540	10,217
Construction work in progress	629	592
Property, Plant and Equipment, net	11,169	10,809
<b>Other Noncurrent Assets</b>		
Regulatory assets	510	541
Intangibles	269	268
Pension benefit asset	49	12
Other noncurrent assets (less reserve for accounts receivable: 2021, \$5; 2020, \$0)	124	74
Total Other Noncurrent Assets	952	895
<b>Total Assets</b>	<b>\$ 13,320</b>	<b>\$ 12,324</b>

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)

	September 30, 2021	December 31, 2020
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Long-term debt due within one year	\$ 474	\$ 400
Accounts payable	351	428
Accounts payable to affiliates	44	39
Taxes	16	17
Interest	45	39
Regulatory liabilities	146	68
Other current liabilities	103	105
Total Current Liabilities	1,179	1,096
<b>Long-term Debt</b>	4,009	3,836
<b>Deferred Credits and Other Noncurrent Liabilities</b>		
Deferred income taxes	1,656	1,559
Accrued pension obligations	8	8
Regulatory liabilities	565	578
Other deferred credits and noncurrent liabilities	120	123
Total Deferred Credits and Other Noncurrent Liabilities	2,349	2,268
<b>Commitments and Contingent Liabilities (Notes 7 and 11)</b>		
<b>Equity</b>		
Common stock - no par value (a)	364	364
Additional paid-in capital	4,328	3,753
Earnings reinvested	1,091	1,007
Total Equity	5,783	5,124
<b>Total Liabilities and Equity</b>	<b>\$ 13,320</b>	<b>\$ 12,324</b>

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at September 30, 2021 and December 31, 2020.

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
<b>June 30, 2021</b>	66,368	\$ 364	\$ 4,503	\$ 1,015	\$ 5,882
Net income				126	126
Capital contributions from parent			325		325
Return of capital to parent			(500)		(500)
Dividends declared on common stock				(50)	(50)
<b>September 30, 2021</b>	<u>66,368</u>	<u>\$ 364</u>	<u>\$ 4,328</u>	<u>\$ 1,091</u>	<u>\$ 5,783</u>
<b>December 31, 2020</b>	66,368	\$ 364	\$ 3,753	\$ 1,007	\$ 5,124
Net income				335	335
Capital contributions from parent			1,075		1,075
Return of capital to parent			(500)		(500)
Dividends declared on common stock				(251)	(251)
<b>September 30, 2021</b>	<u>66,368</u>	<u>\$ 364</u>	<u>\$ 4,328</u>	<u>\$ 1,091</u>	<u>\$ 5,783</u>
<b>June 30, 2020</b>	66,368	\$ 364	\$ 3,553	\$ 900	\$ 4,817
Net income				134	134
Capital contributions from parent			485		485
Return of capital to parent			(485)		(485)
Dividends declared on common stock				(77)	(77)
<b>September 30, 2020</b>	<u>66,368</u>	<u>\$ 364</u>	<u>\$ 3,553</u>	<u>\$ 957</u>	<u>\$ 4,874</u>
<b>December 31, 2019</b>	66,368	\$ 364	\$ 3,558	\$ 910	\$ 4,832
Net income				370	370
Capital contributions from PPL			740		740
Return of capital to parent			(745)		(745)
Dividends declared on common stock				(323)	(323)
<b>September 30, 2020</b>	<u>66,368</u>	<u>\$ 364</u>	<u>\$ 3,553</u>	<u>\$ 957</u>	<u>\$ 4,874</u>

(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 STATEMENTS OF INCOME

### Louisville Gas and Electric Company

(Unaudited)  
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Operating Revenues</b>				
Retail and wholesale	\$ 393	\$ 362	\$ 1,147	\$ 1,075
Electric revenue from affiliate	2	1	18	17
<b>Total Operating Revenues</b>	<b>395</b>	<b>363</b>	<b>1,165</b>	<b>1,092</b>
<b>Operating Expenses</b>				
Operation				
Fuel	70	64	203	188
Energy purchases	19	13	108	83
Energy purchases from affiliate	8	8	16	16
Other operation and maintenance	97	93	290	277
Depreciation	72	64	206	193
Taxes, other than income	12	11	34	30
<b>Total Operating Expenses</b>	<b>278</b>	<b>253</b>	<b>857</b>	<b>787</b>
<b>Operating Income</b>	<b>117</b>	<b>110</b>	<b>308</b>	<b>305</b>
Other Income (Expense) - net	2	(1)	3	(1)
Interest Expense	20	22	61	66
<b>Income Before Income Taxes</b>	<b>99</b>	<b>87</b>	<b>250</b>	<b>238</b>
Income Taxes	17	16	48	47
<b>Net Income (a)</b>	<b>\$ 82</b>	<b>\$ 71</b>	<b>\$ 202</b>	<b>\$ 191</b>

(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)

	Nine Months Ended September 30,	
	2021	2020
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 202	\$ 191
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	206	193
Amortization	1	6
Defined benefit plans - expense	—	2
Deferred income taxes and investment tax credits	4	1
Change in current assets and current liabilities		
Accounts receivable	4	6
Accounts receivable from affiliates	(2)	7
Accounts payable	19	(23)
Accounts payable to affiliates	(13)	(8)
Unbilled revenues	19	22
Fuel, materials and supplies	(7)	9
Regulatory assets and liabilities, net	(14)	5
Taxes payable	5	(1)
Accrued interest	17	18
Other	(8)	(13)
Other operating activities		
Defined benefit plans - funding	(3)	(6)
Expenditures for asset retirement obligations	(19)	(12)
Other assets	(3)	(1)
Other liabilities	4	23
Net cash provided by operating activities	412	419
<b>Cash Flows from Investing Activities</b>		
Expenditures for property, plant and equipment	(339)	(329)
Net cash used in investing activities	(339)	(329)
<b>Cash Flows from Financing Activities</b>		
Net increase in notes payable to affiliates	284	—
Net decrease in short-term debt	(221)	(32)
Retirement of commercial paper	(41)	—
Payment of common stock dividends to parent	(139)	(115)
Contributions from parent	44	53
Other financing activities	(2)	(1)
Net cash used in financing activities	(75)	(95)
<b>Net Decrease in Cash and Cash Equivalents</b>	(2)	(5)
Cash and Cash Equivalents at Beginning of Period	7	15
Cash and Cash Equivalents at End of Period	\$ 5	\$ 10
<b>Supplemental Disclosure of Cash Flow Information</b>		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at September 30,	\$ 40	\$ 43

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)

	September 30, 2021	December 31, 2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5	\$ 7
Accounts receivable (less reserve: 2021, \$2; 2020, \$2)		
Customer	121	127
Other	35	35
Unbilled revenues (less reserve: 2021, \$1; 2020, \$1)	60	79
Accounts receivable from affiliates	19	16
Fuel, materials and supplies	126	119
Prepayments	16	14
Regulatory assets	24	23
Other current assets	—	1
<b>Total Current Assets</b>	<b>406</b>	<b>421</b>
<b>Property, Plant and Equipment</b>		
Regulated utility plant	7,053	6,735
Less: accumulated depreciation - regulated utility plant	1,155	1,020
Regulated utility plant, net	5,898	5,715
Construction work in progress	290	320
<b>Property, Plant and Equipment, net</b>	<b>6,188</b>	<b>6,035</b>
<b>Other Noncurrent Assets</b>		
Regulatory assets	362	351
Goodwill	389	389
Other intangibles	31	35
Other noncurrent assets	115	114
<b>Total Other Noncurrent Assets</b>	<b>897</b>	<b>889</b>
<b>Total Assets</b>	<b>\$ 7,491</b>	<b>\$ 7,345</b>

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)

	September 30, 2021	December 31, 2020
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Short-term debt	\$ —	\$ 262
Long-term debt due within one year	—	292
Notes payable to affiliates	284	—
Accounts payable	148	153
Accounts payable to affiliates	22	31
Customer deposits	31	32
Taxes	37	32
Price risk management liabilities	2	2
Regulatory liabilities	30	—
Interest	32	15
Asset retirement obligations	12	10
Other current liabilities	48	50
<b>Total Current Liabilities</b>	<b>646</b>	<b>879</b>
<b>Long-term Debt</b>	<b>2,006</b>	<b>1,715</b>
<b>Deferred Credits and Other Noncurrent Liabilities</b>		
Deferred income taxes	737	716
Investment tax credits	32	33
Price risk management liabilities	17	21
Asset retirement obligations	77	57
Regulatory liabilities	830	882
Other deferred credits and noncurrent liabilities	91	94
<b>Total Deferred Credits and Other Noncurrent Liabilities</b>	<b>1,784</b>	<b>1,803</b>
<b>Commitments and Contingent Liabilities (Notes 7 and 11)</b>		
<b>Stockholder's Equity</b>		
Common stock - no par value (a)	424	424
Additional paid-in capital	1,967	1,923
Earnings reinvested	664	601
<b>Total Equity</b>	<b>3,055</b>	<b>2,948</b>
<b>Total Liabilities and Equity</b>	<b>\$ 7,491</b>	<b>\$ 7,345</b>

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at September 30, 2021 and December 31, 2020.

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

## CONDENSED STATEMENTS OF EQUITY

### Louisville Gas and Electric Company

(Unaudited)  
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
<b>June 30, 2021</b>	21,294	\$ 424	\$ 1,967	\$ 612	\$ 3,003
Net income				82	82
Cash dividends declared on common stock				(30)	(30)
<b>September 30, 2021</b>	<u>21,294</u>	<u>\$ 424</u>	<u>\$ 1,967</u>	<u>\$ 664</u>	<u>\$ 3,055</u>
<b>December 31, 2020</b>	21,294	\$ 424	\$ 1,923	\$ 601	\$ 2,948
Net income				202	202
Capital contributions from parent			44		44
Cash dividends declared on common stock				(139)	(139)
<b>September 30, 2021</b>	<u>21,294</u>	<u>\$ 424</u>	<u>\$ 1,967</u>	<u>\$ 664</u>	<u>\$ 3,055</u>
<b>June 30, 2020</b>	21,294	\$ 424	\$ 1,873	\$ 562	\$ 2,859
Net income				71	71
Cash dividends declared on common stock				(39)	(39)
<b>September 30, 2020</b>	<u>21,294</u>	<u>\$ 424</u>	<u>\$ 1,873</u>	<u>\$ 594</u>	<u>\$ 2,891</u>
<b>December 31, 2019</b>	21,294	\$ 424	\$ 1,820	\$ 518	\$ 2,762
Net income				191	191
Capital contributions from parent			53		53
Cash dividends declared on common stock				(115)	(115)
<b>September 30, 2020</b>	<u>21,294</u>	<u>\$ 424</u>	<u>\$ 1,873</u>	<u>\$ 594</u>	<u>\$ 2,891</u>

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

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

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## CONDENSED STATEMENTS OF INCOME

### Kentucky Utilities Company

(Unaudited)  
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Operating Revenues</b>				
Retail and wholesale	\$ 486	\$ 444	\$ 1,358	\$ 1,256
Electric revenue from affiliate	8	8	16	16
<b>Total Operating Revenues</b>	<b>494</b>	<b>452</b>	<b>1,374</b>	<b>1,272</b>
<b>Operating Expenses</b>				
Operation				
Fuel	125	113	328	290
Energy purchases	5	5	14	14
Energy purchases from affiliate	2	1	18	17
Other operation and maintenance	110	105	336	316
Depreciation	94	88	273	258
Taxes, other than income	10	10	31	27
<b>Total Operating Expenses</b>	<b>346</b>	<b>322</b>	<b>1,000</b>	<b>922</b>
<b>Operating Income</b>	<b>148</b>	<b>130</b>	<b>374</b>	<b>350</b>
Other Income (Expense) - net	1	1	5	2
Interest Expense	27	28	81	85
<b>Income Before Income Taxes</b>	<b>122</b>	<b>103</b>	<b>298</b>	<b>267</b>
Income Taxes	23	19	57	50
<b>Net Income (a)</b>	<b>\$ 99</b>	<b>\$ 84</b>	<b>\$ 241</b>	<b>\$ 217</b>

(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

### Kentucky Utilities Company

(Unaudited)  
(Millions of Dollars)

	Nine Months Ended September 30,	
	2021	2020
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 241	\$ 217
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	273	258
Amortization	5	6
Defined benefit plans - expense	(2)	—
Deferred income taxes and investment tax credits	—	20
Other	(1)	(1)
Change in current assets and current liabilities		
Accounts receivable	(6)	(22)
Accounts receivable from affiliates	1	—
Accounts payable	(4)	7
Accounts payable to affiliates	(4)	(18)
Unbilled revenues	17	15
Fuel, materials and supplies	4	12
Regulatory assets and liabilities, net	(16)	(20)
Taxes payable	9	1
Accrued interest	25	23
Other	(17)	(15)
Other operating activities		
Defined benefit plans - funding	(1)	(1)
Expenditures for asset retirement obligations	(27)	(47)
Other assets	2	—
Other liabilities	5	11
Net cash provided by operating activities	<u>504</u>	<u>446</u>
<b>Cash Flows from Investing Activities</b>		
Expenditures for property, plant and equipment	(400)	(381)
Other investing activities	4	3
Net cash used in investing activities	<u>(396)</u>	<u>(378)</u>
<b>Cash Flows from Financing Activities</b>		
Net increase in notes payable to affiliates	208	—
Issuance of long-term debt	—	498
Retirement of long-term debt	—	(500)
Net decrease in short-term debt	(171)	(11)
Retirement of commercial paper	(32)	—
Payment of common stock dividends to parent	(186)	(145)
Contributions from parent	60	98
Other financing activities	(1)	(5)
Net cash used in financing activities	<u>(122)</u>	<u>(65)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(14)</b>	<b>3</b>
Cash and Cash Equivalents at Beginning of Period	22	12
Cash and Cash Equivalents at End of Period	<u>\$ 8</u>	<u>\$ 15</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at September 30,	\$ 43	\$ 35

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

## CONDENSED BALANCE SHEETS

### Kentucky Utilities Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2021	December 31, 2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 8	\$ 22
Accounts receivable (less reserve: 2021, \$1; 2020, \$1)		
Customer	158	156
Other	7	30
Unbilled revenues (less reserve: 2021, \$1; 2020, \$1)	80	97
Accounts receivable from affiliates	—	1
Fuel, materials and supplies	120	123
Prepayments	18	15
Regulatory assets	4	36
Other current assets	—	1
<b>Total Current Assets</b>	<b>395</b>	<b>481</b>
<b>Property, Plant and Equipment</b>		
Regulated utility plant	9,093	8,808
Less: accumulated depreciation - regulated utility plant	1,892	1,690
Regulated utility plant, net	7,201	7,118
Construction work in progress	393	321
Property, Plant and Equipment, net	7,594	7,439
<b>Other Noncurrent Assets</b>		
Regulatory assets	414	370
Goodwill	607	607
Other intangibles	23	26
Other noncurrent assets	155	149
<b>Total Other Noncurrent Assets</b>	<b>1,199</b>	<b>1,152</b>
<b>Total Assets</b>	<b>\$ 9,188</b>	<b>\$ 9,072</b>

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

## CONDENSED BALANCE SHEETS

### Kentucky Utilities Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2021	December 31, 2020
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Short-term debt	\$ —	\$ 203
Long-term debt due within one year	—	132
Notes payable to affiliates	208	—
Accounts payable	92	121
Accounts payable to affiliates	44	43
Customer deposits	32	32
Taxes	38	29
Regulatory liabilities	11	11
Interest	44	19
Asset retirement obligations	29	40
Other current liabilities	48	59
Total Current Liabilities	546	689
<b>Long-term Debt</b>	2,618	2,486
<b>Deferred Credits and Other Noncurrent Liabilities</b>		
Deferred income taxes	856	835
Investment tax credits	87	88
Asset retirement obligations	83	75
Regulatory liabilities	1,057	1,070
Other deferred credits and noncurrent liabilities	44	47
Total Deferred Credits and Other Noncurrent Liabilities	2,127	2,115
<b>Commitments and Contingent Liabilities (Notes 7 and 11)</b>		
<b>Stockholder's Equity</b>		
Common stock - no par value (a)	308	308
Additional paid-in capital	2,917	2,857
Earnings reinvested	672	617
Total Equity	3,897	3,782
<b>Total Liabilities and Equity</b>	<b>\$ 9,188</b>	<b>\$ 9,072</b>

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at September 30, 2021 and December 31, 2020.

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

## CONDENSED STATEMENTS OF EQUITY

### Kentucky Utilities Company

(Unaudited)  
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
<b>June 30, 2021</b>	37,818	\$ 308	\$ 2,917	\$ 648	\$ 3,873
Net income				99	99
Cash dividends declared on common stock				(75)	(75)
<b>September 30, 2021</b>	<u>37,818</u>	<u>\$ 308</u>	<u>\$ 2,917</u>	<u>\$ 672</u>	<u>\$ 3,897</u>
<b>December 31, 2020</b>	37,818	\$ 308	\$ 2,857	\$ 617	\$ 3,782
Net income				241	241
Capital contributions from parent			60		60
Cash dividends declared on common stock				(186)	(186)
<b>September 30, 2021</b>	<u>37,818</u>	<u>\$ 308</u>	<u>\$ 2,917</u>	<u>\$ 672</u>	<u>\$ 3,897</u>
<b>June 30, 2020</b>	37,818	\$ 308	\$ 2,766	\$ 581	\$ 3,655
Net income				84	84
Capital contributions from parent			61		61
Cash dividends declared on common stock				(56)	(56)
<b>September 30, 2020</b>	<u>37,818</u>	<u>\$ 308</u>	<u>\$ 2,827</u>	<u>\$ 609</u>	<u>\$ 3,744</u>
<b>December 31, 2019</b>	37,818	\$ 308	\$ 2,729	\$ 537	\$ 3,574
Net income				217	217
Capital contributions from parent			98		98
Cash dividends declared on common stock				(145)	(145)
<b>September 30, 2020</b>	<u>37,818</u>	<u>\$ 308</u>	<u>\$ 2,827</u>	<u>\$ 609</u>	<u>\$ 3,744</u>

(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)**

### **Index to Combined Notes to Condensed Financial Statements**

The notes to the condensed financial statements that follow are a combined presentation. The following list indicates the Registrants to which the notes apply:

	Registrant			
	PPL	PPL Electric	LG&E	KU
1. Interim Financial Statements	x	x	x	x
2. Summary of Significant Accounting Policies	x	x	x	x
3. Segment and Related Information	x	x	x	x
4. Revenue from Contracts with Customers	x	x	x	x
5. Earnings Per Share	x			
6. Income Taxes	x	x	x	x
7. Utility Rate Regulation	x	x	x	x
8. Financing Activities	x	x	x	x
9. Acquisitions, Development and Divestitures	x			
10. Defined Benefits	x	x	x	x
11. Commitments and Contingencies	x	x	x	x
12. Related Party Transactions		x	x	x
13. Other Income (Expense) - net	x			
14. Fair Value Measurements	x	x	x	x
15. Derivative Instruments and Hedging Activities	x	x	x	x
16. Asset Retirement Obligations	x		x	x
17. Accumulated Other Comprehensive Income (Loss)	x			

### **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 Registrant's 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, 2020 is derived from that Registrant's 2020 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 2020 Form 10-K. The results of operations for the three and nine months ended September 30, 2021 are not necessarily indicative of the results to be expected for the full year ending December 31, 2021 or other future periods, because results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

*(PPL)*

On March 17, 2021, PPL WPD Limited entered into a share purchase agreement to sell PPL's U.K. utility business, which substantially represented PPL's U.K. Regulated segment, to a subsidiary of National Grid plc. The sale was completed on June 14, 2021. The results of operations of the U.K. utility business are classified as Discontinued Operations on PPL's Statements of Income. The assets and liabilities of the U.K. utility business as of December 31, 2020 have been classified as

assets and liabilities held for sale on PPL's Balance Sheets. PPL has elected to separately report the cash flows of continuing and discontinued operations on the Statements of Cash Flows. Unless otherwise noted, the notes to these financial statements exclude amounts related to discontinued operations and assets and liabilities held for sale for all periods presented. See Note 9 for additional information.

On July 1, 2021, LKE redeemed, at par, its \$250 million 4.375% Senior Notes due 2021 and on July 9, 2021, LKE filed a Form 15 with the SEC to suspend its duty to file reports under sections 13 and 15(d) of the Securities Exchange Act of 1934. As a result, beginning with the June 30, 2021 Form 10-Q, LKE was no longer reported as a Registrant.

## 2. Summary of Significant Accounting Policies

(All Registrants)

The following accounting policy disclosures represent updates to Note 1 in each Registrant's 2020 Form 10-K and should be read in conjunction with those disclosures.

### Restricted Cash and Cash Equivalents (PPL)

#### *Reconciliation of Cash, Cash Equivalents and Restricted Cash*

The following provides a reconciliation of Cash, Cash Equivalents and Restricted Cash reported within the Balance Sheets that sum to the total of the same amounts shown on the Statements of Cash Flows:

	PPL	
	September 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 4,767	\$ 442
Restricted cash - current (a)	1	1
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 4,768</u>	<u>\$ 443</u>

(a) Bank deposits and other cash equivalents that are restricted by agreement or that have been clearly designated for a specific purpose are classified as restricted cash. On the Balance Sheets, the current portion of restricted cash is included in "Other current assets."

### Current Expected Credit Losses

(All Registrants)

The following table shows changes in the allowance for credit losses for the nine months ended September 30, 2021:

	Balance at Beginning of Period	Charged to Income	Deductions (a)	Balance at End of Period
<b>PPL</b>				
Accounts Receivable - Customer and Unbilled Revenue (c)	\$ 44	\$ 9	\$ 17	\$ 36
Other (b)	28	1	—	29
<b>PPL Electric</b>				
Accounts Receivable - Customer and Unbilled Revenue (c)	\$ 39	\$ 4	\$ 11	\$ 32
Other	1	—	—	1
<b>LG&amp;E</b>				
Accounts Receivable - Customer and Unbilled Revenue	\$ 3	\$ 1	\$ 2	\$ 2
Other	—	1	—	1
<b>KU</b>				
Accounts Receivable - Customer and Unbilled Revenue	\$ 2	\$ 4	\$ 4	\$ 2

(a) Primarily related to uncollectible accounts receivable written off.

(b) Primarily related to receivables at Western Kentucky Energy Corp., a subsidiary of LKE, which are fully reserved.

(c) Includes \$5 million related to Noncurrent Accounts Receivable – Customer included in "Other noncurrent assets" on the PPL and PPL Electric Balance Sheets at September 30, 2021.

## Income Taxes

The TCJA included new provisions requiring that certain income, referred to as global intangible low-tax income (GILTI), earned by certain foreign subsidiaries must be included in the gross income of their U.S. shareholder. Accounting guidance allows a policy election regarding the timing of inclusion of GILTI in an entity's financial statements. The election may be either to record deferred taxes for expected GILTI in future periods or record such taxes as a current-period expense when incurred. PPL has elected to record the tax effect of expected GILTI inclusions and thus, records deferred taxes relating to such inclusions.

In light of the disposition of PPL's U.K. utility business, indefinite reinvestment is no longer relevant. As such, PPL realized the outside book-tax basis difference in those assets. Accordingly, in June 2021, a current tax liability was recorded to reflect the estimated tax cost associated with the realization of that basis difference.

See Note 6 for additional discussion regarding income taxes.

## Asset Impairment (Excluding Investments)

*(PPL)*

During the three month-period ended June 30, 2021, Safari Energy determined that the carrying value of its solar panel inventory would not be fully recoverable due to a decrease in the net realizable value of the modules. The decrease was due primarily to the combination of the three following factors: (1) a continued decrease in the fair value of the modules on hand due to more efficient modules being available on the market, (2) the federal government's extension of certain investment tax credits which make modules on the open market eligible for those credits at higher levels of credits and (3) an increase in commodity prices for materials used in various types of solar projects, all of which place pressure on the economics of those projects, making the cost of Safari's solar panels uncompetitive. As a result, Safari Energy recorded a loss of \$37 million (\$28 million after-tax) in June 2021 to record the solar panels at fair value. The loss was recorded to "Other operation and maintenance" expense on the Statement of Income. Solar panel inventories of \$49 million are included in "Other noncurrent assets" on PPL's Balance Sheet at September 30, 2021.

PPL considered whether the events and circumstances that led to the impairment of Safari Energy's solar panels would more likely than not reduce the fair value of PPL's Distributed Energy Resources reporting unit below its carrying amount. Based on PPL's assessment, a quantitative impairment test was not required, however, a goodwill impairment charge could occur in future periods if there is a degradation of expected future cash flows or unfavorable movements in discount rates or market multiples used in determining fair value.

## **3. Segment and Related Information**

*(PPL)*

See Note 2 in PPL's 2020 Form 10-K for a discussion of reportable segments and related information.

On March 17, 2021, PPL WPD Limited entered into a share purchase agreement to sell PPL's U.K. utility business, which substantially represented PPL's U.K. Regulated segment. As a result, PPL determined segment information for the U.K. Regulated segment would no longer be provided beginning with the March 31, 2021 Form 10-Q. The sale of the U.K. utility business was completed on June 14, 2021. See Note 9 for additional information.

Income Statement data for the segments and reconciliation to PPL's consolidated results for the periods ended September 30 are as follows:

	Three Months		Nine Months	
	2021	2020	2021	2020
Operating Revenues from external customers				
Kentucky Regulated	\$ 879	\$ 806	\$ 2,505	\$ 2,331
Pennsylvania Regulated	627	586	1,769	1,748
Corporate and Other	6	8	24	24
Total	<u>\$ 1,512</u>	<u>\$ 1,400</u>	<u>\$ 4,298</u>	<u>\$ 4,103</u>
Net Income				
Kentucky Regulated (a)	\$ 159	\$ 129	\$ 389	\$ 330
Pennsylvania Regulated (a)	126	135	335	371
Corporate and Other (a)(b)(c)	(76)	(147)	(848)	(227)
Discontinued Operations (d)	(2)	164	(1,490)	705
Total	<u>\$ 207</u>	<u>\$ 281</u>	<u>\$ (1,614)</u>	<u>\$ 1,179</u>

- (a) Beginning in 2021, corporate level financing costs are no longer allocated to the reportable segments and are being reported in Corporate and Other. For the three and nine months ended September 30, 2020, corporate level financing costs of \$8 million, net of \$2 million of income taxes, and \$25 million, net of \$6 million of income taxes, were allocated to the Kentucky Regulated segment. For the three and nine months ended September 30, 2020, an immaterial amount of financing costs were allocated to the Pennsylvania Regulated segment.
- (b) The amounts for the periods ended September 30, 2020 have been adjusted for certain costs that were previously included in the U.K. Regulated segment.
- (c) 2021 includes losses from the extinguishment of PPL Capital Funding debt. See Note 8 for additional information.
- (d) See Note 9 for additional information.

The following provides Balance Sheet data for the segments and reconciliation to PPL's consolidated Balance Sheets as of:

	September 30, 2021	December 31, 2020
Assets		
Kentucky Regulated	\$ 16,250	\$ 15,943
Pennsylvania Regulated	13,350	12,347
Corporate and Other (a)	4,571	843
Assets Held for Sale (b)	—	18,983
Total	<u>\$ 34,171</u>	<u>\$ 48,116</u>

- (a) Primarily consists of unallocated items, including cash, PP&E, goodwill, the elimination of inter-segment transactions as well as the assets of Safari Energy.
- (b) See Note 9 for additional information.

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

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

#### 4. Revenue from Contracts with Customers

*(All Registrants)*

See Note 3 in the Registrants' 2020 Form 10-K for a discussion of the principal activities from which the Registrants and PPL's segments generate their revenues.

The following tables reconcile "Operating Revenues" included in each Registrant's Statement of Income with revenues generated from contracts with customers for the periods ended September 30.

2021 Three Months				
	PPL	PPL Electric	LG&E	KU
Operating Revenues (a)	\$ 1,512	\$ 627	\$ 395	\$ 494
Revenues derived from:				
Alternative revenue programs (b)	19	22	(1)	(2)
Other (c)	(4)	—	(2)	(2)
Revenues from Contracts with Customers	\$ 1,527	\$ 649	\$ 392	\$ 490

2020 Three Months				
	PPL	PPL Electric	LG&E	KU
Operating Revenues (a)	\$ 1,400	\$ 586	\$ 363	\$ 452
Revenues derived from:				
Alternative revenue programs (b)	(1)	(5)	2	2
Other (c)	(4)	—	(2)	(2)
Revenues from Contracts with Customers	\$ 1,395	\$ 581	\$ 363	\$ 452

2021 Nine Months				
	PPL	PPL Electric	LG&E	KU
Operating Revenues (a)	\$ 4,298	\$ 1,769	\$ 1,165	\$ 1,374
Revenues derived from:				
Alternative revenue programs (b)	62	68	(2)	(4)
Other (c)	(15)	—	(7)	(8)
Revenues from Contracts with Customers	\$ 4,345	\$ 1,837	\$ 1,156	\$ 1,362

2020 Nine Months				
	PPL	PPL Electric	LG&E	KU
Operating Revenues (a)	\$ 4,103	\$ 1,748	\$ 1,092	\$ 1,272
Revenues derived from:				
Alternative revenue programs (b)	(12)	(6)	(2)	(4)
Other (c)	(17)	(3)	(6)	(8)
Revenues from Contracts with Customers	\$ 4,074	\$ 1,739	\$ 1,084	\$ 1,260

- (a) PPL Electric represents revenues from external customers reported by the Pennsylvania Regulated segment and LG&E and KU, net of intercompany power sales and transmission revenues, represent revenues from external customers reported by the Kentucky Regulated segment. Kentucky Regulated segment revenues from contracts with customers were \$872 million and \$2,484 million for the three and nine month periods ended September 30, 2021 and \$806 million and \$2,311 million for the three and nine month periods ended September 30, 2020. See Note 3 for additional information.
- (b) Alternative revenue programs include the transmission formula rate for PPL Electric, the ECR and DSM programs for LG&E and KU, the GLT program and gas supply clause incentive mechanism for LG&E, and the generation formula rate for KU. For PPL Electric, the three months and nine months ended September 30, 2021 include a \$13 million and \$64 million reserve recorded for a reduction in the transmission formula rate return on equity. See Note 7 for additional information. This line item shows the over/under collection of these rate mechanisms with over-collections of revenue shown as positive amounts in the table above and under-collections shown as negative amounts.
- (c) Represents additional revenues outside the scope of revenues from contracts with customers, such as lease and other miscellaneous revenues.

The following tables show revenues from contracts with customers disaggregated by customer class for the periods ended September 30.

2021 Three Months				
	PPL	PPL Electric	LG&E	KU
Residential	\$ 684	\$ 324	\$ 180	\$ 180
Commercial	345	95	123	127
Industrial	168	14	46	108
Other (a)	100	13	37	44
Wholesale - municipality	7	—	—	7
Wholesale - other (b)	20	—	6	24
Transmission	203	203	—	—
Revenues from Contracts with Customers	\$ 1,527	\$ 649	\$ 392	\$ 490

2020 Three Months					
	PPL	PPL Electric	LG&E	KU	
Residential	\$ 651	\$ 303	\$ 173	\$ 175	
Commercial	310	79	112	119	
Industrial	156	13	47	96	
Other (a)	86	12	28	38	
Wholesale - municipality	7	—	—	7	
Wholesale - other (b)	11	—	3	17	
Transmission	174	174	—	—	
Revenues from Contracts with Customers	<u>\$ 1,395</u>	<u>\$ 581</u>	<u>\$ 363</u>	<u>\$ 452</u>	

2021 Nine Months					
	PPL	PPL Electric	LG&E	KU	
Residential	\$ 2,025	\$ 964	\$ 529	\$ 532	
Commercial	955	260	351	344	
Industrial	474	39	135	300	
Other (a)	284	38	102	120	
Wholesale - municipality	18	—	—	18	
Wholesale - other (b)	53	—	39	48	
Transmission	536	536	—	—	
Revenues from Contracts with Customers	<u>\$ 4,345</u>	<u>\$ 1,837</u>	<u>\$ 1,156</u>	<u>\$ 1,362</u>	

2020 Nine Months					
	PPL	PPL Electric	LG&E	KU	
Residential	\$ 1,948	\$ 937	\$ 509	\$ 502	
Commercial	896	234	336	326	
Industrial	434	33	130	271	
Other (a)	256	38	84	110	
Wholesale - municipality	15	—	—	15	
Wholesale - other (b)	28	—	25	36	
Transmission	497	497	—	—	
Revenues from Contracts with Customers	<u>\$ 4,074</u>	<u>\$ 1,739</u>	<u>\$ 1,084</u>	<u>\$ 1,260</u>	

(a) Primarily includes revenues from pole attachments, street lighting, other public authorities and other non-core businesses.

(b) Includes wholesale power and transmission revenues. LG&E and KU amounts include intercompany power sales and transmission revenues, which are eliminated upon consolidation at the Kentucky Regulated segment.

As discussed in Note 2 in PPL's 2020 Form 10-K, PPL segments its business by geographic location. Revenues from external customers for each segment/geographic location are reconciled to revenues from contracts with customers in the footnotes to the tables above.

Contract receivables from customers are primarily included in "Accounts receivable - Customer", "Unbilled revenues", and "Other noncurrent assets" on the Balance Sheets.

The following table shows the accounts receivable and unbilled revenues balances that were impaired for the periods ended September 30.

	Three Months		Nine Months	
	2021	2020	2021	2020
PPL	\$ 7	\$ 7	\$ 9	\$ 19
PPL Electric	3	3	4	12
LG&E	1	3	1	4
KU	3	1	4	3

The following table shows the balances and certain activity of contract liabilities resulting from contracts with customers.

	PPL	PPL Electric	LG&E	KU
Contract liabilities at December 31, 2020	\$ 40	\$ 23	\$ 5	\$ 6
Contract liabilities at September 30, 2021	37	21	6	6
Revenue recognized during the nine months ended September 30, 2021 that was included in the contract liability balance at December 31, 2020	24	11	5	6
Contract liabilities at December 31, 2019	\$ 37	\$ 21	\$ 5	\$ 4
Contract liabilities at September 30, 2020	32	18	5	4
Revenue recognized during the nine months ended September 30, 2020 that was included in the contract liability balance at December 31, 2019	21	9	5	4

Contract liabilities result from recording contractual billings in advance for customer attachments to the Registrants' infrastructure and payments received in excess of revenues earned to date. Advanced billings for customer attachments are recognized as revenue ratably over the billing period. Payments received in excess of revenues earned to date are recognized as revenue as services are delivered in subsequent periods.

At September 30, 2021, PPL had \$48 million of performance obligations attributable to Corporate and Other that have not been satisfied. Of this amount, PPL expects to recognize approximately \$42 million within the next 12 months.

## 5. 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 share-based payment awards were converted to common shares as calculated using the Two-Class Method or Treasury Stock Method.

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

	Three Months		Nine Months	
	2021	2020	2021	2020
<b>Income (Numerator)</b>				
Income (loss) from continuing operations after income taxes available to PPL common shareowners - Basic and Diluted	\$ 209	\$ 117	\$ (124)	\$ 474
Income (loss) from discontinued operations (net of income taxes) available to PPL common shareowners - Basic and Diluted	\$ (2)	\$ 164	\$ (1,490)	\$ 705
Net income (loss) available to PPL common shareowners - Basic and Diluted	\$ 207	\$ 281	\$ (1,614)	\$ 1,179
<b>Shares of Common Stock (Denominator)</b>				
Weighted-average shares - Basic EPS	767,733	768,786	768,781	768,502
Add: Dilutive share-based payment awards (a)	2,116	874	—	768
Weighted-average shares - Diluted EPS	769,849	769,660	768,781	769,270
<b>Basic and Diluted EPS</b>				
Available to PPL common shareowners:				
Income from continuing operations after income taxes	\$ 0.27	\$ 0.15	\$ (0.16)	\$ 0.62
Income (loss) from discontinued operations (net of income taxes)	—	0.22	(1.94)	0.91
Net Income (Loss) available to PPL common shareowners	\$ 0.27	\$ 0.37	\$ (2.10)	\$ 1.53

(a) All share-based payment awards were excluded from dilutive shares under the Treasury Stock Method for the nine months ended September 30, 2021, as their effect would have been anti-dilutive due to the loss from continuing operations.

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

	Three Months		Nine Months	
	2021	2020	2021	2020
Stock-based compensation plans	158	14	816	621
DRIP	—	—	—	943

See Note 8 for common stock repurchased under an authorized share repurchase program.

For the periods ended September 30, the following shares (in thousands) were excluded from the computations of diluted EPS because the effect would have been antidilutive.

	Three Months		Nine Months	
	2021	2020	2021	2020
Stock-based compensation awards	135	364	2,339	595

## 6. Income Taxes

Reconciliations of income tax expense (benefit) for the periods ended September 30 are as follows.

(PPL)

	Three Months		Nine Months	
	2021	2020	2021	2020
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 21%	\$ 55	\$ 59	\$ 70	\$ 155
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit (a)	17	15	12	39
Valuation allowance adjustments (a)	5	7	39	19
Impact of the U.K. Finance Acts on deferred tax balances (b)	—	104	383	101
Amortization of excess deferred federal and state income taxes	(18)	(11)	(38)	(34)
Federal and state income tax return adjustments	(4)	(9)	(4)	(9)
Other	(4)	—	(7)	(5)
Total increase (decrease)	(4)	106	385	111
Total income tax expense (benefit)	\$ 51	\$ 165	\$ 455	\$ 266

- (a) In 2021, PPL recorded a \$31 million state deferred tax benefit on a net operating loss and an offsetting valuation allowance in connection with the loss on extinguishment associated with a tender offer to purchase and retire PPL Capital Funding's outstanding Senior Notes. See Note 8 for additional information on the tender offer.
- (b) The U.K. Finance Act 2020, formally enacted on July 22, 2020, cancelled the U.K. corporation tax rate reduction to 17%, thereby maintaining the corporation tax rate at 19% for financial years 2020 and 2021. The primary impact of the cancellation of the corporate tax rate reduction was an increase in deferred tax liabilities and a corresponding deferred tax expense of \$102 million in the third quarter of 2020.

The U.K. Finance Act 2021, formally enacted on June 10, 2021, increased the U.K. corporation tax rate from 19% to 25%, effective April 1, 2023. The primary impact of the corporation tax rate increase was an increase in deferred tax liabilities of the U.K. utility business, which was sold on June 14, 2021, and a corresponding deferred tax expense of \$383 million, which was recognized in continuing operations in the second quarter of 2021.

PL Electric)

		Three Months		Nine Months	
		2021	2020	2021	2020
ederal income tax on Income Before Income Taxes at statutory tax rate - 21%	\$	\$6	\$7	\$5	104
crease (decrease) due to:					
State income taxes, net of federal income tax benefit		13	14	36	39
Federal and state income tax return adjustments		—	(4)	—	(4)
Depreciation and other items not normalized		—	—	(4)	(4)
Amortization of excess deferred federal and state income taxes		(5)	(4)	(11)	(12)
Other		1	1	—	2
Total increase (decrease)		9	7	21	21
al income tax expense (benefit)	\$	\$5	\$4	1\$5	125

G&E)

		Three Months		Nine Months	
		2021	2020	2021	2020
ederal income tax on Income Before Income Taxes at statutory tax rate - 21%	\$	\$1	\$8	\$3	50
crease (decrease) due to:					
State income taxes, net of federal income tax benefit		4	3	10	9
Amortization of excess deferred federal and state income taxes		(7)	(3)	(13)	(8)
Federal and state income tax return adjustments		—	(2)	—	(2)
Other		(1)	—	(2)	(2)
Total increase (decrease)		(4)	(2)	(5)	(3)
al income tax expense (benefit)	\$	\$7	\$6	4\$3	47

U)

		Three Months		Nine Months	
		2021	2020	2021	2020
ederal income tax on Income Before Income Taxes at statutory tax rate - 21%	\$	\$6	\$2	\$3	56
crease (decrease) due to:					
State income taxes, net of federal income tax benefit		5	4	12	11
Amortization of excess deferred federal and state income taxes		(6)	(4)	(14)	(12)
Federal and state income tax return adjustments		(1)	(3)	(1)	(3)
Other		(1)	—	(3)	(2)
Total increase (decrease)		(3)	(3)	(6)	(6)
al income tax expense (benefit)	\$	\$3	\$9	\$7	50

Other

Net Operating Loss and Tax Credit Carryforwards (All Registrants)

PPL utilized federal net operating losses of \$1,111 million and tax credit carryforwards of \$272 million in June 2021 as a result of the completion of the sale of the U.K. utility business on June 14, 2021. The related deferred tax assets decreased by approximately \$506 million, with a corresponding reduction in current income taxes.

7. 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	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Current Regulatory Assets:				
Plant outage costs	\$ —	\$ 46	\$ —	\$ —
Gas supply clause	12	4	—	—
Smart meter rider	15	17	15	17
Storm damage expense rider	4	—	4	—
Transmission formula rate	11	15	11	15
Gas line tracker	7	4	—	—
Storm costs	2	7	2	7
Generation formula rate	3	2	—	—
Other	6	4	—	1
Total current regulatory assets	<u>\$ 60</u>	<u>\$ 99</u>	<u>\$ 32</u>	<u>\$ 40</u>
Noncurrent Regulatory Assets:				
Defined benefit plans	\$ 555	\$ 570	\$ 274	\$ 290
Storm costs	12	17	—	—
Unamortized loss on debt	25	30	4	8
Interest rate swaps	19	23	—	—
Terminated interest rate swaps	71	75	—	—
Accumulated cost of removal of utility plant	232	240	232	240
AROs	312	300	—	—
Plant outage costs	55	—	—	—
Other	5	7	—	3
Total noncurrent regulatory assets	<u>\$ 1,286</u>	<u>\$ 1,262</u>	<u>\$ 510</u>	<u>\$ 541</u>
	PPL		PPL Electric	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Current Regulatory Liabilities:				
Generation supply charge	\$ 11	\$ 21	\$ 11	\$ 21
Transmission service charge	26	1	26	1
Environmental cost recovery	—	4	—	—
Universal service rider	16	22	16	22
Fuel adjustment clause	—	5	—	—
TCJA customer refund	22	11	22	11
Storm damage expense rider	—	6	—	6
Act 129 compliance rider	7	7	7	7
Transmission formula rate return on equity reserve (a)	64	—	64	—
Economic relief billing credit (b)	38	—	—	—
Other	3	2	—	—
Total current regulatory liabilities	<u>\$ 187</u>	<u>\$ 79</u>	<u>\$ 146</u>	<u>\$ 68</u>
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	\$ 669	\$ 653	\$ —	\$ —
Power purchase agreement - OVEC	36	43	—	—
Net deferred taxes	1,609	1,690	539	560
Defined benefit plans	74	60	26	18
Terminated interest rate swaps	64	66	—	—
Other	—	18	—	—
Total noncurrent regulatory liabilities	<u>\$ 2,452</u>	<u>\$ 2,530</u>	<u>\$ 565</u>	<u>\$ 578</u>

	LG&E		KU	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Current Regulatory Assets:				
Gas supply clause	\$ 12	\$ 4	\$ —	\$ —
Gas line tracker	7	4	—	—
Plant outage costs	—	12	—	34
Generation formula rate	—	—	3	2
Other	5	3	1	—
Total current regulatory assets	<u>\$ 24</u>	<u>\$ 23</u>	<u>\$ 4</u>	<u>\$ 36</u>
Noncurrent Regulatory Assets:				
Defined benefit plans	\$ 175	\$ 174	\$ 106	\$ 106
Storm costs	8	11	4	6
Unamortized loss on debt	13	13	8	9
Interest rate swaps	19	23	—	—
Terminated interest rate swaps	42	44	29	31
AROs	87	85	225	215
Plant outage costs	15	—	40	—
Other	3	1	2	3
Total noncurrent regulatory assets	<u>\$ 362</u>	<u>\$ 351</u>	<u>\$ 414</u>	<u>\$ 370</u>
	LG&E		KU	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Current Regulatory Liabilities:				
Environmental cost recovery	\$ —	\$ —	\$ —	\$ 4
Fuel adjustment clause	—	—	—	5
Economic relief billing credit (b)	29	—	9	—
Other	1	—	2	2
Total current regulatory liabilities	<u>\$ 30</u>	<u>\$ —</u>	<u>\$ 11</u>	<u>\$ 11</u>
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	\$ 277	\$ 274	\$ 392	\$ 379
Power purchase agreement - OVEC	25	30	11	13
Net deferred taxes	495	528	575	602
Defined benefit plans	1	—	47	42
Terminated interest rate swaps	32	33	32	33
Other	—	17	—	1
Total noncurrent regulatory liabilities	<u>\$ 830</u>	<u>\$ 882</u>	<u>\$ 1,057</u>	<u>\$ 1,070</u>

(a) See "Regulatory Matters - Federal Matters - PPL Electric Transmission Formula Rate Return on Equity" below for additional information.

(b) Represents regulatory liabilities to be returned to customers through June 30, 2022, as agreed to in the Kentucky rate case, in recognition of the economic impact of COVID-19. See "Regulatory Matters – Kentucky Activities – Rate Case Proceedings" below for additional information.

## Regulatory Matters

### Kentucky Activities (*PPL, LG&E and KU*)

#### *Rate Case Proceedings*

On November 25, 2020, LG&E and KU filed requests with the KPSC for an increase in annual electricity and gas revenues of approximately \$331 million (\$131 million and \$170 million in electricity revenues at LG&E and KU and \$30 million in gas revenues at LG&E). The revenue increases would be an increase of 11.6% and 10.4% in electricity revenues at LG&E and KU, and an increase of 8.3% in gas revenues at LG&E. In recognition of the economic impact of COVID-19, LG&E and KU requested approval of a one-year billing credit which will credit customers approximately \$53 million (\$41 million at LG&E and \$12 million at KU). The billing credit represents the return to customers of certain regulatory liabilities on LG&E's and KU's Balance Sheets and serves to partially mitigate the rate increases during the first year in which the new rates are in effect.

LG&E's and KU's applications also included a request for a CPCN to deploy Advanced Metering Infrastructure across LG&E's and KU's service territories in Kentucky. The applications were based on a forecasted test year of July 1, 2021 through June 30, 2022 and requested an authorized return on equity of 10.0%.

On April 19, 2021, LG&E and KU entered into an agreement with all intervening parties to the proceedings resolving all matters in their applications, with the explicit exception of LG&E's and KU's net metering proposals. The agreement proposed increases in annual revenues of \$217 million (\$77 million and \$116 million in electricity revenues at LG&E and KU and \$24 million in gas revenues at LG&E) based on an authorized return on equity of 9.55%. The proposal included an authorized 9.35% return on equity for the ECR and GLT mechanisms. The agreement did not modify the requested one-year billing credit. The agreement proposed that the KPSC should grant LG&E's and KU's request for a CPCN to deploy Advanced Metering Infrastructure and proposed the establishment of a Retired Asset Recovery rider (RAR) to provide for recovery of and return on the remaining investment in certain electric generating units upon their retirement over a ten-year period following retirement. In respect of the RAR rider, the agreement proposed that LG&E and KU will continue to use currently approved depreciation rates for Mill Creek Units 1 and 2 and Brown Unit 3. The agreement also proposed a four-year "stay-out" commitment from LG&E and KU to refrain from effective base rate increases before July 1, 2025, subject to certain exceptions.

On June 30, 2021, the KPSC issued orders approving the proposed agreement filed in April 2021, with certain modifications. The orders provide for increases in annual revenues of \$199 million (\$73 million and \$106 million in electricity revenues at LG&E and KU and \$20 million in gas revenues at LG&E) based on an authorized return on equity of 9.425%. The order grants the requested authorized 9.35% return on equity for the ECR and GLT mechanisms and does not modify the requested one-year billing credit. The orders approve the CPCN to deploy Advanced Metering Infrastructure and provide regulatory asset treatment for the remaining net book value of legacy meters upon full implementation of the Advanced Metering Infrastructure program. The orders also approve the establishment of the RAR rider and accepted the four-year "stay-out". The orders, however, disallowed certain legal costs that were included in the settlement. On July 23, 2021, LG&E and KU filed motions for partial rehearing and clarification of the return on equity, the disallowed legal costs and certain other matters related to the KPSC's orders. On August 12, 2021, the KPSC granted rehearing and clarification of the disallowed legal costs and certain other matters and denied rehearing and clarification of the return on equity. On September 24, 2021, the KPSC issued orders providing adjustments to previous net metering proposals. These adjustments did not impact the previously ordered annual revenue increases. PPL, LG&E and KU cannot predict the outcome of the remaining issues subject to partial rehearing and clarification.

### 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. PPL Electric filed with the PUC its Act 129 Phase IV Energy Efficiency and Conservation Plan (Phase IV Act 129 Plan) on November 30, 2020, for the five-year period starting June 1, 2021 and ending on May 31, 2026. PPL Electric's Phase IV Act 129 Plan was approved by the PUC at its March 25, 2021, public meeting.

## Federal Matters

### *PPL Electric Transmission Formula Rate Return on Equity (PPL and PPL Electric)*

On May 21, 2020, PP&L Industrial Customer Alliance (PPLICA) filed a complaint with the FERC alleging that PPL Electric's base return on equity (ROE) of 11.18% used to determine PPL Electric's formula transmission rate was unjust and unreasonable.

On August 20, 2021, PPL Electric entered into a settlement agreement (the "Settlement") with PPLICA and all other parties, including intervenors, with respect to the complaint filed by PPLICA on May 21, 2020.

The key aspects of the Settlement include:

- changes to PPL Electric's base ROE:
  - beginning as of May 21, 2020 and continuing through May 31, 2022, the ROE shall be 9.90%;
  - beginning on June 1, 2022 and continuing through May 31, 2023, the ROE shall be 9.95%;
  - beginning on June 1, 2023, the ROE shall be 10.00%, which shall continue in effect unless and until changed as permitted by the terms of the Settlement;
- changes the equity component of PPL Electric's capital structure to be the lower of (i) PPL Electric's actual equity component, calculated in accordance with the formula rate template, or (ii) 56.00%;
- allows modification of the current rate year of June 1 to May 31 to a calendar year of January 1 to December 31; and
- allows modification of the current formula rate based on a historic test year to a projected test year.

Refunds will be paid by PPL Electric based on the difference between charges that were calculated using the ROE in effect at the time and reduced charges calculated using the ROE provided for in the Settlement, plus interest at the FERC interest rate. In the three and nine months ended September 30, 2021, PPL Electric recorded a revenue reserve of \$13 million (\$10 million after-tax) and \$64 million (\$46 million after-tax) representing revenue subject to refund for the period May 21, 2020 through September 30, 2021. The reserve recorded in the nine months ended September 30, 2021, includes \$28 million (\$20 million after-tax) related to the period from May 21, 2020 to December 31, 2020.

The Settlement is subject to review and action by the FERC, including approval, denial or modification. PPL Electric cannot predict the outcome of the FERC's review of the Settlement.

While the FERC's review of the settlement is pending, on October 15, 2021, PPL Electric filed a request to the FERC Chief Administrative Law Judge for authorization to implement interim rates to reflect the agreed-to base ROE in the Settlement effective December 1, 2021. The requested interim settlement rates were accepted on October 20, 2021.

### *FERC Transmission Rate Filing (PPL, LG&E and KU)*

In 2018, LG&E and KU applied to the FERC requesting elimination of certain on-going credits to a sub-set of transmission customers relating to the 1998 merger of LG&E's and KU's parent entities and the 2006 withdrawal of LG&E and KU from the Midcontinent Independent System Operator, Inc. (MISO), a regional transmission operator and energy market. The application sought termination of LG&E's and KU's commitment to provide certain Kentucky municipalities mitigation for certain horizontal market power concerns arising out of the 1998 LG&E and KU merger and 2006 MISO withdrawal. The amounts at issue are generally waivers or credits granted to a limited number of Kentucky municipalities for either certain LG&E and KU or MISO transmission charges incurred for transmission service received. Due to the development of robust, accessible energy markets over time, LG&E and KU believe the mitigation commitments are no longer relevant or appropriate. In March 2019, the FERC granted LG&E's and KU's request to remove the ongoing credits, conditioned upon the implementation by LG&E and KU of a transition mechanism for certain existing power supply arrangements, subject to FERC review and approval. In July 2019, LG&E and KU proposed their transition mechanism to the FERC and in September 2019, the FERC rejected the proposed transition mechanism. In September 2020, the FERC issued orders in the rehearing process that modified various aspects of the September 2019 orders which had approved future termination of the credits, including adjusting which customer arrangements are covered by the transition mechanism and respective future periods or dates for termination of credits. In November 2020, the FERC denied the parties' rehearing requests. In November 2020 and January 2021, LG&E and KU and other parties appealed the September 2020 and November 2020 orders at the D.C. Circuit Court of Appeals. The appellate proceedings are continuing, and also include certain additional prior pending petitions for review relating to the matter. On January 15, 2021, LG&E and KU made a filing seeking FERC acceptance of a new proposal for a transition mechanism. On March 16, 2021, the FERC accepted the filed transition mechanism agreements effective on March 17, 2021 but subject to refund, and established hearing and settlement procedures. LG&E and KU cannot predict the outcome of the respective

appellate and FERC proceedings. LG&E and KU currently receive recovery of the waivers and credits provided through other rate mechanisms and such rate recovery would be anticipated to be adjusted consistent with potential changes or terminations of the waivers and credits, as such become effective.

## Other

### Purchase of Receivables Program (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 and nine months ended September 30, 2021, PPL Electric purchased \$309 million and \$883 million of accounts receivable from alternative suppliers. During the three and nine months ended September 30, 2020, PPL Electric purchased \$303 million and \$854 million of accounts receivable from alternative suppliers.

## 8. Financing Activities

### Credit Arrangements and Short-term Debt

(All Registrants)

The Registrants maintain credit facilities to enhance liquidity, provide credit support and act as a backstop to commercial paper programs. For reporting purposes, on a consolidated basis, PPL's arrangements listed below include the credit facilities and commercial paper programs of PPL Electric, LG&E and KU. The amounts listed in the borrowed column below are recorded as "Short-term debt" on the Balance Sheets except for borrowings under PPL Capital Funding's term loan agreement due March 2022, which are reflected in "Long-term debt" at December 31, 2020. The following credit facilities were in place at:

	September 30, 2021					December 31, 2020	
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued
<b><u>PPL</u></b>							
<b>PPL Capital Funding</b>							
Syndicated Credit Facility	Jan. 2024	\$ 1,450	\$ —	\$ —	\$ 1,450	\$ —	\$ 402
Bilateral Credit Facility	Mar. 2022	50	—	—	50	—	—
Bilateral Credit Facility	Mar. 2022	50	—	15	35	—	15
Term Loan Credit Facility	Mar. 2022	—	—	—	—	100	—
Term Loan Credit Facility	Mar. 2021	—	—	—	—	100	—
Term Loan Credit Facility	Mar. 2021	—	—	—	—	200	—
Total PPL Capital Funding Credit Facilities		<u>\$ 1,550</u>	<u>\$ —</u>	<u>\$ 15</u>	<u>\$ 1,535</u>	<u>\$ 400</u>	<u>\$ 417</u>
<b><u>PPL Electric</u></b>							
Syndicated Credit Facility	Jan. 2024	<u>\$ 650</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 649</u>	<u>\$ —</u>	<u>\$ 1</u>
<b><u>LG&amp;E</u></b>							
Syndicated Credit Facility	Jan. 2024	<u>\$ 500</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 500</u>	<u>\$ —</u>	<u>\$ 262</u>
<b><u>KU</u></b>							
Syndicated Credit Facility	Jan. 2024	<u>\$ 400</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 400</u>	<u>\$ —</u>	<u>\$ 203</u>

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

	September 30, 2021				December 31, 2020	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Capital Funding		\$ 1,500	\$ —	\$ 1,500	0.25%	\$ 402
PPL Electric		650	—	650		—
LG&E (a)		425	—	425	0.28%	262
KU		350	—	350	0.28%	203
Total		<u>\$ 2,925</u>	<u>\$ —</u>	<u>\$ 2,925</u>		<u>\$ 867</u>

(a) In March 2021, the capacity for the LG&E commercial paper program was increased from \$350 million to \$425 million.

(PPL Electric, LG&E, and KU)

See Note 12 for discussion of intercompany borrowings.

## Long-term Debt

(PPL)

In April 2021, PPL Capital Funding repaid its \$100 million term loan expiring in March 2022.

In June 2021, PPL Capital Funding commenced a tender offer to purchase for cash and retire (1) any and all of its outstanding 4.20% Senior Notes due 2022, 3.50% Senior Notes due 2022, 3.40% Senior Notes due 2023 and 3.95% Senior Notes due 2024 and (2) up to \$1 billion aggregate purchase price of its outstanding 4.70% Senior Notes due 2043, 5.00% Senior Notes due 2044, 4.00% Senior Notes due 2047, 4.125% Senior Notes due 2030 and 3.10% Senior Notes due 2026.

In June 2021, in connection with the tender offer, PPL Capital Funding retired \$1,962 million combined aggregate principal amount of its outstanding Senior Notes for \$2,293 million aggregate cash purchase price that included the tender premium and accrued interest. These Senior Notes had a weighted average interest rate of 4.14%. The loss on extinguishment associated with the transaction was \$322 million, which included the tender premium, bank fees and unamortized fees, hedges and discounts. This loss on extinguishment was recorded to "Interest Expense" on the Statements of Income.

In July 2021, PPL Capital Funding redeemed the remaining \$1,072 million combined aggregate principal amount of its outstanding 4.20% Senior Notes due 2022, 3.50% Senior Notes due 2022, 3.40% Senior Notes due 2023 and 3.95% Senior Notes due 2024 that had not been validly tendered for an aggregate cash purchase price of \$1,133 million, which included make-whole premiums and accrued interest. These Senior Notes had a weighted average interest rate of 3.71%. The loss on extinguishment associated with the transaction was \$58 million, which included make-whole premiums, unamortized fees, hedges and discounts. PPL Capital Funding also redeemed its \$450 million of 5.90% Junior Subordinated Notes due in 2073 at par. The loss on extinguishment associated with this transaction was \$15 million, which included unamortized fees.

In July 2021, LKE redeemed at par the \$250 million 4.375% Senior Notes due 2021.

(PPL and LG&E)

In April 2021, the Louisville/Jefferson County Metro Government of Kentucky remarketed \$128 million of Pollution Control Revenue Bonds, 2003 Series A due 2033 previously issued on behalf of LG&E. The bonds were remarketed at a long-term rate and will bear interest at 2.00% through their maturity date of October 1, 2033.

In May 2021, the County of Trimble, Kentucky remarketed \$35 million of Pollution Control Revenue Bonds, 2001 Series B due 2027 previously issued on behalf of LG&E. The bonds were remarketed at a long-term rate and will bear interest at 1.35% through their maturity date of November 1, 2027.

In May 2021, the Louisville/Jefferson County Metro Government of Kentucky remarketed \$35 million of Pollution Control Revenue Bonds, 2001 Series B due 2027 previously issued on behalf of LG&E. The bonds were remarketed at a long-term rate and will bear interest at 1.35% through their maturity date of November 1, 2027.

In June 2021, LG&E converted the \$31 million of Louisville/Jefferson County Metro Government of Kentucky Environmental Facilities Revenue Refunding Bonds, 2007 Series A issued on its behalf to a weekly interest rate, as permitted under loan documents. The bonds mature on June 1, 2033.

In June 2021, LG&E converted the \$35 million of Louisville/Jefferson County Metro Government, of Kentucky Environmental Facilities Revenue Refunding Bonds, 2007 Series B issued on its behalf to a weekly interest rate, as permitted under loan documents. The bonds mature on June 1, 2033.

In September 2021, the County of Trimble, Kentucky remarketed \$28 million of Pollution Control Revenue Bonds, 2001 Series A due 2026, previously issued on behalf of LG&E. The bonds were remarketed at a long-term rate and will bear interest at 0.625% through their maturity date of September 1, 2026.

*(PPL and KU)*

In June 2021, the County of Carroll, Kentucky remarketed \$54 million of Environmental Facilities Revenue Refunding Bonds, 2006 Series B due 2034 previously issued on behalf of KU. The bonds were remarketed at a long-term rate and will bear interest at 2.125% through their maturity date of October 1, 2034.

In June 2021, the County of Carroll, Kentucky remarketed \$78 million of Environmental Facilities Revenue Bonds 2008 Series A due 2032 previously issued on behalf of KU. The bonds were remarketed at a long-term rate and will bear interest at 2.00% through their maturity date of February 1, 2032.

*(PPL and PPL Electric)*

In June 2021, PPL Electric issued \$650 million of First Mortgage Bonds, Floating Rate Series due 2024. PPL Electric received proceeds of \$647 million, net of underwriting fees, which were used to redeem its \$400 million outstanding First Mortgage Bonds, 3% Series due 2021 in July 2021 and for general corporate purposes.

*(PPL)*

## **Equity Securities**

### **Share Repurchase**

In August 2021, PPL's Board of Directors authorized share repurchases of up to \$3 billion of PPL common shares. PPL currently expects to repurchase approximately \$1 billion by the end of 2021. The actual amount repurchased will depend on various factors, including PPL's share price, market conditions, and the determination of other uses for the proceeds from the sale of the U.K. utility business, including for incremental capital expenditures. PPL may purchase shares on each trading day subject to market conditions and principles of best execution.

During the three and nine months ended September 30, 2021, PPL repurchased 9.6 million shares at a cost of \$282 million.

From October 1 to October 31, 2021, PPL repurchased an additional 9.4 million shares at a cost of \$269 million.

Commission fees incurred, which have been included in the cost of repurchases above, were insignificant through October 31, 2021.

### **ATM Program**

In February 2018, PPL entered into an equity distribution agreement, pursuant to which PPL may sell, from time to time, up to an aggregate of \$1.0 billion of its common stock through an at-the-market offering program, including a forward sales component. The compensation paid to the selling agents by PPL may be up to 2% of the gross offering proceeds of the shares. There were no issuances under the ATM program for the nine months ended September 30, 2021. The ATM program expired in February 2021.

**Distributions**

In August 2021, PPL declared a quarterly common stock dividend, payable October 1, 2021, of 41.5 cents per share (equivalent to \$1.66 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.

**9. Acquisitions, Development and Divestitures**

(PPL)

**Discontinued Operations**Sale of the U.K. Utility Business

On March 17, 2021, PPL WPD Limited (WPD Limited) entered into a share purchase agreement (WPD SPA) to sell PPL's U.K. utility business to National Grid Holdings One plc (National Grid U.K.), a subsidiary of National Grid plc. Pursuant to the WPD SPA, National Grid U.K. would acquire 100% of the issued share capital of PPL WPD Investments Limited (WPD Investments) for £7.8 billion in cash. WPD Limited would also receive an additional amount of £548,000 for each day during the period from January 1, 2021 to the closing date if the dividends usually declared by WPD Investments to WPD Limited are not paid for that period.

On June 14, 2021, the sale of the U.K. utility business was completed. The transaction resulted in cash proceeds of \$10.7 billion inclusive of foreign currency hedges executed by PPL. PPL received net proceeds, after taxes and fees, of \$10.4 billion.

WPD Limited and National Grid U.K. each made customary representations and warranties in the WPD SPA. National Grid U.K., at its expense, purchased warranty and indemnity insurance. WPD Limited agreed to indemnify National Grid U.K. for certain tax related matters. See Note 11 for additional information. PPL has not had and will not have any significant involvement with the U.K. utility business after completion of the sale.

*Loss on Sale*

The following table summarizes the pre-tax loss recorded upon completion of the sale.

	<b>Loss on sale for the nine month period ended September 30, 2021</b>
Sales proceeds, net of realized foreign currency hedge losses (a)	\$ 10,732
Unrealized foreign currency hedge losses recognized in 2020	125
Less: Costs to sell (b)	69
Less: Carrying value (c)	12,397
<b>Loss on sale</b>	<b>\$ (1,609)</b>

(a) Includes the fixed and additional consideration of £7,881 million specified in the WPD SPA, converted at a spot rate of \$1.4107 per GBP, offset by \$386 million of realized foreign currency hedge losses to hedge the proceeds from the sale.

(b) Includes bank advisory, legal and accounting fees to facilitate the transaction.

(c) Represents the carrying value of the U.K. utility business at the time of sale and includes the realization of AOCI of \$3.6 billion, which arose primarily from currency translation adjustments and defined benefit plans associated with the U.K. utility business.

*Summarized Results of Discontinued Operations*

The operations of the U.K. utility business are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income. Following are the components of discontinued operations in the Statements of Income for the periods ended September 30:

	Three Months		Nine Months	
	2021	2020	2021	2020
Operating Revenues	\$ —	\$ 485	\$ 1,344	\$ 1,575
Operating Expenses	—	235	466	684
Other Income (Expense) - net	—	46	202	242
Interest Expense (a)	—	88	209	271
Income before income taxes	—	208	871	862
Gain (Loss) on sale	—	—	(1,609)	—
Income taxes	2	44	752	157
Income (Loss) from Discontinued Operations (net of income taxes)	\$ (2)	\$ 164	\$ (1,490)	\$ 705

(a) No interest from corporate level debt was allocated to discontinued operations.

### Summarized Assets and Liabilities Held for Sale

The following major classes of assets and liabilities of the U.K. utility business were reclassified on PPL's Balance Sheet to "Current assets held for sale" and "Current liabilities held for sale" as of December 31, 2020:

	Held for Sale at December 31, 2020
Cash and cash equivalents	\$ 266
Accounts receivable and unbilled revenues	389
Price risk management assets	146
Property, plant and equipment, net (a)	14,392
Goodwill	2,558
Other intangibles	413
Pension benefit asset	682
Other assets	137
<b>Total Assets</b>	<b>\$ 18,983</b>
Short-term debt and long-term debt due within one year	\$ 994
Accounts payable	220
Customer deposits	217
Accrued interest	190
Long-term debt	7,938
Total deferred income taxes	1,032
Price risk management liabilities	137
Other deferred credits and liabilities	295
<b>Total Liabilities</b>	<b>\$ 11,023</b>
<b>Net assets (b)</b>	<b>\$ 7,960</b>

(a) Depreciation of fixed assets ceased upon classification as held for sale in the first quarter of 2021.

(b) The net assets and liabilities held for sale exclude \$4.0 billion of AOCI related to the U.K. utility business that are required to be included in the carrying value of an entity classified as held for sale when assessing impairment and determining the gain or loss on sale. Prior to the sale, AOCI related to the U.K. utility business was reported as a component of PPL's equity.

## Acquisitions

### Share Purchase Agreement to Acquire Narragansett Electric

On March 17, 2021, PPL and its subsidiary, PPL Energy Holdings, entered into a share purchase agreement (Narragansett SPA) with National Grid USA (National Grid U.S.), a subsidiary of National Grid plc to acquire 100% of the outstanding shares of common stock of Narragansett Electric for approximately \$3.8 billion in cash. On May 3, 2021, an Assignment and Assumption Agreement was entered into by PPL, PPL Energy Holdings, PPL Rhode Island Holdings and National Grid U.S. whereby certain interests of PPL Energy Holdings in the Narragansett SPA were assigned to and assumed by PPL Rhode Island Holdings. Pursuant to that Assignment and Assumption Agreement, PPL Rhode Island Holdings became the purchasing entity under the Narragansett SPA. The acquisition is expected to be funded with proceeds from the sale of the U.K. utility business. PPL has agreed to guarantee all obligations of PPL Energy Holdings and PPL Rhode Island Holdings under the Narragansett SPA and the related Assignment and Assumption Agreement.

The closing of the acquisition, which is currently expected to occur by March 2022, is subject to the receipt of certain U.S. regulatory approvals or waivers, including, among others, authorizations or waivers from the Rhode Island Division of Public Utilities and Carriers, the Massachusetts Department of Public Utilities, the Federal Communications Commission (FCC), and the FERC, as well as review under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and other customary conditions to closing, including the execution and delivery of certain related transaction documents. The waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, with respect to the acquisition, expired on June 2, 2021. On July 14, 2021, the FCC consented to the Transfer of Control Application for the transfer of control of certain communications licenses held by Narragansett Electric from National Grid U.S. to PPL. The Massachusetts Department of Public Utilities granted a waiver of jurisdiction with respect to the acquisition on July 16, 2021. On September 23, 2021, the FERC issued an order authorizing, as consistent with the public interest, the disposition of jurisdictional facilities that will result in PPL Rhode Island Holdings, LLC, acquiring 100% of the outstanding shares of common stock of Narragansett Electric. The regulatory approvals and waiver remain subject to any applicable appeal periods. The remaining required regulatory approval from the Rhode Island Division of Public Utilities and Carriers is proceeding as expected.

PPL Energy Holdings and PPL Rhode Island Holdings and National Grid U.S. have each made customary representations, warranties and covenants in the Narragansett SPA, including, among others, customary indemnification provisions and covenants by National Grid U.S. to conduct the Narragansett Electric business in the ordinary course between the execution of the Narragansett SPA and the closing of the acquisition. The consummation of the transaction is not subject to a financing condition.

In connection with the acquisition, National Grid U.S. and one or more of its subsidiaries and Narragansett Electric will enter into a transition services agreement, pursuant to which National Grid U.S. and/or one or more of its affiliates will agree to provide certain transition services to Narragansett Electric and its affiliates to facilitate the operation of Narragansett Electric following the consummation of the acquisition and the transition of operations to PPL, as agreed upon in the Narragansett SPA.

### 10. Defined Benefits

*(PPL)*

Certain net periodic defined benefit costs are applied to accounts that are further distributed among capital, expense, regulatory assets and regulatory liabilities, 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 for the periods ended September 30:

	Pension Benefits			
	Three Months		Nine Months	
	2021	2020	2021	2020
<b>PPL</b>				
Service cost	\$ 14	\$ 14	\$ 42	\$ 42
Interest cost	30	35	91	109
Expected return on plan assets	(64)	(62)	(191)	(185)
Amortization of:				
Prior service cost	2	3	6	7
Actuarial loss	21	23	70	67
Net periodic defined benefit costs (credits) before settlements	3	13	18	40
Settlements (a)	14	13	14	13
Net periodic defined benefit costs (credits)	<u>\$ 17</u>	<u>\$ 26</u>	<u>\$ 32</u>	<u>\$ 53</u>

(a) Settlement charges were incurred due to the amount of lump sum payment distributions from the LKE qualified pension plan. In accordance with existing regulatory accounting treatment, LG&E and KU have primarily maintained the settlement charge in regulatory assets to be amortized over fifteen years.

	Other Postretirement Benefits			
	Three Months		Nine Months	
	2021	2020	2021	2020
<b>L</b>				
Service cost	\$ \$2	\$2	\$5	5
Interest cost	4	4	12	14
Expected return on plan assets	(6)	(5)	(18)	(16)
Amortization of:				
Prior service cost	—	—	1	1
Actuarial loss	(1)	—	(1)	—
Net periodic defined benefit costs	<u>\$ (1)</u>	<u>\$1</u>	<u>(1)</u>	<u>4</u>

(PPL Electric, LG&E and KU)

PPL Electric is allocated costs of defined benefit plans sponsored by PPL Services and LG&E and KU are allocated costs of defined benefit plans sponsored by LKE. LG&E and KU are also allocated costs of defined benefit plans from LKS for defined benefit plans sponsored by LKE. See Note 12 for additional information on costs allocated to LG&E and KU from LKS. These allocations are based on participation in those plans, which management believes are reasonable. For the periods ended September 30, 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		Nine Months	
	2021	2020	2021	2020
PPL Electric	\$ —	\$ 3	\$ 2	\$ 9
LG&E	6	9	7	14
KU	1	4	—	5

(All Registrants)

The non-service cost components of net periodic defined benefit costs (credits) (interest cost, expected return on plan assets, amortization of prior service cost and amortization of actuarial gain and loss) are presented in "Other Income (Expense) - net" on the Statements of Income. See Note 13 for additional information.

## 11. 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.

#### Talen Litigation (PPL)

##### *Background*

In September 2013, one of PPL's former subsidiaries, PPL Montana entered into an agreement to sell its hydroelectric generating facilities. In June 2014, PPL and PPL Energy Supply, the parent company of PPL Montana, entered into various definitive agreements with affiliates of Riverstone to spin off PPL Energy Supply and ultimately combine it with Riverstone's competitive power generation businesses to form a stand-alone company named Talen Energy. In November 2014, after executing the spinoff agreements but prior to the closing of the spinoff transaction, PPL Montana closed the sale of its hydroelectric generating facilities. Subsequently, on June 1, 2015, the spinoff of PPL Energy Supply was completed. Following the spinoff transaction, PPL had no continuing ownership interest in or control of PPL Energy Supply. In connection with the spinoff transaction, PPL Montana became Talen Montana, LLC (Talen Montana), a subsidiary of Talen Energy. Talen Energy Marketing also became a subsidiary of Talen Energy as a result of the June 2015 spinoff of PPL Energy Supply. Talen Energy has owned and operated both Talen Montana and Talen Energy Marketing since the spinoff. At the time of the spinoff, affiliates of Riverstone acquired a 35% ownership interest in Talen Energy. Riverstone subsequently acquired the remaining interests in Talen Energy in a take private transaction in December 2016.

*Talen Montana Retirement Plan and Talen Energy Marketing, LLC, Individually and on Behalf of All Others Similarly Situated v. PPL Corporation et al.*

On October 29, 2018, Talen Montana Retirement Plan and Talen Energy Marketing filed a putative class action complaint on behalf of current and contingent creditors of Talen Montana who allegedly suffered harm or allegedly will suffer reasonably foreseeable harm as a result of a November 2014 distribution of proceeds from the sale of then-PPL Montana's hydroelectric generating facilities. The action was filed in the Sixteenth Judicial District of the State of Montana, Rosebud County, against PPL and certain of its affiliates and current and former officers and directors (Talen Putative Class Action). Plaintiff asserts claims for, among other things, fraudulent transfer, both actual and constructive; recovery against subsequent transferees; civil conspiracy; aiding and abetting tortious conduct; and unjust enrichment. Plaintiff is seeking avoidance of the purportedly fraudulent transfer, unspecified damages, including punitive damages, the imposition of a constructive trust, and other relief. In December 2018, PPL removed the Talen Putative Class Action from the Sixteenth Judicial District of the State of Montana to the United States District Court for the District of Montana, Billings Division (MT Federal Court). In January 2019, the plaintiff moved to remand the Talen Putative Class Action back to state court, and dismissed without prejudice all current and former PPL Corporation directors from the case. In September 2019, the MT Federal Court granted plaintiff's motion to remand the case back to state court. Although, the PPL defendants petitioned the Ninth Circuit Court of Appeals to grant an appeal of the remand decision, in November 2019, the Ninth Circuit Court of Appeals denied that request and in December 2019, Talen Montana Retirement Plan filed a Second Amended Complaint in the Sixteenth Judicial District of the State of Montana, Rosebud County, which removed Talen Energy Marketing as a plaintiff. In January 2020, PPL defendants filed a motion to dismiss the Second Amended Complaint or, in the alternative, to stay the proceedings pending the resolution of the below mentioned Delaware Action. The Court held a hearing on June 24, 2020 regarding the motions. On September 11, 2020, the Court granted PPL defendants' alternative Motion for a Stay of the proceedings.

*PPL Corporation et al. vs. Riverstone Holdings LLC, Talen Energy Corporation et al.*

On November 30, 2018, PPL, certain PPL affiliates, and certain current and former officers and directors (PPL plaintiffs) filed a complaint in the Court of Chancery of the State of Delaware seeking various forms of relief against Riverstone, Talen Energy and certain of their affiliates (Delaware Action), in response to and as part of the defense strategy for an action filed by Talen Montana, LLC (the Talen Direct Action, since dismissed) and the Talen Putative Class Action described above (together, the Montana Actions) originally filed in Montana state court in October 2018. In the complaint, the PPL plaintiffs ask the Delaware Court of Chancery for declaratory and injunctive relief. This includes a declaratory judgment that, under the separation

agreement governing the spinoff of PPL Energy Supply, all related claims that arise must be heard in Delaware; that the statute of limitations in Delaware and the spinoff agreement bar these claims at this time; that PPL is not liable for the claims in either the Talen Direct Action or the Talen Putative Class Action as PPL Montana was solvent at all relevant times; and that the separation agreement requires that Talen Energy indemnify PPL for all losses arising from the debts of Talen Montana, among other things. PPL's complaint also seeks damages against Riverstone for interfering with the separation agreement and against Riverstone affiliates for breach of the implied covenant of good faith and fair dealing. The complaint was subsequently amended on January 11, 2019 and March 20, 2019, to include, among other things, claims related to indemnification with respect to the Montana Actions, request a declaration that the Montana Actions are time-barred under the spinoff agreements, and allege additional facts to support the tortious interference claim. In April 2019, the defendants filed motions to dismiss the amended complaint. In July 2019, the Court heard oral arguments from the parties regarding the motions to dismiss, and in October 2019, the Delaware Court of Chancery issued an opinion sustaining all of the PPL plaintiffs' claims except for the claim for breach of implied covenant of good faith and fair dealing. As a result of the dismissal of the Talen Direct Action in December 2019, in January 2020, Talen Energy filed a new motion to dismiss five of the remaining eight claims in the amended complaint. The Court heard oral argument on Talen's motion to dismiss on May 28, 2020, and on June 22, 2020, issued an opinion denying the motion in its entirety. Discovery is proceeding, and a trial has been scheduled for February 2022.

With respect to each of the Talen-related matters described above, PPL believes that the 2014 distribution of proceeds was made in compliance with all applicable laws and that PPL Montana was solvent at all relevant times. Additionally, the agreements entered into in connection with the spinoff, which PPL and affiliates of Talen Energy and Riverstone negotiated and executed prior to the 2014 distribution, directly address the treatment of the proceeds from the sale of PPL Montana's hydroelectric generating facilities; in those agreements, Talen Energy and Riverstone definitively agreed that PPL was entitled to retain the proceeds.

PPL believes that it has meritorious defenses to the claims made in the Talen Putative Class Action and intends to continue to vigorously defend against this action. The Talen Putative Class Action was stayed at an early stage of litigation. While the Delaware Action is progressing, at this time PPL cannot predict the outcome of either of these matters or estimate the range of possible losses, if any, that PPL might incur as a result of the claims, although they could be material.

*(PPL and LG&E)*

#### Cane Run Environmental Claims

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 (U.S. District Court) alleging violations of the Clean Air Act, RCRA, and common law claims of nuisance, trespass and negligence. In July 2014, the U.S. District Court dismissed the RCRA claims and all but one Clean Air Act claim, but declined to dismiss the common law tort claims. In February 2017, the U.S. District Court dismissed PPL as a defendant and dismissed the final federal claim against LG&E, and in April 2017, issued an Order declining to exercise supplemental jurisdiction on the state law claims dismissing the case in its entirety. In June 2017, the plaintiffs filed a class action complaint in Jefferson County, Kentucky Circuit Court, against LG&E alleging state law nuisance, negligence and trespass tort claims. The plaintiffs seek compensatory and punitive damages for alleged property damage due to purported plant emissions on behalf of a class of residents within one to three miles of the plant. On January 8, 2020, the Jefferson Circuit Court issued an order denying the plaintiffs' request for class certification. On January 14, 2020, the plaintiffs filed a notice of appeal in the Kentucky Court of Appeals. On December 11, 2020, the Court of Appeals issued an order affirming the lower court's denial of class certification. In December 2020, plaintiffs filed a petition for discretionary review with the Kentucky Supreme Court. On April 20, 2021, the Kentucky Supreme Court denied further review of the lower court order. The case was remanded to the Jefferson Circuit Court for the claims of the three remaining petitioners. LG&E has agreed to a settlement with each of the three remaining petitioners for an amount that will not have a significant impact on LG&E's operations or financial condition.

*(PPL and KU)*

#### E.W. Brown Environmental Claims

In July 2017, the Kentucky Waterways Alliance and the Sierra Club filed a citizen suit complaint against KU in the U.S. District Court for the Eastern District of Kentucky (U.S. District Court) alleging discharges at the E.W. Brown plant in violation of the Clean Water Act and the plant's water discharge permit and alleging contamination that may present an imminent and substantial endangerment in violation of the RCRA. The plaintiffs' suit relates to prior notices of intent to file a citizen suit submitted in October and November 2015 and October 2016. These plaintiffs sought injunctive relief ordering KU

to take all actions necessary to comply with the Clean Water Act and RCRA, including ceasing the discharges in question, abating effects associated with prior discharges and eliminating the alleged imminent and substantial endangerment. These plaintiffs also sought assessment of civil penalties and an award of litigation costs and attorney fees. In December 2017, the U.S. District Court issued an Order dismissing the Clean Water Act and RCRA complaints against KU in their entirety. In January 2018, the plaintiffs appealed the dismissal Order to the U.S. Court of Appeals for the Sixth Circuit. In September 2018, the U.S. Court of Appeals for the Sixth Circuit issued its ruling affirming the lower court's decision to dismiss the Clean Water Act claims but reversing its dismissal of the RCRA claims against KU and remanding the latter to the U.S. District Court. In January 2019, KU filed an answer to plaintiffs' complaint in the U.S. District Court. In May 2021, the U.S. District Court issued an order granting KU's motion for summary judgment and dismissed the case. In June 2021, the plaintiffs appealed the district court's order to the U.S. Court of Appeals for the Sixth Circuit. In September 2021, the parties entered into a settlement agreement, providing for dismissal of the appellate proceedings and release of other claims.

KU is undertaking extensive remedial measures at the E.W. Brown plant including closure of the former ash pond, implementation of a groundwater remedial action plan and performance of a corrective action plan including aquatic study of adjacent surface waters and risk assessment. The aquatic study and risk assessment are being undertaken pursuant to a 2017 agreed Order with the Kentucky Energy and Environment Cabinet (KEEC). KU conducted sampling of Herrington Lake in 2017 and 2018. In June 2019, KU submitted to the KEEC the required aquatic study and risk assessment, conducted by an independent third-party consultant, finding that discharges from the E.W. Brown plant have not had any significant impact on Herrington Lake and that the water in the lake is safe for recreational use and meets safe drinking water standards. On May 31, 2021, the KEEC approved the report and released a response to public comments. On August 6, 2021, KU submitted a Supplemental Remedial Alternatives Analysis (SRAA) report to the KEEC that outlines proposed additional fish, water, and sediment testing. The KEEC will review the submitted SRAA report.

## Air

### *Sulfuric Acid Mist Emissions (PPL 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. On July 31, 2020, the U.S. Department of Justice and Louisville Metro Air Pollution Control District filed a complaint in the U.S. District Court for the Western District of Kentucky alleging violations specified in the EPA notice of violation and seeking civil penalties and injunctive relief. In October 2020, LG&E filed a motion to dismiss the complaint. In December 2020, the U.S. Department of Justice and the Louisville Metro Air Pollution Control District filed an amended complaint. In February 2021, LG&E filed a renewed motion to dismiss regarding the amended complaint. In June 2021, the U.S. District Court approved the parties' request for a three-month stay in connection with settlement discussions occurring among the parties. In September 2021, the parties reached a tentative agreement providing for dismissal of the court action, the payment by LG&E of a penalty amount and performance of a supplemental environmental project (SEP). The parties are currently in the process of obtaining required approvals from the U.S. Department of Justice, the U.S. District Court, the EPA and Louisville Metro Air Pollution Control District for the resulting consent decree. PPL and LG&E are unable to predict the final outcome of this matter but do not believe the matter, including the agreed penalty and SEP, will have a significant impact on LG&E's operations or financial condition.

## Water/Waste

### *(PPL, LG&E and KU)*

#### *ELGs*

In 2015, the EPA finalized ELGs for wastewater discharge permits for new and existing steam electricity generating facilities. These guidelines require deployment of additional control technologies providing physical, chemical and biological treatment and mandate operational changes including "no discharge" requirements for certain wastewaters. The implementation date for individual generating stations was to be determined by the states on a case-by-case basis according to criteria provided by the EPA. Legal challenges to the final rule were consolidated before the U.S. Court of Appeals for the Fifth Circuit. In April 2017, the EPA announced that it would grant petitions for reconsideration of the rule. In September 2017, the EPA issued a rule to postpone the compliance date for certain requirements. On October 13, 2020, the EPA published final revisions to its best available technology standards for certain wastewaters and potential extensions to compliance dates (the Reconsideration Rule).

The rule is expected to be implemented by the states or applicable permitting authorities in the course of their normal permitting activities. LG&E and KU are currently implementing responsive compliance strategies and schedules. Certain aspects of these compliance plans and estimates relate to developments in state water quality standards, which are separate from the ELG rule or its implementation. Certain costs are included in the Registrants' capital plans and expected to be recovered from customers through rate recovery mechanisms, but additional costs and recovery will depend on further regulatory developments at the state level. In August 2021, the EPA published a notice of rulemaking initiative announcing that it will propose revisions to the Reconsideration Rule and determine "whether more stringent limitations and standards are appropriate." Compliance with the Reconsideration Rule is required during the pendency of the rulemaking process.

## CCRs

In 2015, the EPA issued a final rule governing management of CCRs which include fly ash, bottom ash and sulfur dioxide scrubber wastes. The CCR Rule imposes extensive new requirements for certain CCR impoundments and landfills, including public notifications, location restrictions, design and operating standards, groundwater monitoring and corrective action requirements, and closure and post-closure care requirements, and specifies restrictions relating to the beneficial use of CCRs. In July 2018, the EPA issued a final rule extending the deadline for closure of certain impoundments and adopting other substantive changes. In August 2018, the D.C. Circuit Court of Appeals vacated and remanded portions of the CCR Rule. In December 2019, the EPA addressed the deficiencies identified by the court and proposed amendments to change the closure deadline. In August 2020, the EPA published a final rule extending the deadline to initiate closure to April 11, 2021, while providing for certain extensions. The EPA is conducting ongoing rulemaking actions regarding various other amendments to the rule. Certain ongoing legal challenges to various provisions of the CCR Rule have been held in abeyance pending review by the EPA pursuant to the President's executive order. PPL, LG&E and KU are unable to predict the outcome of the ongoing litigation and rulemaking or potential impacts on current LG&E and KU compliance plans. The Registrants are currently finalizing closure plans and schedules.

In January 2017, Kentucky issued a new state rule relating to CCR management, effective May 2017, aimed at reflecting the requirements of the federal CCR rule. As a result of a subsequent legal challenge, in January 2018, the Franklin County, Kentucky Circuit Court issued an opinion invalidating certain procedural elements of the rule. LG&E and KU presently operate their facilities under continuing permits authorized under the former program and do not currently anticipate material impacts as a result of the judicial ruling. Associated costs are expected to be subject to rate recovery.

LG&E and KU received KPSC approval for a compliance plan providing for the 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 the federal CCR rule, KU also received KPSC approval for its plans to close impoundments at the retired Green River, Pineville and Tyrone plants to comply with applicable state law. As of April 2021, LG&E and KU have commenced closure of all of the subject impoundments and have completed closure of some of their smaller impoundments. LG&E and KU generally expect to complete impoundment closures within five years of commencement, although a longer period may be required to complete closure of some facilities. Associated costs are expected to be subject to rate recovery.

In connection with the final CCR rule, LG&E and KU recorded adjustments to existing AROs beginning in 2015 and continue to record adjustments as required. See Note 16 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.

*(All Registrants)*

## Superfund and Other Remediation

PPL Electric, LG&E and KU are potentially responsible for investigating and remediating contamination under the federal Superfund program and similar state programs. Actions are under way at certain sites including former coal gas manufacturing plants in Pennsylvania and Kentucky previously owned or operated by, or currently owned by predecessors or affiliates of, PPL Electric, LG&E and KU. PPL Electric is potentially responsible for a share of clean-up costs at certain sites including the Columbia Gas Plant site and the Brodhead site. Cleanup actions have been or are being undertaken at these sites as requested by governmental agencies, the costs of which have not been and are not expected to be significant to PPL Electric.

As of September 30, 2021 and December 31, 2020, PPL Electric had a recorded liability of \$10 million representing its best estimate of the probable loss incurred to remediate the sites identified above. Depending on the outcome of investigations at

identified 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. PPL Electric, LG&E and KU lack sufficient information about such additional sites to estimate any potential liability or range of reasonably possible losses, if any, related to these sites. Such costs, however, are not currently 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, individual states may establish stricter standards for water quality and soil cleanup, that could require several PPL subsidiaries to take more extensive assessment and remedial actions at former coal gas manufacturing plants. The Registrants cannot reasonably estimate a range of possible losses, if any, related to these matters.

## **Regulatory Issues**

*(All Registrants)*

See Note 7 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 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 an estimate or range of possible losses cannot be determined.

### Gas - Security Directives *(PPL and LG&E)*

In May and July of 2021, the Department of Homeland Security's (DHS) Transportation Security Administration (TSA) released two security directives applicable to certain notified owners and operators of natural gas pipeline facilities (including local distribution companies) that TSA has determined to be critical. The first security directive required notified owners/operators to implement cybersecurity incident reporting to the DHS, designate a cybersecurity coordinator, and perform a gap assessment of current entity cybersecurity practices against certain voluntary TSA security guidelines and report relevant results and proposed mitigation to applicable DHS agencies. The second security directive requires notified entities to implement a significant number of specified cyber security controls and processes. LG&E does not believe the security directives will have a significant impact on LG&E's operations or financial condition.

## **Other**

### Labor Union Agreements

*(PPL and PPL Electric)*

For PPL and PPL Electric, labor agreement negotiations with the IBEW are expected to commence in the first quarter of 2022. The current five-year agreement expires in May 2022.

(KU)

KU has 70 employees that are represented by the IBEW labor union. On August 1, 2021, KU and the IBEW ratified a three-year labor agreement through August 2024. The terms of the new labor agreement are not expected to have a significant impact on the financial results of KU.

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 and loan obligations of PPL Capital Funding.

(All Registrants)

The table below details guarantees provided as of September 30, 2021. "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. For reporting purposes, on a consolidated basis, the guarantees of PPL include the guarantees of its subsidiary Registrants.

	Exposure at September 30, 2021	Expiration Date
<u>PPL</u>		
Indemnifications related to the sale of the U.K. utility business	£ 7,881 (a)	2021
Indemnifications related to certain tax liabilities related to the sale of the U.K. utility business	£ 50 (b)	2028
<u>LG&amp;E and KU</u>		
LG&E and KU obligation of shortfall related to OVEC	(c)	

- (a) PPL WPD Limited agreed to provide a standard indemnity regarding “leakage” amounts, which includes amounts taken out of the sold assets through dividends, return of capital, bonuses or similar method, received or waived by WPD (or its affiliates defined as members of the Sellers Group in the SPA) during the period from April 1, 2020 through June 14, 2021, except such amounts permitted under the WPD SPA. The amount of the cap on this indemnity is the amount paid to PPL WPD Limited at closing.
- (b) PPL WPD Limited entered into a Tax Deed dated June 9, 2021 in which it agreed to a tax indemnity regarding certain potential tax liabilities of the entities sold with respect to periods prior to the completion of the sale, subject to customary exclusions and limitations. Because National Grid Holdings One plc, the buyer, agreed to purchase indemnity insurance, the amount of the cap on the indemnity for these liabilities is £1, except with respect to certain surrenders of tax losses, for which the amount of the cap on the indemnity is £50 million.
- (c) 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. PPL's proportionate share of OVEC's outstanding debt was \$94 million at September 30, 2021, consisting of LG&E's share of \$65 million and KU's share of \$29 million. The maximum exposure and the expiration date of these potential obligations are not presently determinable. See "Energy Purchase Commitments" in Note 14 in PPL's, LG&E's and KU's 2020 Form 10-K for additional information on the OVEC power purchase contract.

In March 2018, a sponsor with a 4.85% pro-rata share of OVEC obligations filed for bankruptcy under Chapter 11 and, in August 2018, received a rejection order for the OVEC power purchase contract in the bankruptcy proceeding. OVEC and other entities challenged the contract rejection, the bankruptcy plan confirmation and regulatory aspects of the plan in various forums. In May 2020, OVEC and the relevant sponsor announced a settlement resolving all disputed matters in the bankruptcy and other proceedings, including providing that the sponsor will withdraw its request to reject the power purchase agreement. The settlement was implemented in July 2020.

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.

## Risks and Uncertainties (All Registrants)

The COVID-19 pandemic has disrupted the U.S. and global economies and continues to present challenges to businesses, communities, workforces and markets. In the U.S. and throughout the world, governmental authorities have taken actions to contain the spread of the virus and mitigate known or foreseeable impacts. In the Registrants' service territories, mitigation measures included quarantines, stay-at-home orders, travel restrictions, reduced operations or closures of businesses, schools and governmental agencies, and legislative or regulatory actions to address health or other pandemic-related concerns. Many restrictions that had been imposed are in the process of being lifted but may be reenacted in the future. These actions have the potential to adversely impact the Registrants' business and operations, especially if these measures remain in effect for a prolonged period of time.

To date, there has been no material impact on the Registrants' operations, financial condition, liquidity or on their supply chain as a result of COVID-19; however, the duration and severity of the outbreak and its ultimate effects on the global economy, the financial markets, or the Registrants' workforce, customers and suppliers are uncertain. A protracted slowdown of broad sectors of the economy, prolonged or pervasive restrictions on businesses and their workforces, or significant changes in legislation or regulatory policy to address the COVID-19 pandemic all present significant risks to the Registrants. These or other unpredictable events resulting from the pandemic could reduce customer demand for electricity and gas, impact the Registrants' employees and supply chains, result in an increase in certain costs, delay payments or increase bad debts, or result in changes in the fair value of their assets and liabilities, which could materially and adversely affect the Registrants' business, results of operations, financial condition or liquidity.

## 12. Related Party Transactions

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

PPL Services, PPL EU Services and LKS provide the Registrants, their respective subsidiaries and each other with administrative, management and support services. For all services companies, the costs of directly assignable and attributable 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. PPL Services may also use a ratio of overall direct and indirect costs or a weighted average cost ratio. 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 September 30, 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		Nine Months	
	2021	2020	2021	2020
PPL Electric from PPL Services	\$ 15	\$ 11	\$ 36	\$ 37
PPL Electric from PPL EU Services	48	44	147	126
LG&E from LKS	40	43	126	125
KU from LKS	43	45	132	132

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 PPL and LG&E and KU are reimbursed through LKS.

## Intercompany Borrowings

### *(PPL Electric)*

PPL Energy Funding maintains a \$1,200 million revolving line of credit with a PPL Electric subsidiary. At September 30, 2021, PPL Energy Funding had borrowings outstanding in the amount of \$575 million. This balance is reflected in "Notes receivable from affiliate" on the PPL Electric balance sheet. No balance was outstanding at December 31, 2020. The interest rates on borrowings are equal to one-month LIBOR plus a spread. Interest income is reflected in "Interest Income from Affiliate" on the Income Statements.

### *(LG&E and KU)*

LG&E participates in an intercompany money pool agreement whereby LKE and/or KU make available to LG&E funds up to the difference between LG&E's FERC borrowing limit and LG&E's commercial paper limit at an interest rate based on the lower of a market index of commercial paper issues and two additional rate options based on LIBOR. LG&E's money pool borrowing limit is \$325 million. At September 30, 2021, LG&E had borrowings outstanding from LKE in the amount of \$284 million. This balance is reflected in "Notes payable to affiliates" on the LG&E balance sheets. No balances were outstanding at December 31, 2020.

KU participates in an intercompany money pool agreement whereby LKE and/or LG&E make available to KU funds up to the difference between KU's FERC borrowing limit and KU's commercial paper limit at an interest rate based on the lower of a market index of commercial paper issues and two additional rate options based on LIBOR. KU's money pool borrowing limit is \$300 million. At September 30, 2021, KU had borrowings outstanding from LKE in the amount of \$208 million. This balance is reflected in "Notes payable to affiliates" on the KU balance sheets. No balances were outstanding at December 31, 2020.

### **VEBA Funds Receivable** *(PPL Electric)*

In May 2018, PPL received a favorable private letter ruling from the IRS permitting a transfer of excess funds from the PPL Bargaining Unit Retiree Health Plan VEBA to a new subaccount within the VEBA, to be used to pay medical claims of active bargaining unit employees. Based on PPL Electric's participation in PPL's Other Postretirement Benefit plan, PPL Electric was allocated a portion of the excess funds from PPL Services. These funds have been recorded as an intercompany receivable on PPL Electric's Balance Sheets. The receivable balance decreases as PPL Electric pays incurred medical claims and is reimbursed by PPL Services. The intercompany receivable balance associated with these funds was \$14 million as of September 30, 2021, of which \$10 million was reflected in "Accounts receivable from affiliates" and \$4 million was reflected in "Other noncurrent assets" on the PPL Electric Balance Sheet. The intercompany receivable balance associated with these funds was \$22 million as of December 31, 2020, of which \$10 million was reflected in "Accounts receivable from affiliates" and \$12 million was reflected in "Other noncurrent assets" on the PPL Electric balance sheets.

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

See Note 10 for discussions regarding intercompany allocations associated with defined benefits.

### 13. Other Income (Expense) - net

(PPL)

The details of "Other Income (Expense) - net" for the periods ended September 30, were:

	Three Months		Nine Months	
	2021	2020	2021	2020
Other Income				
Defined benefit plans - non-service credits (Note 10)	\$ 6	\$ 1	\$ 18	\$ 4
Interest Income	6	—	10	1
AFUDC - equity component	4	7	13	15
Miscellaneous	2	1	7	3
Total Other Income	18	9	48	23
Other Expense				
Charitable contributions	—	—	2	2
Miscellaneous	6	3	21	10
Total Other Expense	6	3	23	12
Other Income (Expense) - net	\$ 12	\$ 6	\$ 25	\$ 11

### 14. 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. See Note 1 in each Registrant's 2020 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:

	September 30, 2021				December 31, 2020			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<b>PPL</b>								
Assets								
Cash and cash equivalents	\$ 4,767	\$ 4,767	\$ —	\$ —	\$ 442	\$ 442	\$ —	\$ —
Restricted cash and cash equivalents (a)	1	1	—	—	1	1	—	—
Special use funds (a):								
Money market fund	3	3	—	—	—	—	—	—
Commingled debt fund measured at NAV (b)	23	—	—	—	26	—	—	—
Commingled equity fund measured at NAV (b)	20	—	—	—	25	—	—	—
Total special use funds	46	3	—	—	51	—	—	—
Total assets	\$ 4,814	\$ 4,771	\$ —	\$ —	\$ 494	\$ 443	\$ —	\$ —
Liabilities								
Price risk management liabilities (c):								
Interest rate swaps	\$ 19	\$ —	\$ 19	\$ —	\$ 23	\$ —	\$ 23	\$ —
Total price risk management liabilities	\$ 19	\$ —	\$ 19	\$ —	\$ 23	\$ —	\$ 23	\$ —

	September 30, 2021				December 31, 2020			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<b>PPL Electric</b>								
Assets								
Cash and cash equivalents	\$ 59	\$ 59	\$ —	\$ —	\$ 40	\$ 40	\$ —	\$ —
Total assets	<u>\$ 59</u>	<u>\$ 59</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 40</u>	<u>\$ 40</u>	<u>\$ —</u>	<u>\$ —</u>
<b>LG&amp;E</b>								
Assets								
Cash and cash equivalents	\$ 5	\$ 5	\$ —	\$ —	\$ 7	\$ 7	\$ —	\$ —
Total assets	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7</u>	<u>\$ 7</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities								
Price risk management liabilities:								
Interest rate swaps	\$ 19	\$ —	\$ 19	\$ —	\$ 23	\$ —	\$ 23	\$ —
Total price risk management liabilities	<u>\$ 19</u>	<u>\$ —</u>	<u>\$ 19</u>	<u>\$ —</u>	<u>\$ 23</u>	<u>\$ —</u>	<u>\$ 23</u>	<u>\$ —</u>
<b>KU</b>								
Assets								
Cash and cash equivalents	\$ 8	\$ 8	\$ —	\$ —	\$ 22	\$ 22	\$ —	\$ —
Total assets	<u>\$ 8</u>	<u>\$ 8</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 22</u>	<u>\$ 22</u>	<u>\$ —</u>	<u>\$ —</u>

- (a) Included in "Other current assets" on the Balance Sheets.
- (b) In accordance with accounting guidance, certain investments that are measured at fair value using net asset value per share (NAV), or its equivalent, have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Balance Sheets.
- (c) Current portion is included in "Other current liabilities" and noncurrent portion is included in "Other deferred credits and noncurrent liabilities" on the Balance Sheets.

## Special Use Funds

(PPL)

The special use funds are investments restricted for paying active union employee medical costs. In May 2018, PPL received a favorable private letter ruling from the IRS permitting a transfer of excess funds from the PPL Bargaining Unit Retiree Health Plan VEBA to a new subaccount within the VEBA to be used to pay medical claims of active bargaining unit employees. The funds are invested primarily in commingled debt and equity funds measured at NAV and are classified as investments in equity securities. Changes in fair value of the funds are recorded to the Statements of Income.

## Price Risk Management Assets/Liabilities - Interest Rate Swaps/Foreign Currency Contracts/Cross-Currency Swaps

(PPL, LG&E and KU)

To manage interest rate risk, PPL, 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 exchange risk, PPL used 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. Long-term debt is classified as Level 2. The effect of third-party credit enhancements is not included in the fair value measurement.

	September 30, 2021		December 31, 2020	
	Carrying Amount (a)	Fair Value	Carrying Amount (a)	Fair Value
PPL	\$ 11,139	\$ 13,091	\$ 14,689	\$ 17,774
PPL Electric	4,483	5,296	4,236	5,338
LG&E	2,006	2,387	2,007	2,499
KU	2,618	3,157	2,618	3,334

(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.

## 15. 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 these 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. Prior to the sale of the U.K. utility business on June 14, 2021, PPL and WPD held 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 and LG&E utilize over-the-counter interest rate swaps to limit exposure to market fluctuations on floating-rate debt. PPL, 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, prior to the sale of the U.K. utility business on June 14, 2021, for certain plans at WPD due to the recovery methods in place.

#### Foreign Currency Risk (PPL)

- Prior to the sale of the U.K. utility business on June 14, 2021, PPL was exposed to foreign currency exchange risk primarily associated with its investments in and earnings of U.K. affiliates.

(All Registrants)

### **Commodity Price Risk**

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

- PPL Electric is required to purchase electricity to fulfill its obligation as a PLR. Potential commodity price risk is insignificant and mitigated through its PUC-approved cost recovery mechanism and full-requirement supply agreements to serve its PLR customers which transfer the risk to energy suppliers.
- LG&E's and KU's rates include certain mechanisms for fuel, fuel-related expenses and energy purchases. 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**

Volumetric risk is the risk related to the changes in volume of retail sales due to weather, economic conditions or other factors. PPL is exposed to volumetric risk through its subsidiaries as described below.

- Prior to the sale of the U.K. utility business on June 14, 2021, WPD was exposed to volumetric risk which was significantly mitigated as a result of the method of regulation in the U.K. Under the RIIO-ED1 price control regulations, recovery of such exposure occurs on a two year lag. See Note 1 in PPL's 2020 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 the fair value of the defined benefit plans' assets. This risk is significantly mitigated at the regulated domestic utilities and, prior to the sale of the U.K. utility business on June 14, 2021, for certain plans at WPD due to the recovery methods 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 derivatives with financial institutions, as well as additional credit risk through certain of its subsidiaries, as discussed below.

In the event a supplier of PPL Electric, LG&E or KU defaults on its obligation, those Registrants 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, thereby 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 (PPL, LG&E and KU)**

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 no obligation and an immaterial obligation to return cash collateral under master netting arrangements at September 30, 2021 and December 31, 2020.

PPL had no obligation to post cash collateral under master netting arrangements at September 30, 2021 and December 31, 2020.

LG&E and KU had no obligation to return cash collateral under master netting arrangements at September 30, 2021 and December 31, 2020.

LG&E and KU had no obligation to post cash collateral under master netting arrangements at September 30, 2021 and December 31, 2020.

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. A variety of financial derivative instruments are utilized to adjust the mix of fixed and floating interest rates in their debt portfolios, adjust the duration of the debt portfolios 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 had no such contracts at September 30, 2021.

As of September 30, 2021, PPL had no aggregate notional value in cross-currency interest rate swap contracts. In March 2021, \$500 million of WPD's U.S. dollar-denominated senior notes were repaid prior to maturity and \$500 million notional value of cross-currency interest rate swap contracts matured.

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 and nine months ended September 30, 2021 and 2020, PPL had no cash flow hedges reclassified into earnings associated with discontinued cash flow hedges.

At September 30, 2021, 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 and LG&E)

LG&E enters into interest rate swap contracts that economically hedge interest payments. Because realized gains and losses from the swaps, including terminated swap contracts, 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 September 30, 2021, LG&E held contracts with a notional amount of \$64 million that mature in 2033.

## **Foreign Currency Risk (PPL)**

Prior to the sale of the U.K. utility business on June 14, 2021, PPL was exposed to foreign currency risk, primarily through investments in and earnings of U.K. affiliates. PPL had adopted a foreign currency risk management program designed to hedge certain foreign currency exposures, including firm commitments, recognized assets or liabilities, anticipated transactions, including the sale of its U.K. utility business and net investments. In addition, PPL entered into financial instruments to protect against foreign currency translation risk of expected GBP earnings.

### Net Investment Hedges

Prior to the sale of the U.K. utility business on June 14, 2021, PPL entered 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 contracts outstanding at September 30, 2021.

At December 31, 2020, PPL had \$33 million of accumulated net investment hedge after tax gains (losses) that were included in the foreign currency translation adjustment component of AOCI. The remaining balance was transferred out of AOCI and realized in discontinued operations as a result of the sale of the U.K. utility business.

### Economic Activity

Prior to the sale of the U.K. utility business on June 14, 2021, PPL entered into foreign currency contracts on behalf of a subsidiary to economically hedge GBP-denominated anticipated earnings and anticipated transactions, including the sale of its U.K. utility business.

## **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 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 interest rate swaps that are recognized as regulatory assets or regulatory liabilities. See Note 7 for amounts recorded in regulatory assets and regulatory liabilities at September 30, 2021 and December 31, 2020.

See Note 1 in each Registrant's 2020 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.

	September 30, 2021				December 31, 2020			
	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:								
Interest rate swaps (a) (b)	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ —	\$ —	\$ 2
Cross-currency swaps (c)	—	—	—	—	94	—	—	—
Foreign currency contracts (c)	—	—	—	—	—	—	—	137
Total current	—	—	—	2	94	—	—	139
Noncurrent:								
Price Risk Management								
Assets/Liabilities:								
Interest rate swaps (a) (b)	—	—	—	17	—	—	—	21
Cross-currency swaps (c)	—	—	—	—	52	—	—	—
Total noncurrent	—	—	—	17	52	—	—	21
Total derivatives	\$ —	\$ —	\$ —	\$ 19	\$ 146	\$ —	\$ —	\$ 160

- (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.  
(c) Included in "Current assets held for sale" and "Current liabilities held for sale" on the Balance Sheets.

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities for the period ended September 30, 2021.

Derivative Relationships	Three Months	Nine Months	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Nine Months
	Derivative Gain (Loss) Recognized in OCI	Derivative Gain (Loss) Recognized in OCI		Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Reclassified from AOCI into Income
Cash Flow Hedges:					
Interest rate swaps	\$ —	\$ —	Interest expense	\$ (1)	\$ 12
			Income (Loss) from Discontinued Operations (net of taxes)	—	(2)
Cross-currency swaps	—	(50)	Income (Loss) from Discontinued Operations (net of taxes)	—	(39)
Total	\$ —	\$ (50)		\$ (1)	\$ (29)
Derivatives Not Designated as Hedging Instruments			Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Nine Months
Foreign currency contracts			Income (Loss) from Discontinued Operations (net of taxes)	\$ —	\$ (266)
Interest rate swaps			Interest expense	—	(2)
			Total	\$ —	\$ (268)
Derivatives Not Designated as Hedging Instruments			Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Nine Months
Interest rate swaps			Regulatory assets - noncurrent	\$ 1	\$ 4

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities for the period ended September 30, 2020.

Derivative Relationships	Three Months	Nine Months	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Nine Months
	Derivative Gain (Loss) Recognized in OCI	Derivative Gain (Loss) Recognized in OCI		Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Reclassified from AOCI into Income
Cash Flow Hedges:					
Interest rate swaps	\$ 3	\$ (7)	Interest expense	\$ (3)	\$ (7)
			Income (Loss) from Discontinued Operations (net of taxes)	(1)	(2)
Cross-currency swaps	(67)	(13)	Income (Loss) from Discontinued Operations (net of taxes)	(56)	(24)
Total	<u>\$ (64)</u>	<u>\$ (20)</u>		<u>\$ (60)</u>	<u>\$ (33)</u>
Net Investment Hedges:					
Foreign currency contracts in discontinued operations	<u>\$ —</u>	<u>\$ 1</u>			
<b>Derivatives Not Designated as Hedging Instruments</b>			<b>Location of Gain (Loss) Recognized in Income on Derivative</b>	<b>Three Months</b>	<b>Nine Months</b>
Foreign currency contracts		Income (Loss) from Discontinued operations (net of taxes)		\$ (19)	\$ 44
Interest rate swaps		Interest expense		(1)	(4)
		Total		<u>\$ (20)</u>	<u>\$ 40</u>
<b>Derivatives Not Designated as Hedging Instruments</b>			<b>Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets</b>	<b>Three Months</b>	<b>Nine Months</b>
Interest rate swaps		Regulatory assets - noncurrent		<u>\$ 2</u>	<u>\$ (5)</u>

The following table presents the effect of cash flow hedge activity on the Statement of Income for the period ended September 30, 2021.

	Location and Amount of Gain (Loss) Recognized in Income on Hedging Relationships			
	Three Months		Nine Months	
	Interest Expense	Income (Loss) from Discontinued Operations (net of income taxes)	Interest Expense	Income (Loss) from Discontinued Operations (net of income taxes)
Total income and expense line items presented in the income statement in which the effect of cash flow hedges are recorded	\$ 183	\$ (2)	\$ 810	\$ (1,490)
The effects of cash flow hedges:				
Gain (Loss) on cash flow hedging relationships:				
Interest rate swaps:				
Amount of gain (loss) reclassified from AOCI to income	(1)	—	12	(2)
Cross-currency swaps:				
Hedged items	—	—	—	39
Amount of gain (loss) reclassified from AOCI to Income	—	—	—	(39)

The following table presents the effect of cash flow hedge activity on the Statement of Income for the period ended September 30, 2020.

	Location and Amount of Gain (Loss) Recognized in Income on Hedging Relationships			
	Three Months		Nine Months	
	Interest Expense	Income (Loss) from Discontinued Operations (net of taxes)	Interest Expense	Income (Loss) from Discontinued Operations (net of taxes)
Total income and expense line items presented in the income statement in which the effect of cash flow hedges are recorded	\$ 161	\$ 164	\$ 479	\$ 705
The effects of cash flow hedges:				
Gain (Loss) on cash flow hedging relationships:				
Interest rate swaps:				
Amount of gain (loss) reclassified from AOCI to income	(3)	(1)	(7)	(2)
Cross-currency swaps:				
Hedged items	—	56	—	24
Amount of gain (loss) reclassified from AOCI to Income	—	(56)	—	(24)

(LG&E)

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

	September 30, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	\$ —	\$ 2	\$ —	\$ 2
Total current	—	2	—	2
Noncurrent:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	—	17	—	21
Total noncurrent	—	17	—	21
Total derivatives	\$ —	\$ 19	\$ —	\$ 23

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 period ended September 30, 2021.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months	Nine Months
Interest rate swaps	Interest expense	\$ —	\$ (2)
Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	\$ 1	\$ 4

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 period ended September 30, 2020.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months	Nine Months
Interest rate swaps	Interest expense	\$ (1)	\$ (4)
Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	\$ 2	\$ (5)

(PPL, LG&E and KU)

## Offsetting Derivative Instruments

PPL, 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, 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			Net	Eligible for Offset			Net
	Gross	Derivative Instruments	Cash Collateral Received		Gross	Derivative Instruments	Cash Collateral Pledged	
<b>September 30, 2021</b>								
<b>Treasury Derivatives</b>								
PPL	\$ —	\$ —	\$ —	\$ —	\$ 19	\$ —	\$ —	\$ 19
LG&E	—	—	—	—	19	—	—	19
	Assets				Liabilities			
	Eligible for Offset			Net	Eligible for Offset			Net
	Gross	Derivative Instruments	Cash Collateral Received		Gross	Derivative Instruments	Cash Collateral Pledged	
<b>December 31, 2020</b>								
<b>Treasury Derivatives</b>								
PPL	\$ 146	\$ 34	\$ —	\$ 112	\$ 160	\$ 34	\$ —	\$ 126
LG&E	—	—	—	—	23	—	—	23

## 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, 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, 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)

At September 30, 2021, there were no 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.

## 16. Asset Retirement Obligations

(PPL, LG&E and KU)

PPL's, LG&E's and KU's ARO liabilities are primarily related to CCR closure costs. See Note 11 for information on the CCR rule. LG&E also has AROs related to natural gas mains and wells. LG&E's and KU's transmission and distribution lines largely operate under perpetual property easement agreements, which do not generally require restoration upon removal of the property. Therefore, no material AROs are recorded for transmission and distribution assets. For LG&E and KU, all ARO accretion and depreciation expenses are reclassified as a regulatory asset. ARO regulatory assets associated with certain CCR projects are amortized to expense in accordance with regulatory approvals. 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.

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

	PPL	LG&E	KU
Balance at December 31, 2020	\$ 182	\$ 67	\$ 115
Accretion	12	4	8
Changes in estimated timing or cost	50	34	16
Obligations settled	(43)	(16)	(27)
Balance at September 30, 2021	<u>\$ 201</u>	<u>\$ 89</u>	<u>\$ 112</u>

## 17. Accumulated Other Comprehensive Income (Loss)

(PPL)

The after-tax changes in AOCI by component for the periods ended September 30 were as follows.

	Foreign currency translation adjustments	Unrealized gains (losses) on qualifying derivatives	Defined benefit plans		Total
			Prior service costs	Actuarial gain (loss)	
<b>PPL</b>					
<b>June 30, 2021</b>	\$ —	\$ —	\$ (15)	\$ (176)	\$ (191)
Amounts arising during the period	—	—	—	(12)	(12)
Reclassifications from AOCI	—	1	9	10	20
Net OCI during the period	—	1	9	(2)	8
<b>September 30, 2021</b>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ (6)</u>	<u>\$ (178)</u>	<u>\$ (183)</u>
<b>December 31, 2020</b>	\$ (1,158)	\$ —	\$ (16)	\$ (3,046)	\$ (4,220)
Amounts arising during the period	372	(39)	—	(18)	315
Reclassifications from AOCI	—	25	2	117	144
Reclassifications from AOCI due to the sale of the U.K. utility business (Note 9)	786	15	8	2,769	3,578
Net OCI during the period	1,158	1	10	2,868	4,037
<b>September 30, 2021</b>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ (6)</u>	<u>\$ (178)</u>	<u>\$ (183)</u>
<b>June 30, 2020</b>	\$ (1,777)	\$ 8	\$ (16)	\$ (2,817)	\$ (4,602)
Amounts arising during the period	643	(52)	—	(16)	575
Reclassifications from AOCI	—	48	—	52	100
Net OCI during the period	643	(4)	—	36	675
<b>September 30, 2020</b>	<u>\$ (1,134)</u>	<u>\$ 4</u>	<u>\$ (16)</u>	<u>\$ (2,781)</u>	<u>\$ (3,927)</u>
<b>December 31, 2019</b>	\$ (1,425)	\$ (5)	\$ (18)	\$ (2,910)	\$ (4,358)
Amounts arising during the period	291	(16)	—	(17)	258
Reclassifications from AOCI	—	25	2	146	173
Net OCI during the period	291	9	2	129	431
<b>September 30, 2020</b>	<u>\$ (1,134)</u>	<u>\$ 4</u>	<u>\$ (16)</u>	<u>\$ (2,781)</u>	<u>\$ (3,927)</u>

The following table presents PPL's gains (losses) and related income taxes for reclassifications from AOCI for the periods ended September 30.

Details about AOCI	Three Months		Nine Months		Affected Line Item on the Statements of Income
	2021	2020	2021	2020	
Qualifying derivatives					
Interest rate swaps	\$ (1)	\$ (3)	\$ 12	\$ (7)	Interest Expense
	—	(1)	(2)	(2)	Income (Loss) from Discontinued Operations (net of income taxes)
Cross-currency swaps	—	(56)	(39)	(24)	Income (Loss) from Discontinued Operations (net of income taxes)
Total Pre-tax	(1)	(60)	(29)	(33)	
Income Taxes	—	12	4	8	
Total After-tax	(1)	(48)	(25)	(25)	
Defined benefit plans					
Prior service costs (a)	(12)	(1)	(3)	(3)	
Net actuarial loss (a)	(14)	(64)	(147)	(181)	
Total Pre-tax	(26)	(65)	(150)	(184)	
Income Taxes	7	13	31	36	
Total After-tax	(19)	(52)	(119)	(148)	
Sale of the U.K. utility business (Note 9)					
Foreign currency translation adjustments	—	—	(646)	—	Income (Loss) from Discontinued Operations (net of income taxes)
Qualifying derivatives	—	—	(15)	—	Income (Loss) from Discontinued Operations (net of income taxes)
Defined benefit plans	—	—	(3,577)	—	Income (Loss) from Discontinued Operations (net of income taxes)
Total Pre-tax	—	—	(4,238)	—	
Income Taxes	—	—	660	—	
Total After-tax	—	—	(3,578)	—	
Total reclassifications during the period	\$ (20)	\$ (100)	\$ (3,722)	\$ (173)	

(a) These AOCI components are included in the computation of net periodic defined benefit cost. See Note 10 for additional information.

## **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, 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' 2020 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 and nine months ended September 30, 2021 with the same periods in 2020. The PPL "Results of Operations" also includes "Segment Earnings" and "Adjusted Gross Margins," which provide a detailed analysis of earnings by reportable segment. These discussions include non-GAAP financial measures, including "Earnings from Ongoing Operations" and "Adjusted Gross 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.
- "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.
- "Application of Critical Accounting Policies" provides an update to PPL's critical accounting policies disclosed in PPL's 2020 Form 10-K.

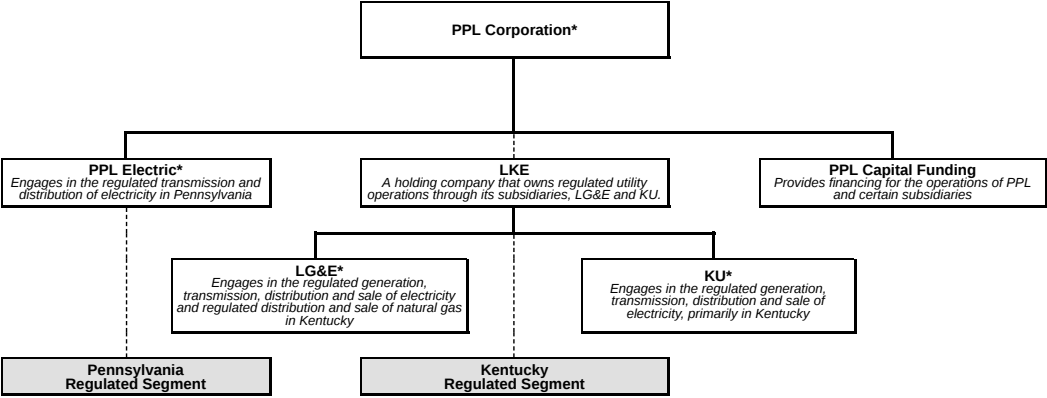
### **Overview**

#### **Introduction**

*(PPL)*

PPL, headquartered in Allentown, Pennsylvania, is a utility holding company. PPL, through its regulated utility subsidiaries, delivers electricity to customers in Pennsylvania, Kentucky and Virginia; 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 LKE and PPL Electric, except that in 2020 the reportable segments were also allocated certain corporate level financing and other costs that were not included in the results of LKE and PPL Electric. In 2021, corporate level financing costs are no longer being allocated to the reportable segments.

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

*(PPL Electric)*

PPL Electric, headquartered in Allentown, Pennsylvania, is a 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.

*(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 and Virginia. KU is subject to regulation as a public utility by the KPSC and the VSCC, 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 Kentucky customers under the KU name and its Virginia customers under the Old Dominion Power name.

## Business Strategy

*(All Registrants)*

PPL's strategy, which is supported by the other Registrants, is to achieve industry-leading performance in safety, reliability, customer satisfaction and operational efficiency; to advance a clean energy transition while maintaining affordability and reliability; to maintain a strong financial foundation and create long-term value for our shareowners; to foster a diverse and exceptional workplace; and to build strong communities in areas that we serve.

Central to PPL's strategy is recovering 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, and 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 Pennsylvania, the FERC transmission formula rate, DSIC mechanism, Smart Meter Rider and other recovery mechanisms operate to reduce regulatory lag and provide for timely recovery of and a return on, as appropriate, prudently incurred costs.

In March 2021, PPL entered into definitive agreements that strategically reposition the company as a U.S.-based energy company focused on building the utilities of the future. These transactions are intended to strengthen PPL's credit metrics, enhance long-term earnings growth and predictability, and provide the company with greater financial flexibility to invest in sustainable energy solutions. See Note 9 to the Financial Statements, and the "Sale of the U.K. Utility Business," "Share Purchase Agreement to Acquire Narragansett Electric" and "Use of Proceeds from the Sale of the U.K. Utility Business" discussions in "Financial and Operational Developments" below for additional information.

## Financial and Operational Developments

*(PPL)*

### Sale of the U.K. Utility Business

On March 17, 2021, PPL WPD Limited (WPD Limited) entered into a share purchase agreement (WPD SPA) to sell PPL's U.K. utility business to National Grid Holdings One plc (National Grid U.K.), a subsidiary of National Grid plc. Pursuant to the WPD SPA, National Grid U.K. would acquire 100% of the issued share capital of PPL WPD Investments Limited (WPD Investments) for £7.8 billion in cash. WPD Limited would also receive an additional amount of £548,000 for each day during the period from January 1, 2021 to the closing date if the dividends usually declared by WPD Investments to WPD Limited are not paid for that period.

On June 14, 2021, the sale of the U.K. utility business was completed. The transaction resulted in cash proceeds of \$10.7 billion inclusive of foreign currency hedges executed by PPL. PPL received net proceeds, after taxes and fees, of \$10.4 billion, resulting in a pre-tax loss on sale of \$1.6 billion. See Note 9 to the Financial Statements for additional information on the sale of the U.K. utility business.

WPD Limited and National Grid U.K. each made customary representations and warranties in the WPD SPA. National Grid U.K., at its expense, purchased warranty and indemnity insurance. WPD Limited agreed to indemnify National Grid U.K. for certain tax related matters. See Note 11 to the Financial Statements for additional information. PPL has not had and will not have any significant involvement with the U.K. utility business after completion of the sale.

*Share Purchase Agreement to Acquire Narragansett Electric*

On March 17, 2021, PPL and its subsidiary, PPL Energy Holdings, entered into a share purchase agreement (Narragansett SPA) with National Grid USA (National Grid U.S.), a subsidiary of National Grid plc to acquire 100% of the outstanding shares of common stock of Narragansett Electric for approximately \$3.8 billion in cash. On May 3, 2021, an Assignment and Assumption Agreement was entered into by PPL, PPL Energy Holdings, PPL Rhode Island Holdings and National Grid U.S. whereby certain interests of PPL Energy Holdings in the Narragansett SPA were assigned to and assumed by PPL Rhode Island Holdings. Pursuant to that Assignment and Assumption Agreement, PPL Rhode Island Holdings became the purchasing entity under the Narragansett SPA. The acquisition is expected to be funded with proceeds from the sale of the U.K. utility business. PPL has agreed to guarantee all obligations of PPL Energy Holdings and PPL Rhode Island Holdings under the Narragansett SPA and the related Assignment and Assumption Agreement.

The closing of the acquisition, which is currently expected to occur by March 2022, is subject to the receipt of certain U.S. regulatory approvals or waivers, and other customary conditions to closing. To date, four of the five required regulatory approvals or waivers have been received. The regulatory approvals and waiver remain subject to any applicable appeal periods. The remaining required regulatory approval from the Rhode Island Division of Public Utilities and Carriers is proceeding as expected. The consummation of the transaction is not subject to a financing condition.

See Note 9 to the Financial Statements for additional information on the Narragansett SPA.

*Use of Proceeds from the Sale of the U.K. Utility Business (All Registrants)*

PPL announced its intent to use the proceeds from the sale of the U.K. utility business to acquire Narragansett Electric, as discussed above, further strengthen its balance sheet and enhance opportunities for growth. The announcement included plans to reduce outstanding debt, to repurchase shares and invest in incremental capital at PPL's utilities or in renewables.

To date, the following actions have been taken:

- PPL Capital Funding paid \$3.876 billion to tender and/or redeem an aggregate total of \$3.484 billion of outstanding debt during June and July of 2021, resulting in a loss on extinguishment of \$73 million and \$395 million for the three and nine months ended September 30, 2021. See "Long Term Debt" in Note 8 to the Financial Statements for additional information.
- PPL's Board of Directors authorized share repurchases of up to \$3 billion of PPL common shares. PPL currently expects to repurchase \$1 billion of shares by the end of 2021. During the three and nine months ended September 30, 2021, PPL repurchased 9.6 million shares at a cost of \$282 million. From October 1 to October 31, 2021, PPL repurchased an additional 9.4 million shares at a cost of \$269 million. See "Equity Securities" in Note 8 to the Financial Statements for additional information.
- PPL continues to develop its capital expenditure plans and currently is considering plans to invest at least \$1 billion in additional regulated utility capital expenditures through 2025 needed to maintain and improve reliability and resiliency, to support modernization and to advance a sustainable energy future. Capital expenditure plans must be reviewed and approved by the Board of Directors, therefore, the amounts and dates noted are subject to change.

PPL will continue to evaluate the best use of proceeds to maximize shareowner value.

*(PPL)*

*LKE Debt Redemption*

On July 1, 2021, LKE redeemed, at par, its \$250 million 4.375% Senior Notes due 2021 and on July 9, 2021, LKE filed a Form 15 with the SEC to suspend its duty to file reports under sections 13 and 15(d) of the Securities Exchange Act of 1934. As a result, beginning with the June 30, 2021 Form 10-Q, LKE was no longer reported as a Registrant.

*U.K. Corporation Tax Rate Change*

The U.K. Finance Act 2021, formally enacted on June 10, 2021, increased the U.K. corporation tax rate from 19% to 25%, effective April 1, 2023. The primary impact of the corporation tax rate increase was an increase in deferred tax liabilities of the U.K. utility business, which was sold on June 14, 2021, and a corresponding deferred tax expense of \$383 million, which was recognized in continuing operations in the second quarter of 2021.

## 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, LG&E and KU)

The businesses of LG&E and KU are subject to extensive federal, state and local environmental laws, rules and regulations, including those pertaining to CCRs, GHG, and ELGs. See Notes 7, 11 and 16 to the Financial Statements for a discussion of these significant environmental matters. These and other environmental requirements led PPL, LG&E and KU to retire approximately 1,200 MW of coal-fired generating plants in Kentucky since 2010. As part of the long-term generation planning process, LG&E and KU evaluate a range of factors including the impact of potential stricter environmental regulations, fuel price scenarios, the cost of replacement generation, continued operations and major maintenance costs and the risk of major equipment failures in determining when to retire generation assets. As a result of environmental requirements and aging infrastructure, LG&E anticipates retiring two older coal-fired units at the Mill Creek Plant and KU anticipates retiring one coal-fired unit at the E.W. Brown plant. Mill Creek Unit 1 has 300 MW of capacity and is expected to be retired in 2024. Mill Creek Unit 2 and E.W. Brown Unit 3 have capacities of 297 MW and 412 MW and are expected to be retired in 2028. LG&E and KU anticipate earning recovery of and return on any remaining net book value of these assets through the Retired Asset Recovery (RAR) rider. See Note 7 to the Financial Statements for additional information related to the RAR rider.

### *PPL Electric Transmission Formula Rate Return on Equity (PPL and PPL Electric)*

On May 21, 2020, PP&L Industrial Customer Alliance (PPLICA) filed a complaint with the FERC alleging that PPL Electric's base return on equity (ROE) of 11.18% used to determine PPL Electric's formula transmission rate was unjust and unreasonable.

On August 20, 2021, PPL Electric entered into a settlement agreement (the "Settlement") with PPLICA and all other parties, including intervenors, with respect to the complaint filed by PPLICA on May 21, 2020.

The key aspects of the Settlement include:

- changes to PPL Electric's base ROE:
  - beginning as of May 21, 2020 and continuing through May 31, 2022, the ROE shall be 9.90%;
  - beginning on June 1, 2022 and continuing through May 31, 2023, the ROE shall be 9.95%;
  - beginning on June 1, 2023, the ROE shall be 10.00%, which shall continue in effect unless and until changed as permitted by the terms of the Settlement;
- changes the equity component of PPL Electric's capital structure to be the lower of (i) PPL Electric's actual equity component, calculated in accordance with the formula rate template, or (ii) 56.00%;
- allows modification of the current rate year of June 1 to May 31 to a calendar year of January 1 to December 31; and
- allows modification of the current formula rate based on a historic test year to a projected test year.

Refunds will be paid by PPL Electric based on the difference between charges that were calculated using the ROE in effect at the time and reduced charges calculated using the ROE provided for in the Settlement, plus interest at the FERC interest rate. In the three and nine months ended September 30, 2021, PPL Electric recorded a revenue reserve of \$13 million (\$10 million after-tax) and \$64 million (\$46 million after-tax) representing revenue subject to refund for the period May 21, 2020 through September 30, 2021. The reserve recorded for the nine months ended September 30, 2021, includes \$28 million (\$20 million after-tax) related to the period from May 21, 2020 to December 31, 2020.

The impact of the lower ROE and formula rate modifications included in the Settlement, once fully-enacted beginning on June 1, 2023, is expected to reduce net income by \$25 - \$30 million on an annual basis. The Settlement is subject to review and action by the FERC, including approval, denial or modification. PPL Electric cannot predict the outcome of the FERC's review of the Settlement.

While the FERC's review of the settlement is pending, on October 15, 2021, PPL Electric filed a request to the FERC Chief Administrative Law Judge for authorization to implement interim rates to reflect the agreed-to base ROE in the Settlement effective December 1, 2021. The requested interim settlement rates were accepted on October 20, 2021.

### *FERC Transmission Rate Filing (PPL, LG&E and KU)*

In 2018, LG&E and KU applied to the FERC requesting elimination of certain on-going credits to a sub-set of transmission customers relating to the 1998 merger of LG&E's and KU's parent entities and the 2006 withdrawal of LG&E and KU from the Midcontinent Independent System Operator, Inc. (MISO), a regional transmission operator and energy market. The application sought termination of LG&E's and KU's commitment to provide certain Kentucky municipalities mitigation for certain horizontal market power concerns arising out of the 1998 LG&E and KU merger and 2006 MISO withdrawal. The amounts at issue are generally waivers or credits granted to a limited number of Kentucky municipalities for either certain LG&E and KU or MISO transmission charges incurred for transmission service received. Due to the development of robust, accessible energy markets over time, LG&E and KU believe the mitigation commitments are no longer relevant or appropriate. In March 2019, the FERC granted LG&E's and KU's request to remove the ongoing credits, conditioned upon the implementation by LG&E and KU of a transition mechanism for certain existing power supply arrangements, subject to FERC review and approval. In July 2019, LG&E and KU proposed their transition mechanism to the FERC and in September 2019, the FERC rejected the proposed transition mechanism. In September 2020, the FERC issued orders in the rehearing process that modified various aspects of the September 2019 orders which had approved future termination of the credits, including adjusting which customer arrangements are covered by the transition mechanism and respective future periods or dates for termination of credits. In November 2020, the FERC denied the parties' rehearing requests. In November 2020 and January 2021, LG&E and KU and other parties appealed the September 2020 and November 2020 orders at the D.C. Circuit Court of Appeals. The appellate proceedings are continuing, and also include certain additional prior pending petitions for review relating to the matter. On January 15, 2021, LG&E and KU made a filing seeking FERC acceptance of a new proposal for a transition mechanism. On March 16, 2021, the FERC accepted the filed transition mechanism agreements effective on March 17, 2021 but subject to refund, and established hearing and settlement procedures. LG&E and KU cannot predict the outcome of the respective appellate and FERC proceedings. LG&E and KU currently receive recovery of the waivers and credits provided through other rate mechanisms and such rate recovery would be anticipated to be adjusted consistent with potential changes or terminations of the waivers and credits, as such become effective.

### *Rate Case Proceedings*

#### *(PPL, LG&E and KU)*

On November 25, 2020, LG&E and KU filed requests with the KPSC for an increase in annual electricity and gas revenues of approximately \$331 million (\$131 million and \$170 million in electricity revenues at LG&E and KU and \$30 million in gas revenues at LG&E). The revenue increases would be an increase of 11.6% and 10.4% in electricity revenues at LG&E and KU, and an increase of 8.3% in gas revenues at LG&E. In recognition of the economic impact of COVID-19, LG&E and KU requested approval of a one-year billing credit which will credit customers approximately \$53 million (\$41 million at LG&E and \$12 million at KU). The billing credit represents the return to customers of certain regulatory liabilities on LG&E's and KU's Balance Sheets and serves to partially mitigate the rate increases during the first year in which the new rates are in effect.

LG&E's and KU's applications also included a request for a CPCN to deploy Advanced Metering Infrastructure across LG&E's and KU's service territories in Kentucky. The applications were based on a forecasted test year of July 1, 2021 through June 30, 2022 and requested an authorized return on equity of 10.0%.

On April 19, 2021, LG&E and KU entered into an agreement with all intervening parties to the proceedings resolving all matters in their applications, with the explicit exception of LG&E's and KU's net metering proposals. The agreement proposed increases in annual revenues of \$217 million (\$77 million and \$116 million in electricity revenues at LG&E and KU and \$24 million in gas revenues at LG&E) based on an authorized return on equity of 9.55%. The proposal included an authorized 9.35% return on equity for the ECR and GLT mechanisms. The agreement did not modify the requested one-year billing credit. The agreement proposed that the KPSC should grant LG&E's and KU's request for a CPCN to deploy Advanced Metering Infrastructure and proposed the establishment of a Retired Asset Recovery rider (RAR) to provide for recovery of and return on the remaining investment in certain electric generating units upon their retirement over a ten-year period following retirement. In respect of the RAR rider, the agreement proposed that LG&E and KU will continue to use currently approved depreciation rates for Mill Creek Units 1 and 2 and Brown Unit 3. The agreement also proposed a four-year "stay-out" commitment from LG&E and KU to refrain from effective base rate increases before July 1, 2025, subject to certain exceptions.

On June 30, 2021, the KPSC issued orders approving the proposed agreement filed in April 2021, with certain modifications. The orders provide for increases in annual revenues of \$199 million (\$73 million and \$106 million in electricity revenues at LG&E and KU and \$20 million in gas revenues at LG&E) based on an authorized return on equity of 9.425%. The order grants the requested authorized 9.35% return on equity for the ECR and GLT mechanisms and does not modify the requested one-year billing credit. The orders approve the CPCN to deploy Advanced Metering Infrastructure and provide regulatory asset treatment for the remaining net book value of legacy meters upon full implementation of the Advanced Metering Infrastructure program. The orders also approve the establishment of the RAR rider and accepted the four-year "stay-out". The orders, however, disallowed certain legal costs that were included in the settlement. On July 23, 2021, LG&E and KU filed motions for partial rehearing and clarification of the return on equity, the disallowed legal costs and certain other matters related to the KPSC's orders. On August 12, 2021, the KPSC granted rehearing and clarification of the disallowed legal costs and certain other matters and denied rehearing and clarification of the return on equity. On September 24, 2021, the KPSC issued orders providing adjustments to previous net metering proposals. These adjustments did not impact the previously ordered annual revenue increases. PPL, LG&E and KU cannot predict the outcome of the remaining issues subject to partial rehearing and clarification.

*(KU)*

On August 31, 2021, KU filed a request with the VSCC for an annual increase in Virginia base electricity rates of approximately \$12 million. KU's request is based on an authorized 10.4% return on equity. Subject to regulatory review and approval, new rates would become effective June 1, 2022.

### **Results of Operations**

*(PPL)*

The "Statement of Income Analysis" discussion below describes significant changes in principal line items on the Statements of Income, comparing the three and nine months ended September 30, 2021 with the same periods in 2020. The "Segment Earnings" and "Adjusted Gross Margins" discussions provide a review of results by reportable segment. These discussions include non-GAAP financial measures, including "Earnings from Ongoing Operations" and "Adjusted Gross Margins," and provide explanations of the non-GAAP financial measures and a reconciliation of those measures to the most comparable GAAP measure.

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

A "Statement of Income Analysis" is presented separately for PPL Electric, 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 and nine months ended September 30, 2021 with the same periods in 2020.

*(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 Adjusted Gross Margins

### Statement of Income Analysis

Net income for the periods ended September 30 includes the following results:

	Three Months			Nine Months		
	2021	2020	\$ Change	2021	2020	\$ Change
Operating Revenues	\$ 1,512	\$ 1,400	\$ 112	\$ 4,298	\$ 4,103	\$ 195
Operating Expenses						
Operation						
Fuel	195	177	18	531	478	53
Energy purchases	167	136	31	524	470	54
Other operation and maintenance	393	346	47	1,164	1,054	110
Depreciation	274	257	17	810	762	48
Taxes, other than income	52	47	5	153	131	22
Total Operating Expenses	1,081	963	118	3,182	2,895	287
Other Income (Expense) - net	12	6	6	25	11	14
Interest Expense	183	161	22	810	479	331
Income (Loss) from Continuing Operations Before Income Taxes	260	282	(22)	331	740	(409)
Income Taxes	51	165	(114)	455	266	189
Income (Loss) from Continuing Operations After Income Taxes	209	117	92	(124)	474	(598)
Income (Loss) from Discontinued Operations (net of income taxes) (Note 9)	(2)	164	(166)	(1,490)	705	(2,195)
Net Income (Loss)	\$ 207	\$ 281	\$ (74)	\$ (1,614)	\$ 1,179	\$ (2,793)

### Operating Revenues

The increase (decrease) in operating revenues was due to:

	Three Months	Nine Months
PPL Electric distribution price (a)	\$ 13	\$ 6
PPL Electric distribution volume (b)	—	19
PPL Electric PLR (c)	27	33
PPL Electric transmission formula rate (d)	1	(35)
LG&E retail rates (e)	22	22
LG&E volumes (f)	7	31
LG&E fuel and other energy prices (g)	7	23
LG&E economic relief billing credit, net of amortization of \$6, \$6	(6)	(6)
KU retail rates (e)	27	27
KU volumes (f)	4	38
KU fuel and other energy prices (g)	12	24
KU demand	2	8
KU economic relief billing credit, net of amortization of \$0, \$0	(3)	(3)
Other	(1)	8
Total	\$ 112	\$ 195

- (a) The increases were primarily due to higher distribution rider prices.
- (b) The increase for the nine months ended September 30, 2021 was primarily due to favorable customer usage.
- (c) The increase for the three months ended September 30, 2021 was due to higher prices and favorable customer volumes, partially offset by unfavorable weather. The increase for the nine months ended September 30, 2021 was primarily due to favorable volumes, partially offset by higher customer shopping.
- (d) The increase for the three months ended September 30, 2021 was primarily due to additional transmission capital investments and return of related depreciation expense, partially offset by a reserve recorded for a reduction in the transmission formula rate return on equity. The decrease for the nine months ended September 30, 2021 was primarily due to a reserve recorded for a reduction in the transmission formula rate return on equity and a lower PPL zonal peak load billing factor, partially offset by returns on additional transmission capital investments and return of related depreciation expense. See Note 7 to the Financial Statements for additional information on the transmission formula rate return on equity reserve.
- (e) The increases were due to new base rates approved by the KPSC effective July 1, 2021.
- (f) The increases were primarily due to favorable weather.

(g) The increases were primarily due to higher recoveries of fuel and energy purchases due to higher commodity costs.

## Fuel

Fuel increased \$18 million for the three months ended September 30, 2021 compared with 2020, primarily due to a \$3 million increase in commodity costs and a \$2 million increase in volumes driven by higher off-system sales at LG&E and a \$12 million increase in commodity costs at KU.

Fuel increased \$53 million for the nine months ended September 30, 2021 compared with 2020, primarily due to an \$11 million increase in volumes driven by weather and a \$3 million increase in commodity costs at LG&E and a \$20 million increase in commodity costs and an \$18 million increase in volumes driven by weather at KU.

## Energy Purchases

Energy purchases increased \$31 million for the three months ended September 30, 2021 compared with 2020, primarily due to \$19 million in higher PLR prices at PPL Electric and a \$6 million increase at LG&E primarily due to an increase in commodity costs.

Energy purchases increased \$54 million for the nine months ended September 30, 2021 compared with 2020, primarily due to higher PLR volumes of \$20 million at PPL Electric, a \$13 million increase in commodity costs and a \$9 million increase in gas volumes driven by weather at LG&E.

## Other Operation and Maintenance

The increase (decrease) in other operation and maintenance was due to:

	Three Months	Nine Months
PPL Electric canceled projects	\$ —	\$ (11)
PPL Electric bad debts	1	(8)
PPL Electric storm costs	14	18
PPL Electric universal service programs	5	9
PPL Electric inventory adjustments	1	6
LG&E plant operations and maintenance	—	4
LG&E gas distribution operations and maintenance	—	2
LG&E plant outages	2	2
KU plant operations and maintenance	—	8
KU distribution operations and maintenance	—	4
KU transmission operations and maintenance	1	4
KU plant outages	2	2
Solar panel impairment (Note 2)	—	37
Charges related to the sale of the U.K. utility business	—	8
Charges related to the acquisition of Narragansett Electric	11	14
Payroll-related	4	6
Other	6	5
Total	\$ 47	\$ 110

## Depreciation

The increase in depreciation was due to:

	Three Months	Nine Months
Additions to PP&E, net	\$ 7	\$ 32
Depreciation rate change effective July 2021	5	5
Cost of removal and salvage amortization	3	9
Other	2	2
Total	\$ 17	\$ 48

## Taxes, Other Than Income

The increase (decrease) in taxes, other than income was due to:

	Three Months	Nine Months
State gross receipts tax (a)	\$ —	\$ 10
Domestic property tax expense	2	8
Other	3	4
Total	<u>\$ 5</u>	<u>\$ 22</u>

(a) The increase was primarily due to a favorable settlement of 2008-2010 gross receipts tax assessments in 2020.

## Other Income (Expense) - net

The increase (decrease) in other income (expense) - net was due to:

	Three Months	Nine Months
Defined benefit plans - non-service credits (Note 10)	\$ 5	\$ 14
Interest income	6	9
Other	(5)	(9)
Total	<u>\$ 6</u>	<u>\$ 14</u>

## Interest Expense

The increase (decrease) in interest expense was due to:

	Three Months	Nine Months
Loss on extinguishment of debt (Note 8)	\$ 73	\$ 395
Long-term debt	(44)	(50)
Other	(7)	(14)
Total	<u>\$ 22</u>	<u>\$ 331</u>

## Income Taxes

The increase (decrease) in income taxes was due to:

	Three Months	Nine Months
Change in pre-tax income	\$ (3)	\$ (113)
Valuation allowance adjustments (a)	(2)	20
Impact of the U.K. Finance Acts on deferred tax balances (b)	(104)	282
Other	(5)	—
Total	<u>\$ (114)</u>	<u>\$ 189</u>

- (a) In 2021, PPL recorded a \$31 million state deferred tax benefit on a net operating loss and an offsetting valuation allowance in connection with the loss on extinguishment associated with a tender offer to purchase and retire PPL Capital Funding's outstanding Senior Notes. See Note 8 to the Financial Statements for additional information on the tender offer.
- (b) The U.K. Finance Act 2020, formally enacted on July 22, 2020, cancelled the U.K. corporation tax rate reduction to 17%, thereby maintaining the corporation tax rate at 19% for financial years 2020 and 2021. The primary impact of the cancellation of the corporate tax rate reduction was an increase in deferred tax liabilities and a corresponding deferred tax expense of \$102 million in the third quarter of 2020.

The U.K. Finance Act 2021, formally enacted on June 10, 2021, increased the U.K. corporation tax rate from 19% to 25%, effective April 1, 2023. The primary impact of the corporation tax rate increase was an increase in deferred tax liabilities of the U.K. utility business, which was sold on June 14, 2021, and a corresponding deferred tax expense of \$383 million, which was recognized in continuing operations in the second quarter of 2021.

## Income (Loss) from Discontinued Operations (net of income taxes)

Income (Loss) from discontinued operations (net of income taxes) decreased \$166 million for the three months ended September 30, 2021 compared with 2020. The decrease was due to the completion of the sale of the U.K. utility business in the second quarter of 2021.

Income (Loss) from discontinued operations (net of income taxes) decreased \$2,195 million for the nine months ended September 30, 2021 compared with 2020. The decrease was attributable primarily to a loss on sale of \$1,609 million and an increase in income tax expense of \$595 million in 2021.

See "Discontinued Operations" in Note 9 to the Financial Statements for summarized results of the operations of the U.K. utility business.

## Segment Earnings

PPL's Net Income by reportable segment for the periods ended September 30 was as follows:

	Three Months			Nine Months		
	2021	2020	\$ Change	2021	2020	\$ Change
Kentucky Regulated	\$ 159	\$ 129	\$ 30	\$ 389	\$ 330	\$ 59
Pennsylvania Regulated	126	135	(9)	335	371	(36)
Corporate and Other (a)(b)	(76)	(147)	71	(848)	(227)	(621)
Discontinued Operations (c)	(2)	164	(166)	(1,490)	705	(2,195)
Net Income	<u>\$ 207</u>	<u>\$ 281</u>	<u>\$ (74)</u>	<u>\$ (1,614)</u>	<u>\$ 1,179</u>	<u>\$ (2,793)</u>

- (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.  
(b) The amounts for the periods ended September 30, 2020 have been adjusted for certain costs that were previously included in the U.K. Regulated segment.  
(c) See Note 9 to the Financial Statements for additional information.

## 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 statutory tax rate of the entity where the activity is recorded. Special items may include items such as:

- 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.
- Significant losses on early extinguishment of debt.
- Other charges or credits that are, in management's view, non-recurring or otherwise not reflective of the company's ongoing operations.

PPL's Earnings from Ongoing Operations by reportable segment for the periods ended September 30 were as follows:

	Three Months			Nine Months		
	2021	2020	\$ Change	2021	2020	\$ Change
Kentucky Regulated	\$ 159	\$ 129	\$ 30	\$ 385	\$ 334	\$ 51
Pennsylvania Regulated	126	136	(10)	355	372	(17)
Corporate and Other (a)	(8)	(37)	29	(97)	(113)	16
Earnings from Ongoing Operations	<u>\$ 277</u>	<u>\$ 228</u>	<u>\$ 49</u>	<u>\$ 643</u>	<u>\$ 593</u>	<u>\$ 50</u>

(a) The amounts for the periods ended September 30, 2020 have been adjusted for certain costs that were previously included in the U.K. Regulated segment.

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

### Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of the regulated electricity generation, transmission and distribution operations conducted by LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas.

Net Income and Earnings from Ongoing Operations for the periods ended September 30 include the following results.

	Three Months			Nine Months		
	2021	2020	\$ Change	2021	2020	\$ Change
Operating revenues	\$ 879	\$ 806	\$ 73	\$ 2,505	\$ 2,331	\$ 174
Fuel	195	177	18	531	478	53
Energy purchases	24	18	6	122	97	25
Other operation and maintenance	219	205	14	654	616	38
Depreciation	166	152	14	480	452	28
Taxes, other than income	22	21	1	65	57	8
Total operating expenses	<u>626</u>	<u>573</u>	<u>53</u>	<u>1,852</u>	<u>1,700</u>	<u>152</u>
Other Income (Expense) - net	1	1	—	7	3	4
Interest Expense	48	56	(8)	149	172	(23)
Interest Expense with Affiliate (a)	14	20	(6)	39	56	(17)
Income Taxes	33	29	4	83	76	7
Net Income	159	129	30	389	330	59
Less: Special Items	<u>—</u>	<u>—</u>	<u>—</u>	<u>4</u>	<u>(4)</u>	<u>8</u>
Earnings from Ongoing Operations	<u>\$ 159</u>	<u>\$ 129</u>	<u>\$ 30</u>	<u>\$ 385</u>	<u>\$ 334</u>	<u>\$ 51</u>

(a) Borrowings between LKE and PPL were \$2,015 million and \$1,451 million as of September 30, 2021 and December 31, 2020.

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 September 30.

Income Statement Line Item		Three Months		Nine Months	
		2021	2020	2021	2020
Valuation allowance adjustment (a)	Income Taxes	\$ —	\$ —	\$ 4	\$ —
COVID-19 impact, net of tax of \$0, \$0, \$0, \$1 (b)	Other operation and maintenance	—	—	—	(4)
Total Special Items		\$ —	\$ —	\$ 4	\$ (4)

(a) Adjustment of valuation allowances related to certain tax credits recorded in 2017 as a result of the TCJA.

(b) Incremental costs for outside services, customer payment processing, personal protective equipment and other safety related actions associated with the COVID-19 pandemic.

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

	Three Months	Nine Months
Kentucky Adjusted Gross Margins	\$ 79	\$ 112
Other operation and maintenance	(17)	(38)
Depreciation	(41)	(49)
Taxes, other than income	(1)	(8)
Other Income (Expense) - net	—	4
Interest Expense	8	23
Interest Expense with Affiliate	6	17
Income Taxes	(4)	(10)
Earnings from Ongoing Operations	30	51
Special items, after-tax	—	8
Net Income	\$ 30	\$ 59

- See "Adjusted Gross Margins - Changes in Adjusted Gross Margins" for an explanation of Kentucky Adjusted Gross Margins.
- Higher other operation and maintenance expense for the three month period primarily due to a \$4 million increase in plant outage expenses and a \$3 million increase due to certain ECR expenses transferred to base rates as a result of the 2020 Kentucky rate case and various support costs and other items that were not individually significant.
- Higher other operation and maintenance expense for the nine month period primarily due to a \$13 million increase in administrative and general expenses, an \$8 million increase in plant operations and maintenance, a \$4 million increase in plant outage expenses, a \$3 million increase due to certain ECR and GLT expenses transferred to base rates as a result of the 2020 Kentucky rate case and various support costs and other items that were not individually significant.
- Higher depreciation expense for the three month period due to a \$30 million increase related to certain ECR and GLT depreciation expenses transferred to base rates as a result of the 2020 Kentucky rate case, a \$7 million increase due to additional assets placed into service, net of retirements and a \$4 million increase due to higher depreciation rates, effective July 1, 2021.
- Higher depreciation expense for the nine month period due to a \$30 million increase related to certain ECR and GLT depreciation expenses transferred to base rates as a result of the 2020 Kentucky rate case, a \$15 million increase due to additional assets placed into service, net of retirements and a \$4 million increase due to higher depreciation rates, effective July 1, 2021.
- Lower interest expense, inclusive of affiliate interest, for the three month period primarily due to interest costs allocated to the Kentucky Regulated segment in 2020 that were not allocated in 2021.
- Lower interest expense, inclusive of affiliate interest, for the nine month period primarily due to \$31 million of interest costs allocated to the Kentucky regulated segment in 2020 that were not allocated in 2021 and a \$7 million decrease due to lower interest rates.

#### Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric.

Net Income and Earnings from Ongoing Operations for the periods ended September 30 include the following results.

	Three Months			Nine Months		
	2021	2020	\$ Change	2021	2020	\$ Change
Operating revenues	\$ 627	\$ 586	\$ 41	\$ 1,769	\$ 1,748	\$ 21
Energy purchases	143	118	25	402	373	29
Other operation and maintenance	147	122	25	400	388	12
Depreciation	105	102	3	322	301	21
Taxes, other than income	30	30	—	88	78	10
Total operating expenses	425	372	53	1,212	1,140	72
Other Income (Expense) - net	8	8	—	18	17	1
Interest Expense	39	44	(5)	124	130	(6)
Income Taxes	45	43	2	116	124	(8)
Net Income	126	135	(9)	335	371	(36)
Less: Special Item	—	(1)	1	(20)	(1)	(19)
Earnings from Ongoing Operations	\$ 126	\$ 136	\$ (10)	\$ 355	\$ 372	\$ (17)

The following after-tax gains (losses), which management considers special items, impacted the Pennsylvania Regulated segment's results and are excluded from Earnings from Ongoing Operations during the periods ended September 30.

Income Statement Line Item	Three Months		Nine Months		
	2021	2020	2021	2020	
Transmission formula rate return on equity reserve, net of tax of \$0, \$0, \$8, \$0 (a)	Operating revenues	\$ —	\$ —	\$ (20)	\$ —
COVID impact, net of tax of \$0, \$0, \$0, \$0 (b)	Other operation and maintenance	—	(1)	—	(1)
Total Special Items		\$ —	\$ (1)	\$ (20)	\$ (1)

(a) Represents the portion of the reserve recognized in the September 30, 2021 Statements of Income related to the period from May 21, 2020 through December 31, 2020. See Note 7 to the Financial Statements for additional information.  
(b) Incremental costs for outside services, personal protective equipment and other safety related actions associated with the COVID-19 pandemic.

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 Adjusted Gross Margins and the items that management considers special on separate lines and not in their respective Statement of Income line items.

	Three Months	Nine Months
Pennsylvania Adjusted Gross Margins	\$ 4	\$ (7)
Other operation and maintenance	(13)	4
Depreciation	(4)	(15)
Taxes, other than income	1	(6)
Other Income (Expense) - net	—	1
Interest Expense	5	6
Income Taxes	(3)	—
Earnings from Ongoing Operations	(10)	(17)
Special Item, after tax	1	(19)
Net Income	\$ (9)	\$ (36)

- See "Adjusted Gross Margins - Changes in Adjusted Gross Margins" for an explanation of Pennsylvania Adjusted Gross Margins.
- Higher other operation and maintenance expense for the three month period primarily due to higher Corporate support costs of \$7 million and higher nonrecoverable storm costs of \$5 million.
- Lower other operation and maintenance expense for the nine month period primarily due to lower canceled project write-offs of \$11 million and lower bad debt expense of \$8 million, partially offset by higher nonrecoverable storm costs of \$6 million and higher inventory adjustments of \$6 million.
- Higher depreciation expense for the nine month period primarily due to higher cost of removal and salvage amortization of \$9 million and additional assets placed in service, net of retirements of \$7 million.

## 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 September 30.

2021 Three Months					
	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations (a)	Total
<b>Net Income</b>	\$ 159	\$ 126	\$ (76)	\$ (2)	\$ 207
Less: Special Item (expense) benefit:					
Income (loss) from Discontinued Operations (a)	—	—	—	(2)	(2)
Talen litigation costs, net of tax of \$1 (b)	—	—	(1)	—	(1)
Strategic corporate initiatives, net of tax of \$0 (c)	—	—	(1)	—	(1)
Acquisition integration, net of tax of \$3 (e)	—	—	(9)	—	(9)
Loss on early extinguishment of debt, net of tax of \$16 (h)	—	—	(57)	—	(57)
<b>Total Special Items</b>	—	—	(68)	(2)	(70)
<b>Earnings from Ongoing Operations</b>	<u>\$ 159</u>	<u>\$ 126</u>	<u>\$ (8)</u>	<u>\$ —</u>	<u>\$ 277</u>

2020 Three Months					
	KY Regulated	PA Regulated	Corporate and Other (i)	Discontinued Operations (a)	Total
<b>Net Income</b>	\$ 129	\$ 135	\$ (147)	\$ 164	\$ 281
Less: Special Item (expense) benefit:					
Income (loss) from Discontinued Operations (a)	—	—	—	164	164
Talen litigation costs, net of tax of \$1 (b)	—	—	(2)	—	(2)
COVID-19 impact, net of tax of \$0, \$0, \$0	—	(1)	(1)	—	(2)
Strategic corporate initiatives, net of tax of \$2 (c)	—	—	(5)	—	(5)
U.K. tax rate change (f)	—	—	(102)	—	(102)
<b>Total Special Items</b>	—	(1)	(110)	164	53
<b>Earnings from Ongoing Operations</b>	<u>\$ 129</u>	<u>\$ 136</u>	<u>\$ (37)</u>	<u>\$ —</u>	<u>\$ 228</u>

2021 Nine Months					
	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations (a)	Total
<b>Net Income</b>	\$ 389	\$ 335	\$ (848)	\$ (1,490)	\$ (1,614)
Less: Special Items (expense) benefit:					
Income (loss) from Discontinued Operations (a)	—	—	—	(1,494)	(1,494)
Talen litigation costs, net of tax of \$3 (b)	—	—	(10)	—	(10)
Strategic corporate initiatives, net of tax of \$1 (c)	—	—	(3)	—	(3)
Valuation allowance adjustment (d)	4	—	(4)	4	4
Transmission formula rate return on equity reserve, net of tax of \$8	—	(20)	—	—	(20)
Acquisition integration, net of tax of \$4 (e)	—	—	(11)	—	(11)
U.K. tax rate change (f)	—	—	(383)	—	(383)
Solar panel impairment, net of tax of \$9 (g)	—	—	(28)	—	(28)
Loss on early extinguishment of debt, net of tax of \$83 (h)	—	—	(312)	—	(312)
<b>Total Special Items</b>	4	(20)	(751)	(1,490)	(2,257)
<b>Earnings from Ongoing Operations</b>	<u>\$ 385</u>	<u>\$ 355</u>	<u>\$ (97)</u>	<u>\$ —</u>	<u>\$ 643</u>

	2020 Nine Months				
	KY Regulated	PA Regulated	Corporate and Other (i)	Discontinued Operations (a)	Total
<b>Net Income</b>	\$ 330	\$ 371	\$ (227)	\$ 705	\$ 1,179
Less: Special Items (expense) benefit:					
Income (loss) from Discontinued Operations (a)	—	—	—	705	705
Talen litigation costs, net of tax of \$2 (b)	—	—	(6)	—	(6)
COVID-19 impact, net of tax of \$1, \$0, \$0	(4)	(1)	(1)	—	(6)
Strategic corporate initiatives, net of tax of \$2 (c)	—	—	(5)	—	(5)
U.K. tax rate change (f)	—	—	(102)	—	(102)
<b>Total Special Items</b>	(4)	(1)	(114)	705	586
<b>Earnings from Ongoing Operations</b>	<u>\$ 334</u>	<u>\$ 372</u>	<u>\$ (113)</u>	<u>\$ —</u>	<u>\$ 593</u>

- (a) See Note 9 to the Financial Statements for additional information.  
(b) PPL incurred legal expenses related to litigation with its former affiliate, Talen Montana. See Note 11 to the Financial Statements for additional information.  
(c) Costs related to the sale of the U.K. utility business.  
(d) Adjustment of valuation allowances related to certain tax credits recorded in 2017 as a result of the TCJA.  
(e) Costs related to the integration of Narragansett Electric. See Note 9 to the Financial Statements for additional information.  
(f) Impact of the U.K. Finance Acts on deferred federal and state income taxes. See Note 6 to the Financial Statements for additional information.  
(g) See Note 2 to the Financial Statements for additional information.  
(h) See Note 8 to the Financial Statements for additional information.  
(i) The amounts for the periods ended September 30, 2020 have been adjusted for certain costs that were previously included in the U.K. Regulated segment.

## Adjusted Gross Margins

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

- "Kentucky Adjusted Gross Margins" is a single financial performance measure of the electricity generation, transmission and distribution operations of the Kentucky Regulated segment, as well as the Kentucky Regulated segment'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 Adjusted Gross Margins" is a single financial performance measure of the electricity transmission and distribution operations of the Pennsylvania Regulated segment. 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, Storm Damage and Universal Service program costs), "Depreciation" (which is primarily related to the Act 129 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 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 Adjusted Gross Margins

The following table shows Adjusted Gross Margins by PPL's reportable segment and by component, as applicable for the periods ended September 30 as well as the change between periods. The factors that gave rise to the changes are described following the table.

	Three Months			Nine Months		
	2021	2020	\$ Change	2021	2020	\$ Change
<b>Kentucky Regulated</b>						
Kentucky Adjusted Gross Margins	\$ 625	\$ 546	\$ 79	\$ 1,684	\$ 1,572	\$ 112
<b>Pennsylvania Regulated</b>						
Pennsylvania Adjusted Gross Margins						
Distribution	\$ 228	\$ 225	\$ 3	\$ 686	\$ 685	\$ 1
Transmission	180	179	1	495	503	(8)
Total Pennsylvania Adjusted Gross Margins	\$ 408	\$ 404	\$ 4	\$ 1,181	\$ 1,188	\$ (7)

### *Kentucky Adjusted Gross Margins*

Kentucky Adjusted Gross Margins increased for the three months ended September 30, 2021 compared with 2020, primarily due to higher base rates of \$49 million and environmental and gas cost recoveries added to base rates of \$33 million, partially offset by \$9 million of lower adjusted gross margins as a result of the economic relief billing credit.

Kentucky Adjusted Gross Margins increased for the nine months ended September 30, 2021 compared with 2020, primarily due to higher base rates of \$49 million, environmental and gas cost recoveries added to base rates of \$33 million, \$26 million of higher sales volumes primarily due to weather, and \$9 million of higher commercial and industrial demand primarily due to the impacts of COVID-19 in 2020, partially offset by \$9 million of lower adjusted gross margins as a result of the economic relief billing credit.

The increase in base rates was the result of new rates approved by the KPSC effective July 1, 2021. The environmental and gas cost recoveries added to base rates were the result of the transfer of certain ECR and GLT expenses into base rates as a result of the 2020 Kentucky rate case. This transfer results in depreciation and other operation and maintenance expenses associated with the ECR and GLT programs being excluded from margins in the second half of 2021, while the recovery of such costs remain in Kentucky Gross Margins through base rates.

### *Pennsylvania Adjusted Gross Margins*

#### Distribution

Distribution Adjusted Gross Margins increased for the three months ended September 30, 2021 compared with 2020. Higher sales volumes of \$8 million were partially offset by unfavorable weather of \$7 million.

Distribution Adjusted Gross Margins increased for the nine months ended September 30, 2021 compared with 2020, primarily due to \$13 million of higher sales volumes, partially offset by \$8 million of lower returns on distribution system improvement capital investments.

#### Transmission

Transmission Adjusted Gross Margins increased for the three months ended September 30, 2021 compared with 2020, primarily due to \$5 million of returns on additional transmission capital investments focused on replacing aging infrastructure and improving reliability and \$5 million return of related depreciation expense. Offsetting these favorable items was a \$13 million decrease due to a reserve recorded for a reduction in the transmission formula rate return on equity. See Note 7 to the Financial Statements for additional information on the transmission formula rate return on equity reserve.

Transmission Adjusted Gross Margins decreased for the nine months ended September 30, 2021 compared with 2020, primarily due to a \$28 million decrease as a result of a lower PPL zonal peak load billing factor and a \$36 million decrease due to a reserve recorded for a reduction in the transmission formula rate return on equity. Partially offsetting these unfavorable items was \$39 million of returns on additional transmission capital investments focused on replacing aging infrastructure and improving reliability and \$15 million return of related depreciation expense. See Note 7 to the Financial Statements for additional information on the transmission formula rate return on equity reserve.

## Reconciliation of Adjusted Gross 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 September 30.

2021 Three Months				
	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
<b>Operating Revenues</b>	\$ 879	\$ 628	\$ 5	\$ 1,512
<b>Operating Expenses</b>				
Fuel	195	—	—	195
Energy purchases	24	143	—	167
Other operation and maintenance	22	35	336	393
Depreciation	12	12	250	274
Taxes, other than income	1	30	21	52
Total Operating Expenses	254	220	607	1,081
<b>Total</b>	<b>\$ 625</b>	<b>\$ 408</b>	<b>\$ (602)</b>	<b>\$ 431</b>

2020 Three Months				
	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
<b>Operating Revenues</b>	\$ 806	\$ 586	\$ 8	\$ 1,400
<b>Operating Expenses</b>				
Fuel	177	—	—	177
Energy purchases	18	118	—	136
Other operation and maintenance	25	23	298	346
Depreciation	39	13	205	257
Taxes, other than income	1	28	18	47
Total Operating Expenses	260	182	521	963
<b>Total</b>	<b>\$ 546</b>	<b>\$ 404</b>	<b>\$ (513)</b>	<b>\$ 437</b>

2021 Nine Months				
	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
<b>Operating Revenues</b>	\$ 2,505	\$ 1,797	\$ (4)	\$ 4,298
<b>Operating Expenses</b>				
Fuel	531	—	—	531
Energy purchases	122	402	—	524
Other operation and maintenance	71	86	1,007	1,164
Depreciation	93	44	673	810
Taxes, other than income	4	84	65	153
Total Operating Expenses	821	616	1,745	3,182
<b>Total</b>	<b>\$ 1,684</b>	<b>\$ 1,181</b>	<b>\$ (1,749)</b>	<b>\$ 1,116</b>

	2020 Nine Months			
	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	\$ 2,331	\$ 1,748	\$ 24	\$ 4,103
Operating Expenses				
Fuel	478	—	—	478
Energy purchases	97	373	—	470
Other operation and maintenance	66	69	919	1,054
Depreciation	114	38	610	762
Taxes, other than income	4	80	47	131
Total Operating Expenses	759	560	1,576	2,895
Total	\$ 1,572	\$ 1,188	\$ (1,552)	\$ 1,208

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

## PPL Electric: Statement of Income Analysis

### Statement of Income Analysis

Net income for the periods ended September 30 includes the following results.

	Three Months			Nine Months		
	2021	2020	\$ Change	2021	2020	\$ Change
Operating Revenues	\$ 627	\$ 586	\$ 41	\$ 1,769	\$ 1,748	\$ 21
Operating Expenses						
Operation						
Energy purchases	143	118	25	402	373	29
Other operation and maintenance	147	122	25	400	388	12
Depreciation	105	102	3	322	301	21
Taxes, other than income	30	30	—	88	78	10
Total Operating Expenses	425	372	53	1,212	1,140	72
Other Income (Expense) - net	6	7	(1)	16	15	1
Interest Income from Affiliate	2	1	1	2	2	—
Interest Expense	39	44	(5)	124	130	(6)
Income Taxes	45	44	1	116	125	(9)
Net Income	\$ 126	\$ 134	\$ (8)	\$ 335	\$ 370	\$ (35)

### Operating Revenues

The increase (decrease) in operating revenues was due to:

	Three Months	Nine Months
Distribution price (a)	\$ 13	\$ 6
Distribution volume (b)	—	19
PLR (c)	27	33
Transmission formula rate (d)	1	(35)
Other	—	(2)
Total	\$ 41	\$ 21

- (a) The increases were primarily due to higher distribution rider prices.  
(b) The increase for the nine months ended September 30, 2021 was primarily due to favorable customer usage.  
(c) The increase for the three months ended September 30, 2021 was due to higher prices and favorable customer volumes, partially offset by unfavorable weather. The increase for the nine months ended September 30, 2021 was primarily due to favorable volumes, partially offset by higher customer shopping.  
(d) The increase for the three months ended September 30, 2021 was primarily due to additional transmission capital investments and return of related depreciation expense, partially offset by a reserve recorded for a reduction in the transmission formula rate return on equity. The decrease for the nine months ended September 30, 2021 was primarily due to a reserve recorded for a reduction in the transmission formula rate return on equity and a lower

PPL zonal peak load billing factor, partially offset by returns on additional transmission capital investments and return of related depreciation expense. See Note 7 to the Financial Statements for additional information on the transmission formula rate return on equity reserve.

Energy Purchases

Energy purchases increased \$25 million for the three months ended September 30, 2021 compared with 2020, primarily due to higher PLR prices of \$19 million.

Energy purchases increased \$29 million for the nine months ended September 30, 2021 compared with 2020, primarily due to higher PLR volumes of \$20 million and higher PLR prices of \$4 million.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance was due to:

	Three Months	Nine Months
Storm costs	\$ 14	\$ 18
Universal service programs	5	9
Inventory adjustments	1	6
Support costs	7	2
Bad debts	1	(8)
Canceled projects	—	(11)
Other	(3)	(4)
Total	\$ 25	\$ 12

Depreciation

The increase in depreciation was due to:

	Three Months	Nine Months
Additions of PP&E, net	\$ —	\$ 12
Cost of removal and salvage amortization	3	9
Total	\$ 3	\$ 21

## LG&E: Statement of Income Analysis

### Statement of Income Analysis

Net income for the periods ended September 30 includes the following results.

	Three Months			Nine Months		
	2021	2020	\$ Change	2021	2020	\$ Change
Operating Revenues						
Retail and wholesale	\$ 393	\$ 362	\$ 31	\$ 1,147	\$ 1,075	\$ 72
Electric revenue from affiliate	2	1	1	18	17	1
Total Operating Revenues	395	363	32	1,165	1,092	73
Operating Expenses						
Operation						
Fuel	70	64	6	203	188	15
Energy purchases	19	13	6	108	83	25
Energy purchases from affiliate	8	8	—	16	16	—
Other operation and maintenance	97	93	4	290	277	13
Depreciation	72	64	8	206	193	13
Taxes, other than income	12	11	1	34	30	4
Total Operating Expenses	278	253	25	857	787	70
Other Income (Expense) - net	2	(1)	3	3	(1)	4
Interest Expense	20	22	(2)	61	66	(5)
Income Taxes	17	16	1	48	47	1
Net Income	\$ 82	\$ 71	\$ 11	\$ 202	\$ 191	\$ 11

### Operating Revenues

The increase (decrease) in operating revenues was due to:

	Three Months	Nine Months
Volumes (a)	\$ 7	\$ 30
Fuel and other energy prices (b)	7	23
Retail rates (c)	22	22
Economic relief billing credit, net of amortization of \$6, \$6	(6)	(6)
Other	2	4
Total	\$ 32	\$ 73

(a) The increases were primarily due to favorable weather.

(b) The increases were primarily due to higher recoveries of fuel and energy purchases due to higher commodity costs.

(c) The increases were due to new base rates approved by the KPSC effective July 1, 2021.

### Fuel

Fuel increased \$6 million for the three months ended September 30, 2021 compared with 2020, primarily due to a \$3 million increase in commodity costs and a \$2 million increase in volumes driven by higher off-system sales.

Fuel increased \$15 million for the nine months ended September 30, 2021 compared with 2020, primarily due to an \$11 million increase in volumes driven by weather and a \$3 million increase in commodity costs.

### Energy Purchases

Energy purchases increased \$6 million for the three months ended September 30, 2021 compared with 2020, primarily due to an increase in commodity costs.

Energy purchases increased \$25 million for the nine months ended September 30, 2021 compared with 2020, primarily due to a \$13 million increase in commodity costs and a \$9 million increase in gas volumes driven by weather.

## Other Operation and Maintenance

The increase in other operation and maintenance was due to:

	Three Months	Nine Months
Plant operations and maintenance	\$ —	\$ 4
Gas distribution operations and maintenance	—	2
Plant outages	2	2
Other	2	5
Total	\$ 4	\$ 13

## Depreciation

Depreciation increased \$8 million for the three months ended September 30, 2021 compared with 2020, primarily due to a \$4 million increase driven by additional assets placed into service, net of retirements, and a \$3 million increase driven by higher depreciation rates effective July 1, 2021.

Depreciation increased \$13 million for the nine months ended September 30, 2021 compared with 2020, primarily due to a \$9 million increase driven by additional assets placed into service, net of retirements, and a \$3 million increase driven by higher depreciation rates effective July 1, 2021.

## KU: Statement of Income Analysis

### Statement of Income Analysis

Net income for the periods ended September 30 includes the following results.

	Three Months			Nine Months		
	2021	2020	\$ Change	2021	2020	\$ Change
Operating Revenues						
Retail and wholesale	\$ 486	\$ 444	\$ 42	\$ 1,358	\$ 1,256	\$ 102
Electric revenue from affiliate	8	8	—	16	16	—
Total Operating Revenues	494	452	42	1,374	1,272	102
Operating Expenses						
Operation						
Fuel	125	113	12	328	290	38
Energy purchases	5	5	—	14	14	—
Energy purchases from affiliate	2	1	1	18	17	1
Other operation and maintenance	110	105	5	336	316	20
Depreciation	94	88	6	273	258	15
Taxes, other than income	10	10	—	31	27	4
Total Operating Expenses	346	322	24	1,000	922	78
Other Income (Expense) - net	1	1	—	5	2	3
Interest Expense	27	28	(1)	81	85	(4)
Income Taxes	23	19	4	57	50	7
Net Income	\$ 99	\$ 84	\$ 15	\$ 241	\$ 217	\$ 24

## Operating Revenues

The increase in operating revenues was due to:

	Three Months	Nine Months
Volumes (a)	\$ 4	\$ 36
Retail rates (b)	27	27
Fuel and other energy prices (c)	12	24
Demand	2	8
Economic relief billing credit, net of amortization of \$0, \$0	(3)	(3)
Other	—	10
Total	<u>\$ 42</u>	<u>\$ 102</u>

- (a) The increases were primarily due to favorable weather.  
(b) The increases were due to new base rates approved by the KPSC effective July 1, 2021.  
(c) The increases were primarily due to higher recoveries of fuel and energy purchases due to higher commodity costs.

## Fuel

Fuel increased \$12 million for the three months ended September 30, 2021 compared with 2020, primarily due to an increase in commodity costs.

Fuel increased \$38 million for the nine months ended September 30, 2021 compared with 2020, primarily due to a \$20 million increase in commodity costs and an \$18 million increase in volumes driven by weather.

## Other Operation and Maintenance

The increase in other operation and maintenance was due to:

	Three Months	Nine Months
Plant operations and maintenance	\$ —	\$ 8
Distribution operations and maintenance	—	4
Transmission operations and maintenance	1	4
Plant outages	2	2
Other	2	2
Total	<u>\$ 5</u>	<u>\$ 20</u>

## Depreciation

Depreciation increased \$6 million for the three months ended September 30, 2021 compared with 2020, primarily due to a \$3 million increase driven by additional assets placed into service, net of retirements, and a \$2 million increase driven by higher depreciation rates effective July 1, 2021.

Depreciation increased \$15 million for the nine months ended September 30, 2021 compared with 2020, primarily due to an \$11 million increase driven by additional assets placed into service, net of retirements, and a \$2 million increase driven by higher depreciation rates effective July 1, 2021.

## 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:

	<u>PPL</u>	<u>PPL Electric</u>	<u>LG&amp;E</u>	<u>KU</u>
<b><u>September 30, 2021</u></b>				
Cash and cash equivalents	\$ 4,767	\$ 59	\$ 5	\$ 8
Short-term debt	—	—	—	—
Long-term debt due within one year	474	474	—	—
Notes payable to affiliates		—	284	208
<b><u>December 31, 2020</u></b>				
Cash and cash equivalents	\$ 442	\$ 40	\$ 7	\$ 22
Short-term debt	1,168	—	262	203
Long-term debt due within one year	1,074	400	292	132
Notes payable to affiliates		—	—	—

*(PPL)*

The Statements of Cash Flows separately report the cash flows of discontinued operations. The "Operating Activities", "Investing Activities" and "Financing Activities" sections below include only the cash flows of continuing operations.

*(All Registrants)*

Net cash provided by (used in) operating, investing and financing activities for the nine month periods ended September 30, and the changes between periods, were as follows.

	<u>PPL</u>	<u>PPL Electric</u>	<u>LG&amp;E</u>	<u>KU</u>
<b>2021</b>				
Operating activities	\$ 1,252	\$ 704	\$ 412	\$ 504
Investing activities	9,078	(1,256)	(339)	(396)
Financing activities	(6,370)	571	(75)	(122)
<b>2020</b>				
Operating activities	\$ 1,579	\$ 656	\$ 419	\$ 446
Investing activities	(1,690)	(844)	(329)	(378)
Financing activities	(83)	(48)	(95)	(65)
<b>Change - Cash Provided (Used)</b>				
Operating activities	\$ (327)	\$ 48	\$ (7)	\$ 58
Investing activities	10,768	(412)	(10)	(18)
Financing activities	(6,287)	619	20	(57)

### Operating Activities

The components of the change in cash provided by (used in) operating activities for the nine months ended September 30, 2021 compared with 2020 were as follows.

	PPL	PPL Electric	LG&E	KU
Change - Cash Provided (Used)				
Net income	\$ (598)	\$ (35)	\$ 11	\$ 24
Non-cash components	331	—	9	(8)
Working capital	(41)	102	(2)	26
Defined benefit plan funding	20	—	3	—
Other operating activities	(39)	(19)	(28)	16
Total	<u>\$ (327)</u>	<u>\$ 48</u>	<u>\$ (7)</u>	<u>\$ 58</u>

*(PPL)*

PPL's cash provided by operating activities in 2021 decreased \$327 million compared with 2020.

- Net income decreased \$598 million between the periods and included an increase in non-cash charges of \$331 million. The increase in non-cash charges was primarily due to the loss on extinguishment of debt and the impairment of solar panels, partially offset by a decrease in deferred income taxes and investment tax credits.
- The \$41 million decrease in cash from changes in working capital was primarily due to a decrease in unbilled revenues, a decrease in taxes payable, and a decrease in accrued interest, partially offset by an increase in regulatory liabilities (primarily due to PPL Electric's transmission formula rate return on equity reserve and the timing of rate recovery mechanisms).

*(PPL Electric)*

PPL Electric's cash provided by operating activities in 2021 increased \$48 million compared with 2020.

- Net income decreased \$35 million between the periods.
- The \$102 million increase in cash from changes in working capital was primarily due to an increase in regulatory liabilities (primarily due to the transmission formula rate return on equity reserve and the timing of rate recovery mechanisms) and a decrease in materials and supplies (primarily due to a decrease in transmission capital projects material), partially offset by a decrease in accounts payable (primarily due to timing of payments).
- The \$19 million decrease in cash provided by other operating activities was driven primarily by a decrease in accrued pension obligations.

*(LG&E)*

LG&E's cash provided by operating activities in 2021 decreased \$7 million compared with 2020.

- Net income increased \$11 million between the periods and included an increase in non-cash components of \$9 million. The increase in non-cash components was driven by an increase in depreciation expense (primarily due to additional assets placed into service, net of retirements and higher depreciation rates effective July 1, 2021).
- The decrease in cash from changes in working capital was due to an increase in net regulatory assets (primarily due to the timing of rate recovery mechanisms), an increase in fuels, materials and supplies (primarily due to higher commodity costs) and an increase in accounts receivable from affiliates (primarily due to timing of payments), partially offset by an increase in accounts payable (primarily due to timing of payments).
- The decrease in cash provided by other operating activities was driven by a decrease in other liabilities (primarily related to regulatory liabilities).

*(KU)*

KU's cash provided by operating activities in 2021 increased \$58 million compared with 2020.

- Net income increased \$24 million between the periods and included a decrease in non-cash components of \$8 million. The decrease in non-cash components was driven by a decrease in deferred income tax expense (primarily related to book versus tax plant timing differences), partially offset by an increase in depreciation expense (primarily due to additional assets placed into service, net of retirements and higher depreciation rates effective July 1, 2021).

- The increase in cash from changes in working capital was primarily due to a decrease in accounts receivable (primarily due to the impacts of COVID-19) and an increase in accounts payable to affiliates (primarily due to timing of payments).
- The increase in cash provided by other operating activities was driven primarily by a decrease in ARO expenditures.

## Investing Activities

(All Registrants)

The components of the change in cash provided by (used in) investing activities for the nine months ended September 30, 2021 compared with 2020 were as follows.

	PPL	PPL Electric	LG&E	KU
Change - Cash Provided (Used)				
Expenditures for PP&E	\$ 230	\$ 160	\$ (10)	\$ (19)
Proceeds from sale of discontinued operations, net of cash divested	10,560	—	—	—
Notes receivable from affiliate	—	(575)	—	—
Other investing activities	(22)	3	—	1
Total	<u>\$ 10,768</u>	<u>\$ (412)</u>	<u>\$ (10)</u>	<u>\$ (18)</u>

For PPL, the decrease in expenditures for PP&E was due to lower project expenditures at PPL Electric and Safari Energy, partially offset by an increase in expenditures at LG&E and KU. The decrease in expenditures at PPL Electric was primarily due to timing differences on capital spending projects related to the ongoing efforts to improve reliability and replace aging infrastructure. The decrease in expenditures at Safari Energy was primarily due to timing differences on capital spending projects. The increase in expenditures at LG&E and KU was primarily due to higher spending on ELG projects.

For PPL, on June 14, 2021, the sale of the U.K. utility business was completed. The transaction resulted in cash proceeds of \$10,732 million inclusive of foreign currency hedges executed by PPL. See Note 9 to the Financial Statements for additional information.

For PPL Electric, the changes in "Notes receivable from affiliate" activity resulted from the funding of \$575 million to an affiliate for general corporate purposes. See Note 12 to the Financial Statements for further discussion of intercompany borrowings.

## Financing Activities

(All Registrants)

The components of the change in cash provided by (used in) financing activities for the nine months ended September 30, 2021 compared with 2020 were as follows.

	PPL	PPL Electric	LG&E	KU
Change - Cash Provided (Used)				
Debt issuance/retirement, net	\$ (4,579)	\$ 250	\$ —	\$ 2
Proceeds from project financing	(131)	—	—	—
Stock issuances/redemptions, net	(27)	—	—	—
Dividends	(5)	72	(24)	(41)
Purchase of treasury stock	(282)	—	—	—
Capital contributions/distributions, net	—	580	(9)	(38)
Issuance of term loan	(300)	—	—	—
Retirement of term loan	(300)	—	—	—
Change in short-term debt, net	(582)	(280)	(189)	(160)
Retirement of commercial paper	(73)	—	(41)	(32)
Net increase in notes payable with affiliate	—	—	284	208
Other financing activities	(8)	(3)	(1)	4
Total	<u>\$ (6,287)</u>	<u>\$ 619</u>	<u>\$ 20</u>	<u>\$ (57)</u>

See Note 8 to the Financial Statements in this Form 10-Q for information on 2021 short-term and long-term debt activity, equity transactions and PPL dividends. See Note 8 to the Financial Statements in the Registrants' 2020 Form 10-K for information on 2020 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 September 30, 2021, the total committed borrowing capacity under credit facilities and the borrowings under these facilities were:

#### External

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	\$ 1,550	\$ —	\$ 15	\$ 1,535
PPL Electric Credit Facility	650	—	1	649
LG&E Credit Facilities	500	—	—	500
KU Credit Facilities	400	—	—	400
Total Credit Facilities (a)	<u>\$ 3,100</u>	<u>\$ —</u>	<u>\$ 16</u>	<u>\$ 3,084</u>

(a) The commitments under the 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 - 7%, PPL Electric - 6%, LG&E - 7% and KU - 7%.

See Note 8 to the Financial Statements for further discussion of the Registrants' credit facilities.

#### Intercompany (LG&E and KU)

	Committed Capacity	Borrowed	Commercial Paper Program Capacity	Unused Capacity
LG&E Money Pool (a)	\$ 750	\$ 284	\$ 425	\$ 41
KU Money Pool (a)	650	208	350	92

(a) LG&E and KU participate in an intercompany money pool agreement whereby LKE and/or KU make available to LG&E, and LKE and/or LG&E make available to KU funds up to the difference between LG&E's and KU's FERC borrowing limit and LG&E's and KU's commercial paper capacity limit, at an interest rate based on the lower of a market index of commercial paper issues and two additional rate options based on LIBOR.

See Note 12 to the Financial Statements for further discussion of intercompany credit facilities.

**Commercial Paper** *(All Registrants)*

The Registrants 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 credit facility. The following commercial paper programs were in place at September 30, 2021:

	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Capital Funding	\$ 1,500	\$ —	\$ 1,500
PPL Electric	650	—	650
LG&E (a)	425	—	425
KU	350	—	350
Total PPL	<u>\$ 2,925</u>	<u>\$ —</u>	<u>\$ 2,925</u>

(a) In March 2021, the capacity for the LG&E commercial paper program was increased from \$350 million to \$425 million.

**Long-term Debt** *(All Registrants)*

See Note 8 to the Financial Statements for information regarding the Registrants' long-term debt activities.

*(PPL)*

**Equity Securities Activities***Share Repurchase*

In August 2021, PPL's Board of Directors authorized share repurchases of up to \$3 billion of PPL common shares. PPL currently expects to repurchase approximately \$1 billion by the end of 2021. The actual amount repurchased will depend on various factors, including PPL's share price, market conditions, and the determination of other uses for the proceeds from the sale of the U.K. utility business, including for incremental capital expenditures. PPL may purchase shares on each trading day subject to market conditions and principles of best execution.

During the three and nine months ended September 30, 2021, PPL repurchased 9.6 million shares at a cost of \$282 million.

From October 1 to October 31, 2021, PPL repurchased an additional 9.4 million shares at a cost of \$269 million.

Commission fees incurred, which have been included in the cost of repurchases above, were insignificant through October 31, 2021.

See Note 8 to the Financial Statements for information regarding the Registrants' equity securities activities.

*ATM*

In February 2018, PPL entered into an equity distribution agreement, pursuant to which PPL may sell, from time to time, up to an aggregate of \$1.0 billion of its common stock through an at-the-market offering program, including a forward sales component. The compensation paid to the selling agents by PPL may be up to 2% of the gross offering proceeds of the shares. There were no issuances under the ATM program for the nine months ended September 30, 2021. The ATM program expired in February 2021.

**Common Stock Dividends**

In August 2021, PPL declared a quarterly common stock dividend, payable October 1, 2021, of 41.5 cents per share (equivalent to \$1.66 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 periodically review 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 2021:

*(PPL)*

In March 2021, Moody's revised its outlook to positive for PPL and PPL Capital Funding.

*(PPL and PPL Electric)*

In March 2021, S&P revised its outlook to positive for PPL Electric.

In June 2021, Moody's and S&P assigned ratings of A1 and A to PPL Electric's \$650 million First Mortgage Bonds, Floating Rate Series, due 2024. The bonds were issued on June 24, 2021.

*(PPL and LG&E)*

In March 2021, Moody's and S&P assigned ratings of A1 and A to the Louisville/Jefferson County Metro Government, Kentucky's \$128 million 2.00% Pollution Control Revenue Bonds, 2003 Series A, due 2033, previously issued on behalf of LG&E. The bonds were remarketed April 1, 2021.

In March 2021, Moody's assigned a rating of A1 and in April 2021, S&P assigned a rating of A to the Louisville/Jefferson County Metro Government, Kentucky's \$35 million 1.35% Pollution Control Revenue Bonds, 2001 Series B, due 2027, previously issued on behalf of LG&E. The bonds were remarketed May 3, 2021.

In March 2021, Moody's assigned a rating of A1 and in April 2021, S&P assigned a rating of A to the County of Trimble, Kentucky's \$35 million 1.35% Pollution Control Revenue Bonds, 2001 Series B, due 2027, previously issued on behalf of LG&E. The bonds were remarketed May 3, 2021.

In May 2021, Moody's and S&P assigned ratings of A1/P-2 and A/A-2 to the Louisville/Jefferson County Metro Government, Kentucky's \$31 million Environmental Facilities Revenue Refunding Bonds, 2007 Series A, due 2033, previously issued on behalf of LG&E. The bonds were remarketed June 1, 2021.

In May 2021, Moody's and S&P assigned ratings of A1/P-2 and A/A-2 to Louisville/Jefferson County Metro Government, Kentucky's \$35 million Environmental Facilities Revenue Refunding Bonds, 2007 Series B, due 2033, previously issued on behalf of LG&E. The bonds were remarketed June 1, 2021.

In August 2021, Moody's and S&P assigned ratings of A1 and A to the County of Trimble, Kentucky's \$28 million 0.625% Pollution Control Revenue Bonds, 2001 Series A, due 2026, previously issued on behalf of LG&E. The bonds were remarketed September 1, 2021.

*(PPL and KU)*

In May 2021, Moody's and S&P assigned ratings of A1 and A to the County of Carroll, Kentucky's \$78 million 2.00% Environmental Facilities Revenue Bonds, 2008 Series A, due 2032, previously issued on behalf of KU. The bonds were remarketed June 1, 2021.

In May 2021, Moody's and S&P assigned ratings of A1 and A to County of Carroll, Kentucky's \$54 million 2.125% Environmental Facilities Revenue Bonds, 2006 Series B, due 2034, previously issued on behalf of KU. The bonds were remarketed June 1, 2021.

#### Ratings Triggers

*(PPL, 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, and interest rate instruments, contain provisions that require the posting of additional collateral or permit the counterparty to terminate the contract, if PPL's, LG&E's or KU's or their subsidiaries' credit rating, as applicable, were to fall below investment grade. See Note 15 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral requirements for PPL and LG&E for derivative contracts in a net liability position at September 30, 2021.

*(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' 2020 Form 10-K.

#### **Risk Management**

##### Market Risk

*(All Registrants)*

See Notes 14 and 15 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*

PPL and its subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. A variety of financial derivative instruments are utilized to adjust the mix of fixed and floating interest rates in their debt portfolios, adjust the duration of the debt portfolios 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.

The following interest rate hedges were outstanding at September 30, 2021.

	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through
<b>PPL</b>				
Economic hedges				
Interest rate swaps (c)	\$ 64	\$ (19)	\$ (1)	2033
<b>LG&amp;E</b>				
Economic hedges				
Interest rate swaps (c)	64	(19)	(1)	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.  
(c) 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 September 30, 2021 was insignificant for PPL, PPL Electric, LG&E and KU. The estimated impact of a 10% adverse movement in interest rates on the fair value of debt at September 30, 2021 is shown below.

	10% Adverse Movement in Rates
PPL	\$ 390
PPL Electric	164
LG&E	73
KU	113

#### Foreign Currency Risk (PPL)

Prior to the sale of the U.K. utility business on June 14, 2021, PPL was exposed to foreign currency risk, primarily through investments in and earnings of U.K. affiliates. PPL had adopted a foreign currency risk management program designed to hedge certain foreign currency exposures, including firm commitments, recognized assets or liabilities, anticipated transactions, including the sale of its U.K. utility business and net investments. In addition, PPL entered into financial instruments to protect against foreign currency translation risk of expected GBP earnings.

(All Registrants)

#### Commodity Price Risk

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

- PPL Electric is required to purchase electricity to fulfill its obligation as a PLR. Potential commodity price risk is insignificant and mitigated through its PUC-approved cost recovery mechanism and full-requirement supply agreements to serve its PLR customers which transfer the risk to energy suppliers.
- LG&E's and KU's rates include certain mechanisms for fuel, fuel-related expenses and energy purchases. 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

Volumetric risk is the risk related to the changes in volume of retail sales due to weather, economic conditions or other factors. PPL is exposed to volumetric risk through its subsidiaries as described below.

- Prior to the sale of the U.K. utility business on June 14, 2021, WPD was exposed to volumetric risk which was significantly mitigated as a result of the method of regulation in the U.K. Under the RIIO-ED1 price control regulations,

recovery of such exposure occurs on a two year lag. See Note 1 in PPL's 2020 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 14 and 15 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' 2020 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. The impact of foreign currency translation is recorded in AOCI. Changes in this exchange rate resulted in a pre-tax foreign currency translation gain of \$495 million for the nine months ended September 30, 2021, which primarily reflected a \$856 million increase to PP&E, a \$151 million increase to goodwill and a \$36 million increase to other net assets, partially offset by a \$467 million increase to long-term debt, a \$61 million increase to deferred income taxes and a \$20 million increase to long term debt due within one year. Changes in this exchange rate resulted in a pre-tax foreign currency translation gain of \$292 million for the nine months ended September 30, 2020, which primarily reflected a \$477 million increase to PP&E, a \$85 million increase to goodwill a \$46 million increase to other net assets, partially offset by a \$229 million increase to long-term debt and a \$48 million increase to long term debt due within one year, and a \$39 million increase to deferred income taxes.

As a result of the sale of the U.K. utility business on June 14, 2021, accumulated foreign currency translation losses of \$786 million were removed from PPL's Balance Sheets and realized as a component of "Income (Loss) from Discontinued Operations (net of income taxes)" on PPL's Statements of Income (Loss) for the nine months ended June 30, 2021. See Note 9 to the Financial Statements for additional information.

#### **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 12 to the Financial Statements for additional information on related party transactions for PPL Electric, 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 9 to the Financial Statements for information on significant activities.

#### **Environmental Matters** *(All Registrants)*

Extensive federal, state and local environmental laws and regulations are applicable to the Registrants air emissions, water discharges and the management of hazardous and solid waste, as well as other aspects of the Registrants' businesses. The costs 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. 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 costs for their products or their demand for the Registrants' services. Increased capital and operating costs are subject to rate recovery. The Registrants can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

See "Environmental Matters" in Item 1. "Business" in the Registrants' 2020 Form 10-K for information about environmental laws and regulations affecting the Registrants' business. See "Legal Matters" in Note 11 to the Financial Statements for a discussion of the more significant environmental claims. See "Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash - Capital Expenditures" in "Item 7. Combined Management's Discussion and Analysis of Financial

Condition and Results of Operations" in the Registrants' 2020 Form 10-K for information on projected environmental capital expenditures for 2021 through 2025. See Note 16 to the Financial Statements for information related to the impacts of CCRs on AROs.

The information below represents an update to "Item 1. Business – Environmental Matters – Air – NAAQS" and "Item 1. Business – Environmental Matters – Air – Climate Change" in the Registrants' 2020 Form 10-K.

*NAAQS (PPL, LG&E and KU)*

In March 2021, the EPA released final revisions to the Cross-State Air Pollution Rule (CSAPR) providing for reductions in ozone season nitrogen oxide emissions for 2021 and subsequent years from sources in 12 states, including Kentucky. Additionally, the EPA reversed its previous approval of the Kentucky State Implementation Plan with respect to these requirements. The CSAPR revisions are aimed at ensuring compliance with the 2008 ozone NAAQS, so additional nitrogen oxide emission reductions could potentially be required for compliance with the revised 2015 ozone NAAQS. PPL, LG&E and KU are currently assessing the potential impact of the CSAPR revisions on operations, but such impact is not expected to be material. Pursuant to the President’s executive order, the EPA is currently reviewing its previous determinations made in December 2020 to retain the existing NAAQS for ozone and particulate matter without change.

PPL, LG&E, and KU are unable to predict future emission reductions that may be required by future federal rules or state implementation actions. Compliance with the NAAQS, CSAPR and related requirements may require installation of additional pollution controls or other compliance actions, inclusive of retirements, the costs of which PPL, LG&E and KU believe would be subject to rate recovery.

*Climate Change (All Registrants)*

The Biden administration is undertaking wide-ranging efforts to address climate change. Recent government actions and policy developments, including the President’s announced goal of a carbon free electricity sector by 2035, could have far-reaching impacts on PPL’s business operations, products, and services. All of these developments, including the Build Back Better Agenda with a green power incentive and penalty structure, are preliminary or ongoing in nature and the Registrants cannot predict their final outcome or ultimate impact on operations.

**New Accounting Guidance** *(All Registrants)*

There has been no new accounting guidance adopted in 2021 and there is no new significant accounting guidance pending adoption as of September 30, 2021.

**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' 2020 Form 10-K for a discussion of each critical accounting policy.

	<b>PPL</b>	<b>PPL Electric</b>	<b>LG&amp;E</b>	<b>KU</b>
Defined Benefits	X	X	X	X
Income Taxes	X	X	X	X
Regulatory Assets and Liabilities	X	X	X	X
Price Risk Management	X			
Asset Impairment (Excluding Investments)	X		X	X
AROs	X		X	X
Revenue Recognition - Unbilled Revenue			X	X

Following is an update to the critical accounting policies disclosed in PPL's 2020 Form 10-K.

#### **Income Taxes (PPL)**

Significant management judgment is required in developing the Registrants' provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken on tax returns, valuation allowances on deferred tax assets, as well as whether the undistributed earnings of WPD were considered indefinitely reinvested.

Additionally, significant management judgment is required to determine the amount of benefit recognized related to an uncertain tax position. On a quarterly basis, uncertain tax positions are reassessed by considering information known as of the reporting date. Based on management's assessment of new information, a tax benefit may subsequently be recognized for a previously unrecognized tax position, a previously recognized tax position may be derecognized, or the benefit of a previously recognized tax position may be remeasured. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements in the future.

The need for valuation allowances to reduce deferred tax assets also requires significant management judgment. Valuation allowances are initially recorded and reevaluated each reporting period by assessing the likelihood of the ultimate realization of a deferred tax asset. Management considers several factors in assessing the expected realization of a deferred tax asset, including the reversal of temporary differences, future taxable income and ongoing prudent and feasible tax planning strategies. Any tax planning strategy utilized in this assessment must meet the recognition and measurement criteria utilized to account for an uncertain tax position. When evaluating the need for valuation allowances, the uncertainty posed by political risk on such factors is also considered by management. The amount of deferred tax assets ultimately realized may differ materially from the estimates utilized in the computation of valuation allowances and may materially impact the financial statements in the future.

The TCJA included new provisions requiring that certain income, referred to as global intangible low-taxed income (GILTI), earned by certain foreign subsidiaries be included in the gross income of their U.S. shareholder. Accounting guidance allows a policy election regarding the timing of inclusion of GILTI in an entity's financial statements. The election may be either to record deferred taxes for expected GILTI in future periods or record such taxes as a current-period expense when incurred. PPL has elected to record the tax effect of expected GILTI inclusions and thus, records deferred taxes relating to such inclusions.

In light of the sale of PPL's U.K. utility business, indefinite reinvestment is no longer relevant. As such, PPL realized the outside book-tax basis difference in those assets. Accordingly, in June 2021, a current tax liability was recorded reflecting the estimated tax cost associated with the realization of that basis difference.

See Note 6 to the Financial Statements for income tax disclosures.

**PPL Corporation  
PPL Electric Utilities Corporation  
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**

Although the COVID-19 pandemic prompted the Registrants to make certain procedural adjustments to accommodate an increased remote workforce, PPL's accounting and reporting systems and functions were well prepared to perform necessary accounting and reporting activities as of September 30, 2021 and to maintain the effectiveness of its disclosure controls and procedures and internal control over financial reporting.

(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 September 30, 2021, 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 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 controls over financial reporting during the Registrants' third 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 legal, tax, regulatory, environmental or other administrative proceedings that became reportable events or were pending in the third quarter of 2021 see:

- "Item 3. Legal Proceedings" in each Registrant's 2020 Form 10-K; and
- Notes 6, 7 and 11 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' 2020 Form 10-K.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### Purchases of PPL Corporation Equity Securities by the Issuer and Affiliated Purchasers (PPL)

The following table provides information about PPL's purchases of equity securities that are registered by PPL Corporation pursuant to Section 12 of the Exchange Act of 1934 for the quarter ended September 30, 2021:

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (a)
July 1 to July 31, 2021	—	\$ —	—	\$ —
August 1 to August 31, 2021	2,710,711	29.22	2,710,711	2,920,781,525
September 1 to September 30, 2021	8,046,246	29.16	8,046,246	2,686,179,221
Total (b)	10,756,957	\$ 29.17	10,756,957	\$ 2,686,179,221

- (a) PPL Corporation's Board of Directors approved a share repurchase plan in August 2021. See "Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial and Operational Developments - Use of Proceeds from the Sale of the U.K. Utility Business - Share Repurchase" for additional information.
- (b) Includes 1,142,890 shares purchased by a third party on behalf of PPL in September 2021. The shares were settled and transferred to PPL in October 2021.

## 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)-23 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\(a\)](#) - Transition and Retirement Agreement dated August 12, 2021, by and among Paul W. Thompson, LG&E and KU Services Company, and PPL Corporation

Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended September 30, 2021, filed by the following officers for the following companies:

<a href="#">*31(a)</a>	- PPL Corporation's principal executive officer
<a href="#">*31(b)</a>	- PPL Corporation's principal financial officer
<a href="#">*31(c)</a>	- PPL Electric Utilities Corporation's principal executive officer
<a href="#">*31(d)</a>	- PPL Electric Utilities Corporation's principal financial officer
<a href="#">*31(e)</a>	- Louisville Gas and Electric Company's principal executive officer
<a href="#">*31(f)</a>	- Louisville Gas and Electric Company's principal financial officer
<a href="#">*31(g)</a>	- Kentucky Utilities Company's principal executive officer
<a href="#">*31(h)</a>	- Kentucky Utilities Company's principal financial officer

Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended September 30, 2021, furnished by the following officers for the following companies:

<a href="#">*32(a)</a>	- PPL Corporation's principal executive officer and principal financial officer
<a href="#">*32(b)</a>	- PPL Electric Utilities Corporation's principal executive officer and principal financial officer
<a href="#">*32(c)</a>	- Louisville Gas and Electric Company's principal executive officer and principal financial officer
<a href="#">*32(d)</a>	- Kentucky Utilities Company's principal executive officer and principal financial officer

101.INS	- XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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
104	- The Cover Page Interactive Data File is formatted as Inline XBRL and contained in Exhibits 101.

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: November 4, 2021

/s/ Marlene C. Beers  
\_\_\_\_\_  
Marlene C. Beers  
Vice President and Controller  
(Principal Accounting Officer)

**PPL Electric Utilities Corporation**

(Registrant)

Date: November 4, 2021

/s/ Stephen K. Breininger  
\_\_\_\_\_  
Stephen K. Breininger  
Vice President-Finance and Regulatory Affairs and Controller  
(Principal Financial Officer and Principal Accounting Officer)

**Louisville Gas and Electric Company**

(Registrant)

**Kentucky Utilities Company**

(Registrant)

Date: November 4, 2021

/s/ Kent W. Blake  
\_\_\_\_\_  
Kent W. Blake  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

### Transition and Retirement Agreement

This Transition and Retirement Agreement ("**Agreement**") is made between you, **Paul W. Thompson**, LG&E and KU Services Company ("**LKE**"), and PPL Corporation and sets forth the terms of your transition, termination of employment, and retirement from PPL Corporation, LKE, and their respective affiliates (together, the "**Company**"). This Agreement will become effective upon the "**Effective Date**" as specified in Section 14(a), below. Once effective, this Agreement will be a legally binding document representing the entire agreement between you and the Company regarding the subjects it covers. Throughout this Agreement, the term "**Company**" includes all of the Company's affiliates and related entities, and their current and former trustees, officers, agents, employees, insurers and attorneys, the PPL Corporation Executive Severance Plan ("**Severance Plan**") and all other employee benefit plans and arrangements and their administrators, trustees and other fiduciaries, and all successors and assigns of all of the foregoing.

1. **Separation Date.** Your last day of employment with the Company is December 31, 2021 (the ("**Separation Date**") and the date upon which you will retire is January 1, 2022 and your employment with the Company will thereupon terminate. You will step down as President and Chief Executive Officer of LKE on October 1, 2021. During the October 1, 2021 through December 31, 2021 transition period, you will continue in employment with the Company as a full-time employee, at the same compensation level, with the title of Executive Vice President. During such transition period, you will provide assistance to your successor on an as-needed basis, as requested by the Company, and you will be required to carry out such transition and other functions as your successor or the Chief Executive Officer of the Company deems to be in the best interest of the Company.

2. **Consideration.**

(a) **Eligibility.** Provided that you sign and do not revoke this Agreement, including the waiver and release of claims in favor of the Company and restrictive covenants contained in it, within 21 days of receiving this Agreement and you again sign and do not revoke this Agreement within 21 days after the Separation Date, the Company agrees to provide you with the payments and benefits provided for under the Severance Plan as set forth in Section 2(b), below.

(b) **Consideration.** Subject to satisfying the eligibility criteria in Section 2(a), above, and pursuant to the applicable terms of the Severance Plan, the Company agrees to provide you with the following payments and benefits (collectively referred to as the "**Separation Benefits**"):

(i) **Salary Payment.** The Company will pay you a lump sum cash payment of \$ **1,365,600**, which is equal to two years of your base salary. Payment will be made on the first regularly scheduled Company payroll date immediately following the date that is six months after the Separation Date.

(ii) **COBRA Payment.** The Company will pay you a lump sum cash payment equal to the aggregate amount of the employee portion of COBRA premiums (based on the rate in effect as of the Separation Date) for 24 months. Payment will be made on the first regularly scheduled Company payroll date immediately following the date that is six months following the Separation Date.

(iii) **Lump Sum Payment.** The Company will pay you a lump sum cash payment of \$22,000, in lieu of outplacement and financial planning services. Payment will be made on the first regularly scheduled Company payroll date immediately following the date that is six months following the

Separation Date.

(c) **Other Payments.** Regardless of whether you sign this Agreement:

(i) The Company will provide you with any earned but unpaid base salary through the Separation Date, reimbursement for any outstanding expenses for which you have not been reimbursed and which are authorized, any accrued but unused vacation, and any vested benefits under the Company's employee benefit plans in which you participate, including the LG&E and KU Supplemental Executive Retirement Plan, in accordance with the terms of such plans, as accrued through the Separation Date.

(ii) Consistent with the retirement provisions of the Company's short term incentive plan, you shall be eligible to receive a short-term cash incentive award ("**STI Award**") for services rendered in 2021, payable in 2022 at the time 2021 STI Awards are paid to eligible employees. The gross amount of this STI Award shall be calculated according to the funding level, which is set by the Company in its sole discretion.

(iii) Consistent with the retirement provisions of the Company's long-term incentive plan, your outstanding restricted stock units and performance unit awards will be administered according to the retirement provisions of the applicable grant agreements.

3. **Benefits Termination.** For purposes of any benefits provided under any Company benefits plan, your employment will terminate on the Separation Date. For information on continuing health benefits through COBRA, see below. If there are any discrepancies between this Agreement and the applicable benefit plan documents, the applicable plan documents will govern. The Company reserves the right, in its sole discretion, to change or discontinue its benefit plans at any time, with or without prior notice.

4. **Continuation of Health Coverage.** You will receive information, under separate cover, regarding your rights under the COBRA health coverage continuation provisions of applicable law, as well as time frames necessary for continuations, conversions and/or distribution of benefits under the Company's benefit programs after your employment terminates.

5. **Release of Claims.** In exchange for the Separation Benefits, you hereby waive, to the fullest extent permitted by law, all claims available under federal, state or local law against the Company and the trustees, officers, employees, and agents of the Company, including but not limited to all claims arising out of your employment with the Company or the termination of that employment, or arising under the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Americans with Disabilities Act, the Civil Rights Act of 1991, the Employee Retirement Income Security Act, the Equal Pay Act, the Genetic Information Non-discrimination Act, the Family and Medical Leave Act, Section 1981 of U.S.C., Title VII of the Civil Rights Act of 1964, as amended, the Kentucky Civil Rights Act, including age and sexual harassment claims, the Kentucky Equal Opportunities Act, the Kentucky Wage Discrimination Because of Sex Law, the Kentucky law regarding military leave and re-employment rights (Ky. Rev. Stat. Ann. § 38.238), the Kentucky Equal Pay Act, the Kentucky Leave of Absence to Adopt a Child Law, the Kentucky Minimum Wage Law, the Kentucky Occupational Safety and Health Law, retaliation provision of the Kentucky Workers' Compensation Act (Ky. Rev. Stat. Ann. § 342.197), as well as any claims arising under any federal, state or local fair employment practices statutes, regulations, or ordinances, wrongful termination claims, breach of contract claims, discrimination claims, harassment claims, retaliation claims, whistleblower claims (to the fullest extent they may be released under applicable law), defamation or other

tort claims, and claims for attorneys' fees and costs.

Notwithstanding the foregoing, you are not waiving your right to (i) any vested benefits under a Company benefit plan, the rights to which are governed by the terms of the applicable plan documents and/or award agreement, (ii) claims for unemployment or workers' compensation benefits, (iii) any medical claim incurred during your employment that is payable under applicable medical plans or a Company-insured liability plan, (iv) claims arising after the date on which you sign this Agreement, (v) any rights to indemnification and defense under the Company's bylaws and under directors and officers insurance with respect to your service as an employee or officer of the Company, or (vi) claims that are not otherwise waivable under applicable law.

6. **Continuing Obligations.** You agree to the following:

(a) **Non-Solicitation of Employees.** You understand and acknowledge that the Company has expended and continues to expend significant time and expense in recruiting and training its employees and that the loss of employees would cause significant and irreparable harm to the Company. You agree and covenant not to directly or indirectly solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Company for the remainder of your employment with the Company and for one year following the Separation Date.

(b) **Confidential Information.** You acknowledge that during your employment you became and will become privy to certain trade secrets and other confidential proprietary information concerning the Company not generally known to the public including, but not limited to, information about employees of the Company, information about finances, costs, business and strategic plans of the Company, and related information ("**Confidential Information**"). You agree not to use or disclose, either directly or indirectly, any Confidential Information until such time as the information becomes generally known to the public through no fault of your own, except as required to comply with any properly issued court order, regulatory order, or subpoena requiring testimony.

(c) **Limits on Adverse Comments.** Except as provided in Section 9 below, you agree that you will not make or authorize any written or oral statements that are false, disparaging or defamatory about the Company or its affiliates or their respective directors, officers or employees. PPL Corporation will direct its executive officers not to make or authorize any written or oral statements that are false, disparaging or defamatory about you, except as provided in Section 9 below.

(d) **Duty of Cooperation.** You agree to reasonably cooperate with the Company and its counsel after the Separation Date with respect to any matter (including any litigation, investigation, or governmental proceeding) which relates to your employment with the Company. This cooperation may include appearing from time-to-time for conferences and interviews at mutually agreeable times and providing the officers of the Company and its counsel with the full benefit of your knowledge with respect to any such matter. The Company agrees to reimburse you for any reasonable out-of-pocket expenses incurred by you in connection with such cooperation and mutually agreed upon in advance by you and the Company.

(e) **Remedies.** In the event of a breach or threatened breach by you of Sections 6(a) through (d) of this Agreement, you hereby consent and agree that money damages would not afford an adequate remedy and that Company shall be entitled to seek a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages. Any equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages, or other available relief.



7. **Return of Records and Equipment.** On or by your Separation Date, you will return to the Company all documents, manuals, office equipment, credit cards and other things belonging to the Company which you have borrowed or which you possess or control. To the extent that you have made use of your own personal computing devices (e.g., PDA, laptop, thumbdrive, etc.) during employment with the Company, you agree to delete all Company property and information from such personal computing devices, and/or permit the Company to remotely delete all Company property and information from such personal computing devices. You authorize the Company to deduct from your paycheck or amounts paid under this Agreement any money owed the Company as a result of items which are not returned or for loans or advances you have received and which remain unpaid, if you agreed to allow such deductions at the time the loans or advances were made.

8. **Confidentiality of this Agreement.** Neither you nor any of your representatives shall in any way publicize in or give comment to any print, broadcast or electronic medium (including, but not limited to, the Internet) as to the fact of this Agreement and/or the terms and conditions of this Agreement, including, without limitation, the consideration, including the Separation Benefits, except to the extent disclosure is required by law, including under any applicable securities rule or regulation, and subject to Section 9 below. You shall not, however, be precluded from disclosing the terms and conditions of this Agreement in a subsequent proceeding relating to breach or enforcement of this Agreement.

9. **Reports to Government Entities.** Nothing in this Agreement, including the Limit on Disclosures, Limits on Adverse Comments, or Release of Claims clauses, restricts or prohibits you from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including without limitation the EEOC, ("**Regulators**"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. However, you are waiving your right to receive any individual monetary relief from the Company or any others covered by the Release of Claims resulting from such claims, regardless of whether you or another party has filed them, and in the event you obtain such monetary relief, the Company will be entitled to an offset for the payments made pursuant to this Agreement, except where such limitations are prohibited as a matter of law.

Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

10. **No Other Amounts Due.** You acknowledge that the Company has paid you all wages, salaries, bonuses, benefits and other amounts earned and accrued, less applicable deductions, and that the Company has no obligation to pay any additional amounts, other than the payments and benefits described herein. You further acknowledge that the payments and benefits provided under this Agreement fully satisfy the Company's obligations to provide benefits under the Severance Plan or any other Company benefit plan which could provide severance or other similar benefits.

11. **Notices.** Notices and all other communications provided for in this Agreement shall be delivered (a) to you at the last address maintained in the Company's records, and (b) to the Company by delivering such notice or communications to the individual and at the address, including e-mail address, set forth below.



Wendy E. Stark  
Senior Vice President, General Counsel and Corporate Secretary  
PPL Corporation  
2 North 9th Street,  
GENTW 16,  
Allentown, PA 18101  
E-mail Address: [westark@pplweb.com](mailto:westark@pplweb.com)  
Telephone Number: (610) 774-6872

12. **Medicare Disclaimer.** You represent that you are not a Medicare Beneficiary as of the time you enter into this Agreement. To the extent that you are a Medicare Beneficiary, you agree to notify the Company in accordance with the notice provisions set forth in Section 11, above.

13. **Acknowledgement of Voluntariness and Time to Review.** You acknowledge that:

- (a) You have read this Agreement and you understand it;
- (b) You are signing this Agreement voluntarily in order to release your claims against the Company in exchange for the Separation Benefits, which, in the aggregate, are greater than you would have otherwise received;
- (c) You are signing this Agreement twice: the first time, within 21 days of receiving it; and the second time, upon or within 21 days after the Separation Date;
- (d) You were offered at least 21 days to consider your choice to sign this Agreement both times;
- (e) The Company advises you to consult with an attorney;
- (f) You know that you can revoke this Agreement within 7 days of signing it and that the Agreement does not become effective until that 7-day period has passed;
- (g) If you sign and do not revoke this Agreement within 21 days of receiving it, and then you do not reaffirm the Agreement (or you revoke the reaffirmation) upon or after the Separation Date, the Company will not be obligated to pay you the Separation Benefits, as set forth herein;
- (h) To revoke this Agreement, you agree to notify the Company in accordance with the notice provisions set forth in Section 11, above;
- (i) You agree that changes to this Agreement before its execution, whether material or immaterial, do not restart your time to review the Agreement; and
- (j) You acknowledge that nothing in this Agreement is an admission of any wrongdoing, liability, or unlawful activity by you or by the Company.

14. **Effective Date.**

(a) **Effective Date.** This Agreement will become effective and enforceable upon the expiration of the seven (7) business day revocation period provided for in Section 13(f), above (the "**Effective Date**"). If you fail to return an executed original to the Company in accordance with the notice provisions set forth in Section 11, above, within 21 days after you receive this Agreement, then this Agreement, including but not limited to the obligation of the Company to provide the Separation Benefits (which obligation to provide Severance Benefits is also conditioned on your signing and not revoking the Agreement a second time as described above), shall be deemed automatically null and void.

(b) **Revocation Period.** When you sign this Agreement the first time, the Agreement becomes effective immediately after the 7-day revocation period following that signature, if you do not revoke the Agreement. When you sign this Agreement the second time, your second signature becomes effective immediately after the 7-day revocation period following that second signature, if you do not revoke the Agreement.

15. **Tax Withholding/Taxes.** You understand that all payments under this Agreement are taxable income to you and subject to applicable tax withholding. Further, the Company does not make nor has it made any representation, warranty or guarantee of any federal, state or local tax consequences to you of your receipt of any payment hereunder, including, but not limited to, under Section 409A of the Internal Revenue Code of 1986, as amended.

16. **Entire Agreement.** This Agreement contains the full agreement between you and the Company and completely supersedes any prior written or oral agreements or representations concerning the subject matter thereof. Any oral representation or modification concerning this Agreement shall be of no force or effect.

17. **Severability.** In the event a court, arbitrator, or other entity with jurisdiction determines that any portion of this Agreement (other than the general release clause) is invalid or unenforceable, the remaining portions of the Agreement shall remain in full force and effect.

18. **Governing Law.** This Agreement shall be governed by and construed according to the laws of the Commonwealth of Pennsylvania, without reference to that jurisdiction's choice of law rules.

19. **Signature.** If you choose to accept this Agreement, please sign the Agreement, and return this Agreement to the Company in accordance with the notice provisions set forth in Section 11, above, no later than 21 days after you receive this Agreement.

*[Signature Page Follows.]*

8/11/2021

I agree to all terms of the Agreement as of the date of this signature.

*(To Be Signed Within 21 Days after Receiving the Agreement)*

Paul W. Thompson



Date: August 12, 2021

PPL Corporation

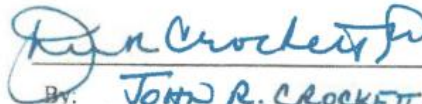


By: VINCENT Slego

Title: PRESIDENT & CEO - PPL CORP

Date: August 13, 2021

LG&E and KU Services Company



By: JOHN R. CROCKETT III

Title: GENERAL COUNSEL, CHIEF COMPLIANCE OFFICER & CORPORATE SECRETARY

Date: August 13, 2021

*(To Be Signed upon or within 21 Days after the Separation Date)*

Paul W. Thompson

Date: \_\_\_\_\_



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: November 4, 2021

/s/ Vincent Sorgi  
 Vincent Sorgi  
 President and Chief Executive Officer  
 (Principal Executive Officer)  
 PPL Corporation

CERTIFICATION

I, JOSEPH P. BERGSTEIN, JR., 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: November 4, 2021

/s/ Joseph P. Bergstein, Jr.

Joseph P. Bergstein, Jr.

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

PPL Corporation

CERTIFICATION

I, STEPHANIE R. RAYMOND, 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: November 4, 2021

/s/ Stephanie R. Raymond

Stephanie R. Raymond

President

(Principal Executive Officer)

PPL Electric Utilities Corporation

CERTIFICATION

I, STEPHEN K. BREININGER, 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: November 4, 2021

/s/ Stephen K. Breininger

Stephen K. Breininger

Vice President-Finance and Regulatory Affairs and Controller

(Principal Financial Officer)

PPL Electric Utilities Corporation

CERTIFICATION

I, JOHN R. CROCKETT III, 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: November 4, 2021

/s/ John R. Crockett III

John R. Crockett III

President

(Principal Executive Officer)

Louisville Gas and Electric Company

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: November 4, 2021

/s/ Kent W. Blake

Kent W. Blake

Chief Financial Officer

(Principal Financial Officer)

Louisville Gas and Electric Company

CERTIFICATION

I, JOHN R. CROCKETT III, 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: November 4, 2021

/s/ John R. Crockett III

John R. Crockett III

President

(Principal Executive Officer)

Kentucky Utilities Company

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: November 4, 2021

/s/ Kent W. Blake

Kent W. Blake

Chief Financial Officer

(Principal Financial Officer)

Kentucky Utilities Company

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 SEPTEMBER 30, 2021

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Vincent Sorgi, the Principal Executive Officer of the Company, and Joseph P. Bergstein, Jr., 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: November 4, 2021

/s/ Vincent Sorgi  
\_\_\_\_\_  
Vincent Sorgi  
President and Chief Executive Officer  
(Principal Executive Officer)  
PPL Corporation

/s/ Joseph P. Bergstein, Jr.  
\_\_\_\_\_  
Joseph P. Bergstein, Jr.  
Executive 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.

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 SEPTEMBER 30, 2021

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Stephanie R. Raymond, the Principal Executive Officer of the Company, and Stephen K. Breininger, 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: November 4, 2021

/s/ Stephanie R. Raymond

Stephanie R. Raymond

President

(Principal Executive Officer)

PPL Electric Utilities Corporation

/s/ Stephen K. Breininger

Stephen K. Breininger

Vice President-Finance and Regulatory Affairs and 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.

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 SEPTEMBER 30, 2021

In connection with the quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "Company") for the quarter ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, John R. Crockett III, 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: November 4, 2021

/s/ John R. Crockett III

John R. Crockett III

President

(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.

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 SEPTEMBER 30, 2021

In connection with the quarterly report on Form 10-Q of Kentucky Utilities Company (the "Company") for the quarter ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, John R. Crockett III, 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: November 4, 2021

/s/ John R. Crockett III

John R. Crockett III

President

(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.