

PPL Corp  
 Form 10-Q  
 May 02, 2014

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
 SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended  
 March 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
 SECURITIES EXCHANGE ACT OF 1934 for the transition period from  
 \_\_\_\_\_ to \_\_\_\_\_

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

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(Exact name of Registrant as specified in its charter)  
(Kentucky)  
220 West Main Street  
Louisville, KY 40202-1377  
(502) 627-2000

1-3464

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

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

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

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

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

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

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

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

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

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

PPL Corporation	Common stock, \$0.01 par value, 631,744,500 shares outstanding at April 25, 2014.
PPL Energy Supply, LLC	PPL Corporation indirectly holds all of the membership interests in PPL Energy Supply, LLC.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at April 25, 2014.
LG&E and KU Energy LLC	PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC.
Louisville Gas and Electric Company	Common stock, no par value, 21,294,223 shares outstanding and all held by LG&E and KU Energy LLC at April 25, 2014.
Kentucky Utilities Company	Common stock, no par value, 37,817,878 shares outstanding and all held by LG&E and KU Energy LLC at April 25, 2014.

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

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

FORM 10-Q  
FOR THE QUARTER ENDED MARCH 31, 2014

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

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

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## GLOSSARY OF TERMS AND ABBREVIATIONS

### PPL Corporation and its subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Other terms and abbreviations

£ - British pound sterling.

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

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

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

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

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

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

Act 129 - Act 129 of 2008 that became effective in October 2008. The law amends the Pennsylvania Public Utility Code and creates an energy efficiency and conservation program and smart metering technology requirements, adopts

new PLR electricity supply procurement rules, provides remedies for market misconduct and changes to the AEPS.

AEPS - Alternative Energy Portfolio Standard.

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

AOCI - accumulated other comprehensive income or loss.

ARO - asset retirement obligation.

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

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

CAIR - the EPA's Clean Air Interstate Rule.

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

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

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

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

CSAPR - Cross-State Air Pollution Rule.

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

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

DNO - Distribution Network Operator.

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

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

DRIP - Dividend Reinvestment and Direct Stock Purchase Plan.

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

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

ECR - Environmental Cost Recovery. Pursuant to Kentucky Revised Statute 278.183, Kentucky electric utilities are entitled to the current recovery of costs of complying with the Clean Air Act, as amended, and those federal, state or

local environmental requirements that apply to coal combustion wastes and by-products from the production of energy from coal.

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

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

EPS - earnings per share.

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

ESOP - Employee Stock Ownership Plan.

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

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

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

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

GBP - British pound sterling.

GHG - greenhouse gas(es).

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

IBEW - International Brotherhood of Electrical Workers.

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

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

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

ISO - Independent System Operator.

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

LIBOR - London Interbank Offered Rate.

LTIP - Long Term Infrastructure Improvement Plan.

MATS - Mercury and Air Toxics Standards.

MDEQ - Montana Department of Environmental Quality.

MEIC - Montana Environmental Information Center.

MMBtu - One million British Thermal Units.

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

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

MW - megawatt, one thousand kilowatts.

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

NDT - PPL Susquehanna's nuclear plant decommissioning trust.

NERC - North American Electric Reliability Corporation.

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

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

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

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

OCI - other comprehensive income or loss.

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

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

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

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

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

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

PP&E - property, plant and equipment.

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

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

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

RCRA - Resource Conservation and Recovery Act of 1976.

RECs - renewable energy credits.

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

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

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

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

RMC - Risk Management Committee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## FORWARD-LOOKING INFORMATION

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

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

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

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

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

## PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, except share data)

	Three Months Ended March 31,	
	2014	2013
Operating Revenues		
Utility	\$ 2,162	\$ 1,950
Unregulated wholesale energy	(1,429)	143
Unregulated retail energy	349	237
Energy-related businesses	141	127
Total Operating Revenues	1,223	2,457
Operating Expenses		
Operation		
Fuel	758	529
Energy purchases	(1,494)	57
Other operation and maintenance	697	676
Depreciation	305	284
Taxes, other than income	104	96
Energy-related businesses	138	122
Total Operating Expenses	508	1,764
Operating Income	715	693
Other Income (Expense) - net	(23)	122
Interest Expense	264	251
Income Before Income Taxes	428	564
Income Taxes	112	151
Net Income Attributable to PPL Shareowners	\$ 316	\$ 413
Earnings Per Share of Common Stock:		
Basic	\$ 0.50	\$ 0.70
Diluted	\$ 0.49	\$ 0.65
Dividends Declared Per Share of Common Stock	\$ 0.3725	\$ 0.3675
Weighted-Average Shares of Common Stock Outstanding (in thousands)		
Basic	630,749	582,640

Diluted

663,939

657,020

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

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## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended March 31,	
	2014	2013
Net income	\$ 316	\$ 413
Other comprehensive income (loss):		
Amounts arising during the period - gains (losses), net of tax (expense) benefit:		
Foreign currency translation adjustments, net of tax of \$1, (\$6)	131	(245)
Available-for-sale securities, net of tax of (\$6), (\$25)	5	23
Qualifying derivatives, net of tax of \$25, (\$20)	(46)	62
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):		
Available-for-sale securities, net of tax of \$1, \$1	(1)	(1)
Qualifying derivatives, net of tax of (\$4), \$35	19	(80)
Defined benefit plans:		
Prior service costs, net of tax of (\$1), (\$1)	1	1
Net actuarial loss, net of tax of (\$9), (\$13)	27	34
Total other comprehensive income (loss) attributable to PPL Shareowners	136	(206)
Comprehensive income (loss) attributable to PPL Shareowners	\$ 452	\$ 207

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

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended March 31,	
	2014	2013
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 316	\$ 413
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	305	284
Amortization	60	64
Defined benefit plans - expense	21	51
Deferred income taxes and investment tax credits	(26)	80
Unrealized (gains) losses on derivatives, and other hedging activities	241	98
Adjustment to WPD line loss accrual	65	
Other	33	30
Change in current assets and current liabilities		
Accounts receivable	(185)	(187)
Accounts payable	93	(138)
Unbilled revenues	(33)	137
Fuel, materials and supplies	96	55
Prepayments	(70)	(117)
Counterparty collateral	2	(64)
Taxes payable	126	122
Other	(51)	(129)
Other operating activities		
Defined benefit plans - funding	(135)	(429)
Other assets	(3)	33
Other liabilities	76	(59)
Net cash provided by (used in) operating activities	931	244
<b>Cash Flows from Investing Activities</b>		
Expenditures for property, plant and equipment	(892)	(828)
Purchases of nuclear plant decommissioning trust investments	(32)	(28)
Proceeds from the sale of nuclear plant decommissioning trust investments	27	24
Proceeds from the receipt of grants	56	1
Net (increase) decrease in restricted cash and cash equivalents	(334)	(52)
Other investing activities	(8)	(16)
Net cash provided by (used in) investing activities	(1,183)	(899)
<b>Cash Flows from Financing Activities</b>		
Issuance of long-term debt		450
Retirement of long-term debt	(239)	(8)
Payment of common stock dividends	(234)	(210)
Net increase (decrease) in short-term debt	878	416

Other financing activities	(13)	(27)
Net cash provided by (used in) financing activities	392	621
Effect of Exchange Rates on Cash and Cash Equivalents	14	(14)
Net Increase (Decrease) in Cash and Cash Equivalents	154	(48)
Cash and Cash Equivalents at Beginning of Period	1,102	901
Cash and Cash Equivalents at End of Period	\$ 1,256	\$ 853

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

## CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

	March 31, 2014	December 31, 2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,256	\$ 1,102
Restricted cash and cash equivalents	416	83
Accounts receivable (less reserve: 2014, \$66; 2013, \$64)		
Customer	1,108	923
Other	103	97
Unbilled revenues	874	835
Fuel, materials and supplies	607	702
Prepayments	224	153
Deferred taxes	342	246
Price risk management assets	1,087	942
Regulatory assets	32	33
Other current assets	45	37
<b>Total Current Assets</b>	<b>6,094</b>	<b>5,153</b>
Investments		
Nuclear plant decommissioning trust funds	879	864
Other investments	39	43
<b>Total Investments</b>	<b>918</b>	<b>907</b>
Property, Plant and Equipment		
Regulated utility plant	28,616	27,755
Less: accumulated depreciation - regulated utility plant	5,108	4,873
Regulated utility plant, net	23,508	22,882
Non-regulated property, plant and equipment		
Generation	11,818	11,881
Nuclear fuel	712	591
Other	854	834
Less: accumulated depreciation - non-regulated property, plant and equipment	6,283	6,172
Non-regulated property, plant and equipment, net	7,101	7,134
Construction work in progress	3,165	3,071
<b>Property, Plant and Equipment, net</b>	<b>33,774</b>	<b>33,087</b>
Other Noncurrent Assets		
Regulatory assets	1,245	1,246
Goodwill	4,298	4,225
Other intangibles	943	947
Price risk management assets	344	337
Other noncurrent assets	357	357
<b>Total Other Noncurrent Assets</b>	<b>7,187</b>	<b>7,112</b>

Total Assets	\$	47,973	\$	46,259
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The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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## CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

	March 31, 2014	December 31, 2013
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 1,579	\$ 701
Long-term debt due within one year	304	315
Accounts payable	1,345	1,308
Taxes	240	114
Interest	358	325
Dividends	236	232
Price risk management liabilities	1,302	829
Regulatory liabilities	80	90
Other current liabilities	932	998
Total Current Liabilities	6,376	4,912
Long-term Debt	20,514	20,592
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	4,096	3,928
Investment tax credits	281	342
Price risk management liabilities	450	415
Accrued pension obligations	1,159	1,286
Asset retirement obligations	701	687
Regulatory liabilities	1,037	1,048
Other deferred credits and noncurrent liabilities	642	583
Total Deferred Credits and Other Noncurrent Liabilities	8,366	8,289
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
Common stock - \$0.01 par value (a)	6	6
Additional paid-in capital	8,352	8,316
Earnings reinvested	5,788	5,709
Accumulated other comprehensive loss	(1,429)	(1,565)
Total Equity	12,717	12,466
Total Liabilities and Equity	\$ 47,973	\$ 46,259

(a) 780,000 shares authorized; 631,417 and 630,321 shares issued and outstanding at March 31, 2014 and December 31, 2013.

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



## CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	PPL Shareowners							Total
	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Non- controlling interests		
December 31, 2013	630,321	\$ 6	\$ 8,316	\$ 5,709	\$ (1,565)		\$ 12,466	
Common stock issued (b)	1,096		30				30	
Stock-based compensation (c)			6				6	
Net income				316			316	
Dividends and dividend equivalents (d)				(237)			(237)	
Other comprehensive income (loss)					136		136	
March 31, 2014	631,417	\$ 6	\$ 8,352	\$ 5,788	\$ (1,429)		\$ 12,717	
December 31, 2012	581,944	\$ 6	\$ 6,936	\$ 5,478	\$ (1,940)	\$ 18	\$ 10,498	
Common stock issued (b)	1,270		37				37	
Stock-based compensation (c)			15				15	
Net income				413			413	
Dividends, dividend equivalents and distributions (d)				(215)			(215)	
Other comprehensive					(206)		(206)	

income (loss)								
March 31, 2013	583,214	\$	6	\$	6,988	\$	5,676	\$
							(2,146)	\$
			18	\$	10,542			

- (a) Shares in thousands. Each share entitles the holder to one vote on any question presented at any shareholders' meeting.
- (b) Each period includes shares of common stock issued through various stock and incentive compensation plans.
- (c) The three months ended March 31, 2014 and 2013 include \$27 million and \$28 million of stock-based compensation expense related to new and existing unvested equity awards. These periods also include \$(21) million and \$(13) million related primarily to the reclassification from "Stock-based compensation" to "Common stock issued" for the issuance of common stock after applicable equity award vesting periods and tax adjustments related to stock-based compensation.
- (d) "Earnings reinvested" includes dividends and dividend equivalents on PPL common stock and restricted stock units.

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

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

PPL Energy Supply, LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended March 31,	
	2014	2013
<b>Operating Revenues</b>		
Unregulated wholesale energy	\$ (1,429)	\$ 143
Unregulated wholesale energy to affiliate	27	14
Unregulated retail energy	351	238
Energy-related businesses	125	113
<b>Total Operating Revenues</b>	<b>(926)</b>	<b>508</b>
<b>Operating Expenses</b>		
Operation		
Fuel	482	298
Energy purchases	(1,804)	(199)
Other operation and maintenance	258	235
Depreciation	80	78
Taxes, other than income	21	17
Energy-related businesses	124	110
<b>Total Operating Expenses</b>	<b>(839)</b>	<b>539</b>
<b>Operating Income (Loss)</b>	<b>(87)</b>	<b>(31)</b>
<b>Other Income (Expense) - net</b>	<b>6</b>	<b>4</b>
<b>Interest Expense</b>	<b>34</b>	<b>46</b>
<b>Income (Loss) Before Income Taxes</b>	<b>(115)</b>	<b>(73)</b>
<b>Income Taxes</b>	<b>(49)</b>	<b>(35)</b>
<b>Net Income (Loss) Attributable to PPL Energy Supply Member</b>	<b>\$ (66)</b>	<b>\$ (38)</b>

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

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

PPL Energy Supply, LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended March 31,	
	2014	2013
Net income (loss)	\$ (66)	\$ (38)
Other comprehensive income (loss):		
Amounts arising during the period - gains (losses), net of tax (expense) benefit:		
Available-for-sale securities, net of tax of (\$6), (\$25)	5	23
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):		
Available-for-sale securities, net of tax of \$1, \$1	(1)	(1)
Qualifying derivatives, net of tax of \$4, \$21	(5)	(30)
Defined benefit plans:		
Prior service costs, net of tax of (\$1), (\$1)	1	1
Net actuarial loss, net of tax of (\$1), (\$2)	1	4
Total other comprehensive income (loss) attributable to PPL Energy Supply Member	1	(3)
Comprehensive income (loss) attributable to PPL Energy Supply Member	\$ (65)	\$ (41)

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

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

PPL Energy Supply, LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended March 31,	
	2014	2013
<b>Cash Flows from Operating Activities</b>		
Net income (loss)	\$ (66)	\$ (38)
Adjustments to reconcile net income (loss) to net cash provided (used in) by operating activities		
Depreciation	80	78
Amortization	44	44
Defined benefit plans - expense	8	12
Deferred income taxes and investment tax credits	(121)	(21)
Impairment of assets	18	
Unrealized (gains) losses on derivatives, and other hedging activities	229	214
Other	5	5
Change in current assets and current liabilities		
Accounts receivable	(15)	71
Accounts payable	153	(94)
Unbilled revenues	(92)	123
Fuel, materials and supplies	43	11
Prepayments	(10)	(104)
Taxes payable	53	37
Counterparty collateral	2	(64)
Other	(22)	(14)
Other operating activities		
Defined benefit plans - funding	(30)	(105)
Other assets	(5)	44
Other liabilities	2	(74)
Net cash provided by (used in) operating activities	276	125
<b>Cash Flows from Investing Activities</b>		
Expenditures for property, plant and equipment	(88)	(124)
Purchases of nuclear plant decommissioning trust investments	(32)	(28)
Proceeds from the sale of nuclear plant decommissioning trust investments	27	24
Proceeds from the receipt of grants	56	
Net (increase) decrease in restricted cash and cash equivalents	(344)	(59)
Other investing activities	(8)	(8)
Net cash provided by (used in) investing activities	(389)	(195)
<b>Cash Flows from Financing Activities</b>		
Distributions to member	(654)	(313)
Net increase (decrease) in short-term debt	970	125
Other financing activities	(1)	(8)
	315	(196)

Net cash provided by (used in)  
financing activities

Net Increase (Decrease) in Cash and Cash Equivalents	202	(266)
Cash and Cash Equivalents at Beginning of Period	239	413
Cash and Cash Equivalents at End of Period	\$ 441	\$ 147

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



## CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Energy Supply, LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	March 31, 2014	December 31, 2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 441	\$ 239
Restricted cash and cash equivalents	412	68
Accounts receivable (less reserve: 2014, \$21; 2013, \$21)		
Customer	232	233
Other	92	97
Accounts receivable from affiliates	66	45
Unbilled revenues	378	286
Fuel, materials and supplies	315	358
Prepayments	30	20
Deferred taxes	87	
Price risk management assets	1,080	860
Other current assets	30	27
<b>Total Current Assets</b>	<b>3,163</b>	<b>2,233</b>
Investments		
Nuclear plant decommissioning trust funds	879	864
Other investments	34	37
<b>Total Investments</b>	<b>913</b>	<b>901</b>
Property, Plant and Equipment		
Non-regulated property, plant and equipment		
Generation	11,826	11,891
Nuclear fuel	712	591
Other	290	288
Less: accumulated depreciation - non-regulated property, plant and equipment	6,141	6,046
Non-regulated property, plant and equipment, net	6,687	6,724
Construction work in progress	369	450
<b>Property, Plant and Equipment, net</b>	<b>7,056</b>	<b>7,174</b>
Other Noncurrent Assets		
Goodwill	86	86
Other intangibles	266	266
Price risk management assets	337	328
Other noncurrent assets	82	86
<b>Total Other Noncurrent Assets</b>	<b>771</b>	<b>766</b>
<b>Total Assets</b>	<b>\$ 11,903</b>	<b>\$ 11,074</b>

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



## CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Energy Supply, LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	March 31, 2014	December 31, 2013
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 970	
Long-term debt due within one year	304	\$ 304
Accounts payable	490	393
Accounts payable to affiliates	33	4
Taxes	84	31
Interest	43	22
Price risk management liabilities	1,211	750
Other current liabilities	239	278
Total Current Liabilities	3,374	1,782
Long-term Debt	2,220	2,221
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,154	1,114
Investment tax credits	145	205
Price risk management liabilities	316	320
Accrued pension obligations	84	111
Asset retirement obligations	400	393
Other deferred credits and noncurrent liabilities	131	130
Total Deferred Credits and Other Noncurrent Liabilities	2,230	2,273
Commitments and Contingent Liabilities (Note 10)		
Member's Equity	4,079	4,798
Total Liabilities and Equity	\$ 11,903	\$ 11,074

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

## CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

PPL Energy Supply, LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Member's equity	Non- controlling interests	Total
December 31, 2013	\$ 4,798		\$ 4,798
Net income (loss)	(66)		(66)
Other comprehensive income (loss)	1		1
Distributions	(654)		(654)
March 31, 2014	\$ 4,079		\$ 4,079
December 31, 2012	\$ 3,830	\$ 18	\$ 3,848
Net income (loss)	(38)		(38)
Other comprehensive income (loss)	(3)		(3)
Distributions	(313)		(313)
March 31, 2013	\$ 3,476	\$ 18	\$ 3,494

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

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## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended March 31,	
	2014	2013
Operating Revenues	\$ 592	\$ 513
Operating Expenses		
Operation		
Energy purchases	189	172
Energy purchases from affiliate	27	14
Other operation and maintenance	134	133
Depreciation	45	43
Taxes, other than income	32	30
Total Operating Expenses	427	392
Operating Income	165	121
Other Income (Expense) - net	2	1
Interest Expense	29	25
Income Before Income Taxes	138	97
Income Taxes	53	33
Net Income (a)	\$ 85	\$ 64

(a) Net income approximates comprehensive income.

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

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended March 31,	
	2014	2013
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 85	\$ 64
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	45	43
Amortization	4	5
Defined benefit plans - expense	3	7
Deferred income taxes and investment tax credits	25	45
Other	(14)	(3)
Change in current assets and current liabilities		
Accounts receivable	(107)	(87)
Accounts payable	22	(34)
Prepayments	(61)	(28)
Other	(1)	(6)
Other operating activities		
Defined benefit plans - funding	(19)	(88)
Other assets	4	8
Other liabilities	10	(3)
Net cash provided by (used in) operating activities	(4)	(77)
<b>Cash Flows from Investing Activities</b>		
Expenditures for property, plant and equipment	(201)	(189)
Net (increase) decrease in notes receivable from affiliates	150	
Other investing activities	9	(3)
Net cash provided by (used in) investing activities	(42)	(192)
<b>Cash Flows from Financing Activities</b>		
Retirement of long-term debt	(10)	
Contributions from parent	65	60
Payment of common stock dividends to parent	(32)	(25)
Net increase (decrease) in short-term debt	40	125
Net cash provided by (used in) financing activities	63	160
Net Increase (Decrease) in Cash and Cash Equivalents	17	(109)
Cash and Cash Equivalents at Beginning of Period	25	140
Cash and Cash Equivalents at End of Period	\$ 42	\$ 31

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





## CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

	March 31, 2014	December 31, 2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 42	\$ 25
Accounts receivable (less reserve: 2014, \$17; 2013, \$18)		
Customer	387	284
Other	9	5
Accounts receivable from affiliates	4	4
Notes receivable from affiliate		150
Unbilled revenues	105	116
Materials and supplies	34	35
Prepayments	101	40
Deferred income taxes	82	85
Other current assets	10	22
Total Current Assets	774	766
Property, Plant and Equipment		
Regulated utility plant	6,998	6,886
Less: accumulated depreciation - regulated utility plant	2,454	2,417
Regulated utility plant, net	4,544	4,469
Other, net	1	2
Construction work in progress	684	591
Property, Plant and Equipment, net	5,229	5,062
Other Noncurrent Assets		
Regulatory assets	770	772
Intangibles	214	211
Other noncurrent assets	35	35
Total Other Noncurrent Assets	1,019	1,018
Total Assets	\$ 7,022	\$ 6,846

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

## CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

	March 31, 2014	December 31, 2013
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 60	\$ 20
Long-term debt due within one year		10
Accounts payable	300	295
Accounts payable to affiliates	88	57
Taxes	39	51
Interest	23	34
Regulatory liabilities	68	76
Other current liabilities	83	82
Total Current Liabilities	661	625
Long-term Debt	2,306	2,305
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,439	1,399
Accrued pension obligations	78	96
Regulatory liabilities	13	15
Other deferred credits and noncurrent liabilities	58	57
Total Deferred Credits and Other Noncurrent Liabilities	1,588	1,567
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	364	364
Additional paid-in capital	1,405	1,340
Earnings reinvested	698	645
Total Equity	2,467	2,349
Total Liabilities and Equity	\$ 7,022	\$ 6,846

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

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

## CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2013	66,368	\$ 364	\$ 1,340	\$ 645	\$ 2,349
Net income				85	85
Capital contributions from PPL			65		65
Cash dividends declared on common stock				(32)	(32)
March 31, 2014	66,368	\$ 364	\$ 1,405	\$ 698	\$ 2,467
December 31, 2012	66,368	\$ 364	\$ 1,135	\$ 563	\$ 2,062
Net income				64	64
Capital contributions from PPL			60		60
Cash dividends declared on common stock				(25)	(25)
March 31, 2013	66,368	\$ 364	\$ 1,195	\$ 602	\$ 2,161

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

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

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## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

LG&amp;E and KU Energy LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended March 31,	
	2014	2013
Operating Revenues	\$ 934	\$ 800
Operating Expenses		
Operation		
Fuel	277	231
Energy purchases	124	86
Other operation and maintenance	206	197
Depreciation	86	82
Taxes, other than income	13	12
Total Operating Expenses	706	608
Operating Income	228	192
Other Income (Expense) - net	(2)	(2)
Interest Expense	42	37
Income Before Income Taxes	184	153
Income Taxes	69	57
Net Income (a)	\$ 115	\$ 96

(a) Net income approximates comprehensive income.

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

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

LG&amp;E and KU Energy LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended March 31,	
	2014	2013
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 115	\$ 96
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	86	82
Amortization	6	7
Defined benefit plans - expense	8	17
Deferred income taxes and investment tax credits	74	45
Other	(1)	1
Change in current assets and current liabilities		
Accounts receivable	(50)	(78)
Accounts payable	22	31
Accounts payable to affiliates		1
Unbilled revenues	36	
Fuel, materials and supplies	53	47
Accrued interest	36	30
Taxes	(14)	(2)
Other	(24)	(29)
Other operating activities		
Defined benefit plans - funding	(38)	(154)
Other assets		2
Other liabilities		(11)
Net cash provided by operating activities	309	85
<b>Cash Flows from Investing Activities</b>		
Expenditures for property, plant and equipment	(272)	(271)
Net (increase) decrease in notes receivable from affiliates	66	
Net (increase) decrease in restricted cash and cash equivalents	1	4
Net cash provided by (used in) investing activities	(205)	(267)
<b>Cash Flows from Financing Activities</b>		
Net increase (decrease) in notes payable with affiliates		60
Net increase (decrease) in short-term debt	(45)	60
Distributions to member	(104)	(4)
Contributions from member	40	75
Net cash provided by (used in) financing activities	(109)	191
Net Increase (Decrease) in Cash and Cash Equivalents	(5)	9
Cash and Cash Equivalents at Beginning of Period	35	43
Cash and Cash Equivalents at End of Period	\$ 30	\$ 52

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



## CONDENSED CONSOLIDATED BALANCE SHEETS

LG&amp;E and KU Energy LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	March 31, 2014	December 31, 2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 30	\$ 35
Accounts receivable (less reserve: 2014, \$26; 2013, \$22)		
Customer	265	224
Other	27	20
Unbilled revenues	144	180
Fuel, materials and supplies	225	278
Prepayments	22	21
Notes receivable from affiliates	4	70
Deferred income taxes	139	159
Regulatory assets	31	27
Other current assets	3	3
Total Current Assets	890	1,017
Property, Plant and Equipment		
Regulated utility plant	8,683	8,526
Less: accumulated depreciation - regulated utility plant	849	778
Regulated utility plant, net	7,834	7,748
Other, net	3	3
Construction work in progress	1,868	1,793
Property, Plant and Equipment, net	9,705	9,544
Other Noncurrent Assets		
Regulatory assets	475	474
Goodwill	996	996
Other intangibles	209	221
Other noncurrent assets	96	98
Total Other Noncurrent Assets	1,776	1,789
Total Assets	\$ 12,371	\$ 12,350

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



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

	March 31, 2014	December 31, 2013
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 200	\$ 245
Accounts payable	341	346
Accounts payable to affiliates	3	3
Customer deposits	50	50
Taxes	25	39
Price risk management liabilities	4	4
Regulatory liabilities	12	14
Interest	59	23
Other current liabilities	87	111
Total Current Liabilities	781	835
Long-term Debt	4,565	4,565
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,021	965
Investment tax credits	134	135
Accrued pension obligations	119	152
Asset retirement obligations	251	245
Regulatory liabilities	1,024	1,033
Price risk management liabilities	36	32
Other deferred credits and noncurrent liabilities	240	238
Total Deferred Credits and Other Noncurrent Liabilities	2,825	2,800
Commitments and Contingent Liabilities (Notes 6 and 10)		
Member's equity	4,200	4,150
Total Liabilities and Equity	\$ 12,371	\$ 12,350

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

## CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

LG&amp;E and KU Energy LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

		Member's Equity
December 31, 2013	\$	4,150
Net income		115
Contributions from member		40
Distributions to member		(104)
Other comprehensive income (loss)		(1)
March 31, 2014	\$	4,200
December 31, 2012	\$	3,786
Net income		96
Contributions from member		75
Distributions to member		(4)
Other comprehensive income (loss)		(1)
March 31, 2013	\$	3,952

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

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## CONDENSED STATEMENTS OF INCOME

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars)

	Three Months Ended March 31,	
	2014	2013
Operating Revenues		
Retail and wholesale	\$ 442	\$ 369
Electric revenue from affiliate	37	21
Total Operating Revenues	479	390
Operating Expenses		
Operation		
Fuel	117	96
Energy purchases	118	80
Energy purchases from affiliate	6	1
Other operation and maintenance	98	91
Depreciation	38	36
Taxes, other than income	6	6
Total Operating Expenses	383	310
Operating Income	96	80
Other Income (Expense) - net	(2)	(1)
Interest Expense	12	10
Income Before Income Taxes	82	69
Income Taxes	30	25
Net Income (a)	\$ 52	\$ 44

(a) Net income equals comprehensive income.

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

## CONDENSED STATEMENTS OF CASH FLOWS

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars)

	Three Months Ended March 31,	
	2014	2013
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 52	\$ 44
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	38	36
Amortization	3	3
Defined benefit plans - expense	2	6
Deferred income taxes and investment tax credits	6	11
Other	(5)	(5)
Change in current assets and current liabilities		
Accounts receivable	(40)	(37)
Accounts payable	14	9
Accounts payable to affiliates	(7)	(7)
Unbilled revenues	22	1
Fuel, materials and supplies	44	37
Taxes	21	17
Other	5	11
Other operating activities		
Defined benefit plans - funding	(9)	(43)
Other liabilities	2	2
Net cash provided by operating activities	148	85
<b>Cash Flows from Investing Activities</b>		
Expenditures for property, plant and equipment	(116)	(98)
Net (increase) decrease in restricted cash and cash equivalents	1	4
Net cash provided by (used in) investing activities	(115)	(94)
<b>Cash Flows from Financing Activities</b>		
Net increase (decrease) in short-term debt	(5)	15
Payment of common stock dividends to parent	(27)	(19)
Contributions from parent		25
Net cash provided by (used in) financing activities	(32)	21
Net Increase (Decrease) in Cash and Cash Equivalents	1	12
Cash and Cash Equivalents at Beginning of Period	8	22
Cash and Cash Equivalents at End of Period	\$ 9	\$ 34

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

## CONDENSED BALANCE SHEETS

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	March 31, 2014	December 31, 2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 9	\$ 8
Accounts receivable (less reserve: 2014, \$2; 2013, \$2)		
Customer	118	102
Other	8	9
Unbilled revenues	63	85
Accounts receivable from affiliates	23	
Fuel, materials and supplies	110	154
Prepayments	7	7
Regulatory assets	22	17
Other current assets	5	3
Total Current Assets	365	385
Property, Plant and Equipment		
Regulated utility plant	3,475	3,383
Less: accumulated depreciation - regulated utility plant	364	332
Regulated utility plant, net	3,111	3,051
Construction work in progress	680	651
Property, Plant and Equipment, net	3,791	3,702
Other Noncurrent Assets		
Regulatory assets	303	303
Goodwill	389	389
Other intangibles	114	120
Other noncurrent assets	33	35
Total Other Noncurrent Assets	839	847
Total Assets	\$ 4,995	\$ 4,934

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

## CONDENSED BALANCE SHEETS

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	March 31, 2014	December 31, 2013
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 15	\$ 20
Accounts payable	189	166
Accounts payable to affiliates	17	24
Customer deposits	24	24
Taxes	32	11
Price risk management liabilities	4	4
Regulatory liabilities	9	9
Interest	15	6
Other current liabilities	26	32
Total Current Liabilities	331	296
Long-term Debt	1,353	1,353
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	590	582
Investment tax credits	38	38
Accrued pension obligations	10	19
Asset retirement obligations	70	68
Regulatory liabilities	477	482
Price risk management liabilities	36	32
Other deferred credits and noncurrent liabilities	105	104
Total Deferred Credits and Other Noncurrent Liabilities	1,326	1,325
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	424	424
Additional paid-in capital	1,364	1,364
Earnings reinvested	197	172
Total Equity	1,985	1,960
Total Liabilities and Equity	\$ 4,995	\$ 4,934

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

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





## CONDENSED STATEMENTS OF EQUITY

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2013	21,294	\$ 424	\$ 1,364	\$ 172	\$ 1,960
Net income				52	52
Cash dividends declared on common stock				(27)	(27)
March 31, 2014	21,294	\$ 424	\$ 1,364	\$ 197	\$ 1,985
December 31, 2012	21,294	\$ 424	\$ 1,278	\$ 108	\$ 1,810
Net income				44	44
Capital contributions from LKE			25		25
Cash dividends declared on common stock				(19)	(19)
March 31, 2013	21,294	\$ 424	\$ 1,303	\$ 133	\$ 1,860

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

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

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## CONDENSED STATEMENTS OF INCOME

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars)

	Three Months Ended March 31,	
	2014	2013
Operating Revenues		
Retail and wholesale	\$ 492	\$ 431
Electric revenue from affiliate	6	1
Total Operating Revenues	498	432
Operating Expenses		
Operation		
Fuel	160	135
Energy purchases	6	6
Energy purchases from affiliate	37	21
Other operation and maintenance	98	97
Depreciation	48	46
Taxes, other than income	7	6
Total Operating Expenses	356	311
Operating Income	142	121
Other Income (Expense) - net		(1)
Interest Expense	19	17
Income Before Income Taxes	123	103
Income Taxes	46	39
Net Income (a)	\$ 77	\$ 64

(a) Net income approximates comprehensive income.

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

## CONDENSED STATEMENTS OF CASH FLOWS

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars)

	Three Months Ended March 31,	
	2014	2013
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 77	\$ 64
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	48	46
Amortization	3	4
Defined benefit plans - expense	2	5
Deferred income taxes and investment tax credits	34	35
Other	2	9
Change in current assets and current liabilities		
Accounts receivable	(24)	(31)
Accounts payable	15	32
Accounts payable to affiliates	16	8
Unbilled revenues	14	(1)
Fuel, materials and supplies	9	10
Taxes	(12)	(17)
Accrued interest	18	15
Other	(9)	(20)
Other operating activities		
Defined benefit plans - funding	(3)	(60)
Other assets		1
Other liabilities	1	(15)
Net cash provided by operating activities	191	85
<b>Cash Flows from Investing Activities</b>		
Expenditures for property, plant and equipment	(154)	(172)
Net cash provided by (used in) investing activities	(154)	(172)
<b>Cash Flows from Financing Activities</b>		
Net increase (decrease) in short-term debt	(40)	45
Payment of common stock dividends to parent	(37)	(13)
Contributions from parent	40	50
Net cash provided by (used in) financing activities	(37)	82
Net Increase (Decrease) in Cash and Cash Equivalents		(5)
Cash and Cash Equivalents at Beginning of Period	21	21
Cash and Cash Equivalents at End of Period	\$ 21	\$ 16

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



## CONDENSED BALANCE SHEETS

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	March 31, 2014	December 31, 2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 21	\$ 21
Accounts receivable (less reserve: 2014, \$4; 2013, \$4)		
Customer	147	122
Other	7	9
Unbilled revenues	81	95
Fuel, materials and supplies	115	124
Prepayments	5	4
Regulatory assets	9	10
Other current assets	12	6
Total Current Assets	397	391
Property, Plant and Equipment		
Regulated utility plant	5,208	5,143
Less: accumulated depreciation - regulated utility plant	485	446
Regulated utility plant, net	4,723	4,697
Other, net	1	1
Construction work in progress	1,185	1,139
Property, Plant and Equipment, net	5,909	5,837
Other Noncurrent Assets		
Regulatory assets	172	171
Goodwill	607	607
Other intangibles	95	101
Other noncurrent assets	56	56
Total Other Noncurrent Assets	930	935
Total Assets	\$ 7,236	\$ 7,163

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

## CONDENSED BALANCE SHEETS

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	March 31, 2014	December 31, 2013
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 110	\$ 150
Accounts payable	140	159
Accounts payable to affiliates	41	25
Customer deposits	26	26
Taxes	21	33
Regulatory liabilities	3	5
Interest	29	11
Other current liabilities	30	36
Total Current Liabilities	400	445
Long-term Debt	2,091	2,091
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	699	658
Investment tax credits	96	97
Accrued pension obligations	9	11
Asset retirement obligations	181	177
Regulatory liabilities	547	551
Other deferred credits and noncurrent liabilities	90	89
Total Deferred Credits and Other Noncurrent Liabilities	1,622	1,583
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	308	308
Additional paid-in capital	2,545	2,505
Accumulated other comprehensive income		1
Earnings reinvested	270	230
Total Equity	3,123	3,044
Total Liabilities and Equity	\$ 7,236	\$ 7,163

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

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

## CONDENSED STATEMENTS OF EQUITY

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive income (loss)	Total
December 31, 2013	37,818	\$ 308	\$ 2,505	\$ 230	\$ 1	\$ 3,044
Net income				77		77
Capital contributions from LKE			40			40
Cash dividends declared on common stock				(37)		(37)
Other comprehensive income (loss)					(1)	(1)
March 31, 2014	37,818	\$ 308	\$ 2,545	\$ 270	\$	\$ 3,123
December 31, 2012	37,818	\$ 308	\$ 2,348	\$ 126	\$ 1	\$ 2,783
Net income				64		64
Capital contributions from LKE			50			50
Cash dividends declared on common stock				(13)		(13)
March 31, 2013	37,818	\$ 308	\$ 2,398	\$ 177	\$ 1	\$ 2,884

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

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



Combined Notes to Condensed Financial Statements (Unaudited)

1. Interim Financial Statements

(All Registrants)

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

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

The classification of certain prior period amounts has been changed to conform to the presentation in the March 31, 2014 financial statements.

2. Summary of Significant Accounting Policies

(All Registrants)

The following accounting policy disclosures represent updates to Note 1 in each Registrant's 2013 Form 10-K and should be read in conjunction with those disclosures.

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

In accordance with a PUC-approved purchase of accounts receivable program, PPL Electric purchases certain accounts receivable from alternative suppliers (including PPL EnergyPlus) at a discount, which reflects a provision for uncollectible accounts. The alternative suppliers have no continuing involvement or interest in the purchased accounts receivable. The purchased accounts receivable are initially recorded at fair value using a market approach based on the purchase price paid and are classified as Level 2 in the fair value hierarchy. During the three months ended March 31, 2014, PPL Electric purchased \$362 million of accounts receivable from unaffiliated third parties and \$105 million from PPL EnergyPlus. During the three months ended March 31, 2013, PPL Electric purchased \$259 million of accounts receivable from unaffiliated third parties and \$77 million from PPL EnergyPlus.

*New Accounting Guidance Adopted (All Registrants)*

*Accounting for Obligations Resulting from Joint and Several Liability Arrangements*

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

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

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

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

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

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

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

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

### 3. Segment and Related Information

(PPL)

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

Financial data for the segments and reconciliation to PPL's consolidated results for the periods ended March 31 are:

	Three Months	
	2014	2013
Income Statement Data		
Revenues from external customers		
U.K. Regulated	\$ 648	\$ 648
Kentucky Regulated	934	800
Pennsylvania Regulated	591	512
Supply (a)	(953)	494
Corporate and Other	3	3
Total	\$ 1,223	\$ 2,457
Intersegment electric revenues		
Supply	\$ 27	\$ 14

Net Income Attributable to PPL Shareowners			
U.K. Regulated	\$	206	\$ 313
Kentucky Regulated		107	85
Pennsylvania Regulated		85	64
Supply (a)		(75)	(46)
Corporate and Other		(7)	(3)
Total	\$	316	\$ 413

		March 31, 2014	December 31, 2013
<b>Balance Sheet Data</b>			
<b>Assets</b>			
	U.K. Regulated	\$ 16,535	\$ 15,895
	Kentucky Regulated	12,037	12,016
	Pennsylvania Regulated	7,022	6,846
	Supply	12,237	11,408
	Corporate and Other (b)	142	94
<b>Total assets</b>		<b>\$ 47,973</b>	<b>\$ 46,259</b>

(a) Includes unrealized gains and losses from economic activity. See Note 14 for additional information.

(b) Primarily consists of unallocated items, including cash, PP&E and the elimination of inter-segment transactions.

#### 4. Earnings Per Share

(PPL)

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

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

	Three Months	
	2014	2013
<b>Income (Numerator)</b>		
Net income attributable to PPL shareowners	\$ 316	\$ 413
Less amounts allocated to participating securities	2	2
Net income available to PPL common shareowners - Basic	314	411
Plus interest charges (net of tax) related to Equity Units (a)	9	15
Net income available to PPL common shareowners - Diluted	\$ 323	\$ 426
<b>Shares of Common Stock (Denominator)</b>		
Weighted-average shares - Basic EPS	630,749	582,640
Add incremental non-participating securities:		
Share-based payment awards	1,511	810
Equity Units (a)	31,679	71,990
Forward sale agreements		1,580
Weighted-average shares - Diluted EPS	663,939	657,020
<b>Basic EPS</b>		

Net Income Available to PPL common shareowners	\$	0.50	\$	0.70
<b>Diluted EPS</b>				
Net Income Available to PPL common shareowners	\$	0.49	\$	0.65

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

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

	Three Months	
	2014	2013
Stock-based compensation plans (a)	1,096	446
ESOP		275
DRIP		549

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

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

	Three Months	
	2014	2013
Stock options	2,540	6,589
Performance units		206
Restricted stock units	123	116

## 5. Income Taxes

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

(PPL)

	Three Months	
	2014	2013
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	\$ 150	\$ 197
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	2	3
Impact of lower U.K. income tax rates	(45)	(38)
U.S. income tax on foreign earnings - net of foreign tax credit	11	2
Federal income tax credits, excluding foreign tax credit	(1)	(4)
Amortization of investment tax credit	(2)	(3)
Depreciation not normalized	(2)	(3)
Other	(1)	(3)
Total increase (decrease)	(38)	(46)
Total income taxes	\$ 112	\$ 151

(PPL Energy Supply)

	Three Months	
	2014	2013
Federal income tax on Income (Loss) Before Income Taxes at statutory tax rate - 35%	\$ (40)	\$ (26)
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	(9)	(6)
Federal income tax credits	(1)	(3)
Other	1	
Total increase (decrease)	(9)	(9)
Total income taxes	\$ (49)	\$ (35)

(PPL Electric)

Three Months	
2014	2013

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Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	\$	48	\$	34
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit		8		5
Federal and state tax reserve adjustments				(2)
Depreciation not normalized		(2)		(3)
Other		(1)		(1)
Total increase (decrease)		5		(1)
Total income taxes	\$	53	\$	33

(LKE)

	Three Months			
	2014	2013		
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	\$	64	\$	54
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit		7		5
Other		(2)		(2)
Total increase (decrease)		5		3
Total income taxes	\$	69	\$	57



(LG&amp;E)

	Three Months	
	2014	2013
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	\$ 29	\$ 24
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	3	3
Other	(2)	(2)
Total increase (decrease)	1	1
Total income taxes	\$ 30	\$ 25

(KU)

	Three Months	
	2014	2013
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	\$ 43	\$ 36
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	4	4
Other	(1)	(1)
Total increase (decrease)	3	3
Total income taxes	\$ 46	\$ 39

## 6. Utility Rate Regulation

(All Registrants except PPL Energy Supply)

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

	PPL		PPL Electric	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
<b>Current Regulatory Assets:</b>				
Environmental cost recovery		\$ 7		
Gas supply clause	\$ 19	10		
Fuel adjustment clause	10	2		
Demand side management	1	8		
Other	2	6	\$ 1	\$ 6
Total current regulatory assets	\$ 32	\$ 33	\$ 1	\$ 6
<b>Noncurrent Regulatory Assets:</b>				
Defined benefit plans	\$ 503	\$ 509	\$ 255	\$ 257
Taxes recoverable through future rates	307	306	307	306
Storm costs	141	147	51	53
Unamortized loss on debt	82	85	54	57
Interest rate swaps	48	44		
	101	98	101	98

Accumulated cost of removal of utility plant				
ARO	51	44		
Other	12	13	2	1
Total noncurrent regulatory assets	\$ 1,245	\$ 1,246	\$ 770	\$ 772

## Current Regulatory Liabilities:

Generation supply charge	\$ 25	\$ 23	\$ 25	\$ 23
Environmental cost recovery	3			
Gas supply clause	2	3		
Transmission service charge	10	8	10	8
Fuel adjustment clause		4		
Transmission formula rate	27	20	27	20
Universal service rider	5	10	5	10
Storm damage expense		14		14
Gas line tracker	7	6		
Other	1	2	1	1
Total current regulatory liabilities	\$ 80	\$ 90	\$ 68	\$ 76

	PPL		PPL Electric	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
<b>Noncurrent Regulatory Liabilities:</b>				
Accumulated cost of removal of utility plant	\$ 692	\$ 688		
Coal contracts (a)	88	98		
Power purchase agreement - OVEC (a)	98	100		
Net deferred tax assets	30	30		
Act 129 compliance rider	13	15	\$ 13	\$ 15
Defined benefit plans	26	26		
Interest rate swaps	86	86		
Other	4	5		
<b>Total noncurrent regulatory liabilities</b>	<b>\$ 1,037</b>	<b>\$ 1,048</b>	<b>\$ 13</b>	<b>\$ 15</b>

	LKE		LG&E		KU	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
<b>Current Regulatory Assets:</b>						
Environmental cost recovery		\$ 7		\$ 2		\$ 5
Gas supply clause	\$ 19	10	\$ 19	10		
Fuel adjustment clause	10	2	2	2	\$ 8	
Demand side management	1	8	1	3		5
Other	1				1	
<b>Total current regulatory assets</b>	<b>\$ 31</b>	<b>\$ 27</b>	<b>\$ 22</b>	<b>\$ 17</b>	<b>\$ 9</b>	<b>\$ 10</b>

<b>Noncurrent Regulatory Assets:</b>						
Defined benefit plans	\$ 248	\$ 252	\$ 161	\$ 164	\$ 87	\$ 88
Storm costs	90	94	49	51	41	43
Unamortized loss on debt	28	28	18	18	10	10
Interest rate swaps	48	44	48	44		
AROs	51	44	23	21	28	23
Other	10	12	4	5	6	7
<b>Total noncurrent regulatory assets</b>	<b>\$ 475</b>	<b>\$ 474</b>	<b>\$ 303</b>	<b>\$ 303</b>	<b>\$ 172</b>	<b>\$ 171</b>

<b>Current Regulatory Liabilities:</b>						
Environmental cost recovery	\$ 3				\$ 3	
Gas supply clause	2	\$ 3	\$ 2	\$ 3		
Fuel adjustment clause			4			\$ 4
Gas line tracker	7	6	7	6		
Other			1			1

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Total current regulatory liabilities	\$	12	\$	14	\$	9	\$	9	\$	3	\$	5
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Noncurrent Regulatory Liabilities:

Accumulated cost of removal												
of utility plant	\$	692	\$	688	\$	301	\$	299	\$	391	\$	389
Coal contracts (a)		88		98		38		43		50		55
Power purchase agreement - OVEC												
(a)		98		100		68		69		30		31
Net deferred tax assets		30		30		25		26		5		4
Defined benefit plans		26		26								