

PPL Corp
 Form 10-Q
 November 01, 2018

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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, 2018.

OR

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

Commission File Registrant; State of Incorporation; Number	Address and Telephone Number	IRS Employer Identification No.
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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
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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
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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
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1-2893	Louisville Gas and Electric Company (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150
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1-3464	Kentucky Utilities Company (Exact name of Registrant as specified in its charter) (Kentucky and Virginia)	61-0247570
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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 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 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
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, 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"/>
LG&E and KU Energy LLC	<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"/>
LG&E and KU Energy LLC	<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	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, 720,199,922 shares outstanding at October 25, 2018.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at October 25, 2018.
LG&E and KU Energy LLC	PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC.
Louisville Gas and Electric Company	Common stock, no par value, 21,294,223 shares outstanding and all held by LG&E and KU Energy LLC at October 25, 2018.
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 25, 2018.

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

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

FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2018

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

Unless otherwise specified, references in this Report, individually, to PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company are references to such entities directly or to one or more of their subsidiaries, as the case may be, the financial results of which subsidiaries are consolidated into such Registrants' 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 LKE and its subsidiaries.

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

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

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

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

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

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

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

PPL WPD Limited - an indirect U.K. subsidiary of PPL Global. Following a reorganization in October 2015 and October 2017, PPL WPD Limited is an indirect parent to WPD plc having previously been a sister company.

WPD - refers to PPL WPD Limited and its subsidiaries.

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

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

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

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

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

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

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

Other terms and abbreviations

£ - British pound sterling.

2017 Form 10-K - Annual Report to the SEC on Form 10-K for the year ended December 31, 2017.

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

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.

AOI - 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.

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

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

CPIH - Consumer Price Index including owner-occupiers' housing costs. An aggregate measure of changes in the cost of living in the U.K., including a measure of owner-occupiers' housing costs.

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.

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

DNO - Distribution Network Operator in the U.K.

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

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

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

DUoS - Distribution Use of System, the charge to licensed third party energy suppliers who are WPD's customers and use WPD's networks to deliver electricity to their customers, the end-users.

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.

HB 487 - House Bill 487. Comprehensive Kentucky state tax legislation enacted on April 27, 2018.

IBEW - International Brotherhood of Electrical Workers.

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

IT - Information Technology.

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

kV - kilovolt.

kWh - kilowatt hour, basic unit of electrical energy.

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LIBOR - London Interbank Offered Rate.

Mcf - one thousand cubic feet, a unit of measure for natural gas.

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

MPR - Mid-period review, which is a review of output requirements in RIIO-ED1 that can be initiated by Ofgem halfway through the price control covering material changes to existing outputs that can be justified by clear changes in government policy or new outputs that may be needed to meet the needs of consumers and other network users. On April 30, 2018, Ofgem decided not to engage in a mid-period review of the RIIO-ED1 price-control period.

MW - megawatt, one thousand kilowatts.

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

NERC - North American Electric Reliability Corporation.

New Source Review - a Clean Air Act program that requires industrial facilities to install updated pollution control equipment when they are built or when making a modification that increases emissions beyond certain allowable thresholds.

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.

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

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

Performance unit - stock-based compensation award that represents a variable number of shares of PPL common stock that a recipient may receive based on PPL's attainment of (i) total shareholder return (TSR) over a three-year performance period as compared to companies in the Philadelphia Stock Exchange Utility Index; or (ii) corporate return on equity (ROE) based on the average of the annual ROE for each year of the three-year performance period.

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.

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.

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

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

RCRA - Resource Conservation and Recovery Act of 1976.

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

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

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

RIIO - Ofgem's framework for setting U.K. regulated gas and electric utility price controls which stands for "Revenues = Incentive + Innovation + Outputs." RIIO-1 refers to the first generation of price controls under the RIIO framework. RIIO-ED1 refers to the RIIO regulatory price control applicable to the operators of U.K. electricity distribution networks, the duration of which is April 2015 through March 2023. RIIO-2 refers to the second generation of price controls under the RIIO framework. RIIO-ED2 refers to the second regulatory price control applicable to the operators of U.K. electricity distribution networks, which will begin in April 2023.

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.

RPI - retail price index, is a measure of inflation in the United Kingdom published monthly by the Office for National Statistics.

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

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

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

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

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

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.

S&P - Standard & Poor's Ratings Services, 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 owner of the competitive generation assets of PPL Energy Supply and certain affiliates of Riverstone.

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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. Finance Acts - refers to U.K. Finance Act of 2015 and 2016, enacted in November 2015 and September 2016 respectively, which collectively reduced the U.K. statutory corporate income tax rate from 20% to 19%, effective April 1, 2017 and from 19% to 17%, effective April 1, 2020.

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.

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Forward-looking Information

Statements contained in this Form 10-Q concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in each Registrant's 2017 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:

- the outcome of rate cases or other cost recovery or revenue proceedings;
- changes in U.S. state or federal, or U.K. tax laws or regulations, including the TCJA;
- effects of cyber-based intrusions or natural disasters, threatened or actual terrorism, war or other hostilities;
- significant decreases in demand for electricity in the U.S.;
- expansion of alternative and distributed sources of electricity generation and storage;
- changes in foreign currency exchange rates for British pound sterling and the related impact on unrealized gains and losses on PPL's foreign currency economic hedges;
- the effectiveness of our risk management programs, including foreign currency and interest rate hedging;
- non-achievement by WPD of performance targets set by Ofgem;
- the effect of changes in RPI on WPD's revenues and index linked debt;
- developments related to ongoing negotiations regarding the U.K.'s intent to withdraw from the European Union and any actions in response thereto;
- defaults by counterparties or suppliers for energy, capacity, coal, natural gas or key commodities, goods or services;
- capital market conditions, including the availability of capital or credit, changes in interest rates and certain economic indices, and decisions regarding capital structure;
- a material decline in the market value of PPL's equity;
 - significant decreases in the fair value of debt and equity securities and its impact on the value of assets in defined benefit plans, and the potential cash funding requirements if fair value declines;
- interest rates and their effect on pension and retiree medical liabilities, ARO liabilities and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial markets and economic conditions;
- the potential impact of any unrecorded commitments and liabilities of the Registrants and their subsidiaries;
- new accounting requirements or new interpretations or applications of existing requirements;
- changes in 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;
- changes in political, regulatory or economic conditions in states, regions or countries where the Registrants or their subsidiaries conduct business;
- receipt of necessary governmental permits and approvals;
- new state, federal or foreign legislation or regulatory developments;
-

the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;

- our ability to attract and retain qualified employees;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures;
- business dispositions or acquisitions and our ability to realize expected benefits from such business transactions;
- collective labor bargaining negotiations; and
- the outcome of litigation against the Registrants and their subsidiaries.

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

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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.

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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 September 30, 2018		Nine Months Ended September 30, 2017	
Operating Revenues	\$1,872	\$1,845	\$5,846	\$5,521
Operating Expenses				
Operation				
Fuel	206	202	609	576
Energy purchases	149	143	538	494
Other operation and maintenance	479	438	1,453	1,340
Depreciation	275	257	817	745
Taxes, other than income	77	69	234	214
Total Operating Expenses	1,186	1,109	3,651	3,369
Operating Income	686	736	2,195	2,152
Other Income (Expense) - net	106	(35)	297	(112)
Interest Expense	244	230	718	669
Income Before Income Taxes	548	471	1,774	1,371
Income Taxes	103	116	362	321
Net Income	\$445	\$355	\$1,412	\$1,050
Earnings Per Share of Common Stock:				
Net Income Available to PPL Common Shareowners:				
Basic	\$0.63	\$0.52	\$2.02	\$1.53
Diluted	\$0.62	\$0.51	\$2.01	\$1.53
Dividends Declared Per Share of Common Stock	\$0.41	\$0.395	\$1.23	\$1.185
Weighted-Average Shares of Common Stock Outstanding (in thousands)				
Basic	703,730	686,563	699,117	683,783
Diluted	710,517	688,746	702,305	686,081

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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income	\$445	\$355	\$1,412	\$1,050
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Foreign currency translation adjustments, net of tax of \$0, \$0, (\$2), (\$1)	(187)	(12)	(321)	195
Qualifying derivatives, net of tax of (\$5), \$0, (\$5), \$7	22	1	21	(29)
Defined benefit plans:				
Prior service costs, net of tax of \$0, \$0, \$0, \$0	—	—	(1)	—
Net actuarial gain (loss), net of tax of \$3, \$2, \$3, \$9	(8)	(3)	(9)	(14)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Qualifying derivatives, net of tax of \$3, \$1, \$4, (\$6)	(14)	—	(21)	24
Equity investees' other comprehensive (income) loss, net of tax of \$0, \$0, \$0, \$0	—	—	—	1
Defined benefit plans:				
Prior service costs, net of tax of (\$1), (\$1), (\$1), (\$1)	—	—	1	1
Net actuarial (gain) loss, net of tax of (\$8), (\$10), (\$26), (\$28)	34	34	104	97
Total other comprehensive income (loss)	(153)	20	(226)	275
Comprehensive income	\$292	\$375	\$1,186	\$1,325

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

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Nine Months Ended September 30,	
	2018	2017
Cash Flows from Operating Activities		
Net income	\$1,412	\$1,050
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	817	745
Amortization	56	72
Defined benefit plans - (income)	(146)	(69)
Deferred income taxes and investment tax credits	255	284
Unrealized (gains) losses on derivatives, and other hedging activities	(129)	194
Stock-based compensation expense	21	30
Other	(12)	(8)
Change in current assets and current liabilities		
Accounts receivable	38	25
Accounts payable	(55)	(93)
Unbilled revenues	129	81
Fuel, materials and supplies	25	35
Prepayments	(38)	(37)
Taxes payable	20	6
Regulatory assets and liabilities, net	39	(3)
Accrued interest	48	49
Other current liabilities	(36)	(53)
Other	(21)	5
Other operating activities		
Defined benefit plans - funding	(284)	(558)
Proceeds from transfer of excess benefit plan funds	65	—
Other assets	(38)	4
Other liabilities	44	(5)
Net cash provided by operating activities	2,210	1,754
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(2,344)	(2,152)
Purchase of available-for-sale securities	(65)	—
Other investing activities	(57)	(16)
Net cash used in investing activities	(2,466)	(2,168)
Cash Flows from Financing Activities		
Issuance of long-term debt	602	1,088
Retirement of long-term debt	(277)	(60)
Issuance of common stock	678	275
Payment of common stock dividends	(846)	(800)
Net increase in short-term debt	481	269
Other financing activities	(20)	(34)
Net cash provided by financing activities	618	738

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Effect of Exchange Rates on Cash, Cash Equivalents and Restricted Cash	(9) 7
Net Increase in Cash, Cash Equivalents and Restricted Cash	353	331
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	511	365
Cash, Cash Equivalents and Restricted Cash at End of Period	\$864	\$696

Supplemental Disclosures of Cash Flow Information

Significant non-cash transactions:

Accrued expenditures for property, plant and equipment at September 30,	\$311	\$373
Accrued expenditures for intangible assets at September 30,	\$70	\$60

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)

	September 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 842	\$ 485
Accounts receivable (less reserve: 2018, \$54; 2017, \$51)		
Customer	684	681
Other	58	100
Unbilled revenues	411	543
Fuel, materials and supplies	295	320
Prepayments	103	66
Price risk management assets	91	49
Other current assets	61	50
Total Current Assets	2,545	2,294
Property, Plant and Equipment		
Regulated utility plant	39,144	38,228
Less: accumulated depreciation - regulated utility plant	7,196	6,785
Regulated utility plant, net	31,948	31,443
Non-regulated property, plant and equipment	365	384
Less: accumulated depreciation - non-regulated property, plant and equipment	111	110
Non-regulated property, plant and equipment, net	254	274
Construction work in progress	1,816	1,375
Property, Plant and Equipment, net	34,018	33,092
Other Noncurrent Assets		
Regulatory assets	1,525	1,504
Goodwill	3,242	3,258
Other intangibles	700	697
Pension benefit asset	615	284
Price risk management assets	206	215
Other noncurrent assets	191	135
Total Other Noncurrent Assets	6,479	6,093
Total Assets	\$ 43,042	\$ 41,479

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)

	September 30, 2018	December 31, 2017
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 1,549	\$ 1,080
Long-term debt due within one year	330	348
Accounts payable	814	924
Taxes	121	105
Interest	326	282
Dividends	287	273
Customer deposits	265	292
Regulatory liabilities	136	95
Other current liabilities	555	624
Total Current Liabilities	4,383	4,023
Long-term Debt	19,924	19,847
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	2,717	2,462
Investment tax credits	127	129
Accrued pension obligations	649	800
Asset retirement obligations	279	312
Regulatory liabilities	2,739	2,704
Other deferred credits and noncurrent liabilities	441	441
Total Deferred Credits and Other Noncurrent Liabilities	6,952	6,848
Commitments and Contingent Liabilities (Notes 7 and 10)		
Equity		
Common stock - \$0.01 par value (a)	7	7
Additional paid-in capital	11,001	10,305
Earnings reinvested	4,423	3,871
Accumulated other comprehensive loss	(3,648) (3,422)
Total Equity	11,783	10,761
Total Liabilities and Equity	\$ 43,042	\$ 41,479

(a) 1,560,000 shares authorized; 719,702 and 693,398 shares issued and outstanding at September 30, 2018 and December 31, 2017.

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

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CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Total
December 31, 2017	693,398	\$ 7	\$ 10,305	\$ 3,871	\$ (3,422)	\$ 10,761
Common stock issued	26,304		699			699
Stock-based compensation			(3)			(3)
Net income				1,412		1,412
Dividends and dividend equivalents				(860)		(860)
Other comprehensive income (loss)					(226)	(226)
September 30, 2018	719,702	\$ 7	\$ 11,001	\$ 4,423	\$ (3,648)	\$ 11,783
December 31, 2016	679,731	\$ 7	\$ 9,841	\$ 3,829	\$ (3,778)	\$ 9,899
Common stock issued	8,402		303			303
Stock-based compensation			(22)			(22)
Net income				1,050		1,050
Dividends and dividend equivalents				(813)		(813)
Other comprehensive income (loss)					275	275
September 30, 2017	688,133	\$ 7	\$ 10,122	\$ 4,066	\$ (3,503)	\$ 10,692

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

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

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	2018	2017	2018	2017
Operating Revenues	\$548	\$547	\$1,704	\$1,620
Operating Expenses				
Operation				
Energy purchases	127	121	403	374
Other operation and maintenance	127	133	419	435
Depreciation	89	77	262	228
Taxes, other than income	27	27	81	79
Total Operating Expenses	370	358	1,165	1,116
Operating Income	178	189	539	504
Other Income (Expense) - net	5	4	18	8
Interest Income from Affiliate	4	2	5	3
Interest Expense	41	36	117	105
Income Before Income Taxes	146	159	445	410
Income Taxes	35	64	111	159
Net Income (a)	\$111	\$95	\$334	\$251

(a) Net income equals comprehensive income.

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

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Nine Months Ended September 30, 2018 2017	
Cash Flows from Operating Activities		
Net income	\$334	\$251
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	262	228
Amortization	17	25
Defined benefit plans - expense	2	10
Deferred income taxes and investment tax credits	77	129
Other	(13)	(8)
Change in current assets and current liabilities		
Accounts receivable	22	7
Accounts payable	(46)	(38)
Unbilled revenues	45	30
Prepayments	(25)	(31)
Regulatory assets and liabilities, net	(25)	—
Taxes payable	(1)	10
Other	12	(9)
Other operating activities		
Defined benefit plans - funding	(28)	(24)
Other assets	(37)	(2)
Other liabilities	54	(3)
Net cash provided by operating activities	650	575
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(835)	(851)
Net decrease in notes receivable from affiliate	—	(2)
Other investing activities	(2)	(5)
Net cash used in investing activities	(837)	(858)
Cash Flows from Financing Activities		
Issuance of long-term debt	398	470
Contributions from parent	429	575
Payment of common stock dividends to parent	(271)	(231)
Net decrease in short-term debt	—	(295)
Other financing activities	(4)	(6)
Net cash provided by financing activities	552	513
Net Increase in Cash, Cash Equivalents and Restricted Cash	365	230
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	51	15
Cash, Cash Equivalents and Restricted Cash at End of Period	\$416	\$245

Supplemental Disclosure of Cash Flow Information

Significant non-cash transactions:

Accrued expenditures for property, plant and equipment at September 30, \$171 \$190

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

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CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 414	\$ 49
Accounts receivable (less reserve: 2018, \$26; 2017, \$24)		
Customer	309	279
Other	18	71
Accounts receivable from affiliates	11	—
Unbilled revenues	82	127
Materials and supplies	26	34
Prepayments	31	6
Regulatory assets	18	16
Other current assets	10	6
Total Current Assets	919	588
Property, Plant and Equipment		
Regulated utility plant	11,332	10,785
Less: accumulated depreciation - regulated utility plant	2,848	2,778
Regulated utility plant, net	8,484	8,007
Construction work in progress	643	508
Property, Plant and Equipment, net	9,127	8,515
Other Noncurrent Assets		
Regulatory assets	738	709
Intangibles	260	259
Other noncurrent assets	52	11
Total Other Noncurrent Assets	1,050	979
Total Assets	\$ 11,096	\$ 10,082

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

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CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2018	December 31, 2017
Liabilities and Equity		
Current Liabilities		
Accounts payable	\$ 384	\$ 386
Accounts payable to affiliates	25	31
Taxes	7	8
Interest	43	36
Regulatory liabilities	72	86
Other current liabilities	99	98
Total Current Liabilities	630	645
Long-term Debt	3,693	3,298
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,258	1,154
Accrued pension obligations	210	246
Regulatory liabilities	686	668
Other deferred credits and noncurrent liabilities	135	79
Total Deferred Credits and Other Noncurrent Liabilities	2,289	2,147
Commitments and Contingent Liabilities (Notes 7 and 10)		
Equity		
Common stock - no par value (a)	364	364
Additional paid-in capital	3,158	2,729
Earnings reinvested	962	899
Total Equity	4,484	3,992
Total Liabilities and Equity	\$ 11,096	\$ 10,082

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at September 30, 2018 and December 31, 2017.

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

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CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2017	66,368	\$ 364	\$ 2,729	\$ 899	\$3,992
Net income				334	334
Capital contributions from parent			429		429
Dividends declared on common stock				(271)	(271)
September 30, 2018	66,368	\$ 364	\$ 3,158	\$ 962	\$4,484
December 31, 2016	66,368	\$ 364	\$ 2,154	\$ 873	\$3,391
Net income				251	251
Capital contributions from parent			575		575
Dividends declared on common stock				(231)	(231)
September 30, 2017	66,368	\$ 364	\$ 2,729	\$ 893	\$3,986

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

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

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 LG&E and KU Energy LLC and Subsidiaries
 (Unaudited)
 (Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Operating Revenues	\$802	\$818	\$2,417	\$2,350
Operating Expenses				
Operation				
Fuel	206	202	609	576
Energy purchases	22	22	135	120
Other operation and maintenance	216	197	632	594
Depreciation	119	114	354	324
Taxes, other than income	18	17	53	49
Total Operating Expenses	581	552	1,783	1,663
Operating Income	221	266	634	687
Other Income (Expense) - net	—	(1)	(2)	(9)
Interest Expense	52	49	154	148
Interest Expense with Affiliate	7	5	18	13
Income Before Income Taxes	162	211	460	517
Income Taxes	32	79	102	195
Net Income	\$130	\$132	\$358	\$322

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

LG&E and KU Energy LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
Net income	\$130	\$132	\$358	\$322
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Defined benefit plans:				
Net actuarial gain (loss), net of tax of \$0, \$0, \$0, \$7	—	(1)	—	(12)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Equity investees' other comprehensive (income) loss, net of tax of \$0, \$0, \$0, \$0	—	—	—	1
Defined benefit plans:				
Prior service costs, net of tax of \$0, (\$1), \$0, (\$1)	1	—	2	1
Net actuarial (gain) loss, net of tax of \$0, \$0, (\$1), (\$2)	1	1	2	3
Total other comprehensive income (loss)	2	—	4	(7)
Comprehensive income	\$132	\$132	\$362	\$315

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

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

LG&E and KU Energy LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Nine Months Ended September 30, 2018 2017	
Cash Flows from Operating Activities		
Net income	\$358	\$322
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	354	324
Amortization	13	19
Defined benefit plans - expense	12	19
Deferred income taxes and investment tax credits	71	173
Other	(2)	1
Change in current assets and current liabilities		
Accounts receivable	8	18
Accounts payable	4	(30)
Accounts payable to affiliates	7	3
Unbilled revenues	54	19
Fuel, materials and supplies	17	34
Regulatory assets and liabilities, net	62	(3)
Taxes payable	(11)	13
Accrued interest	41	41
Other	(36)	2
Other operating activities		
Defined benefit plans - funding	(126)	(32)
Expenditures for asset retirement obligations	(46)	(22)
Other assets	(1)	5
Other liabilities	8	14
Net cash provided by operating activities	787	920
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(826)	(579)
Other investing activities	1	4
Net cash used in investing activities	(825)	(575)
Cash Flows from Financing Activities		
Net increase (decrease) in notes payable with affiliate	(145)	(4)
Issuance of long-term debt with affiliate	250	—
Issuance of long-term debt	118	60
Retirement of long-term debt	(27)	(60)
Distributions to member	(217)	(316)
Net increase in short-term debt	60	5
Other financing activities	(2)	(3)
Net cash provided by (used in) financing activities	37	(318)
Net Increase (Decrease) in Cash and Cash Equivalents	(1)	27
Cash and Cash Equivalents at Beginning of Period	30	13

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Cash and Cash Equivalents at End of Period	\$29	\$40
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Supplemental Disclosure of Cash Flow Information

Significant non-cash transactions:

Accrued expenditures for property, plant and equipment at September 30,	\$108	\$142
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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

LG&E and KU Energy LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	September 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 29	\$ 30
Accounts receivable (less reserve: 2018, \$26; 2017, \$25)		
Customer	230	246
Other	47	44
Unbilled revenues	149	203
Fuel, materials and supplies	238	254
Prepayments	32	25
Regulatory assets	11	18
Other current assets	7	8
Total Current Assets	743	828
Property, Plant and Equipment		
Regulated utility plant	13,438	13,187
Less: accumulated depreciation - regulated utility plant	2,031	1,785
Regulated utility plant, net	11,407	11,402
Construction work in progress	1,000	627
Property, Plant and Equipment, net	12,407	12,029
Other Noncurrent Assets		
Regulatory assets	787	795
Goodwill	996	996
Other intangibles	80	86
Other noncurrent assets	75	68
Total Other Noncurrent Assets	1,938	1,945
Total Assets	\$ 15,088	\$ 14,802

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

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CONDENSED CONSOLIDATED BALANCE SHEETS

LG&E and KU Energy LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	September 30, 2018	December 31, 2017
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 304	\$ 244
Long-term debt due within one year	330	98
Notes payable with affiliates	80	225
Accounts payable	271	338
Accounts payable to affiliates	14	7
Customer deposits	60	58
Taxes	55	66
Price risk management liabilities	4	4
Regulatory liabilities	64	9
Interest	73	32
Asset retirement obligations	86	85
Other current liabilities	127	161
Total Current Liabilities	1,468	1,327
Long-term Debt		
Long-term debt	4,521	4,661
Long-term debt to affiliate	650	400
Total Long-term Debt	5,171	5,061
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	922	866
Investment tax credits	127	129
Price risk management liabilities	15	22
Accrued pension obligations	256	365
Asset retirement obligations	231	271
Regulatory liabilities	2,053	2,036
Other deferred credits and noncurrent liabilities	137	162
Total Deferred Credits and Other Noncurrent Liabilities	3,741	3,851
Commitments and Contingent Liabilities (Notes 7 and 10)		
Member's Equity	4,708	4,563
Total Liabilities and Equity	\$ 15,088	\$ 14,802

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

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CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
 LG&E and KU Energy LLC and Subsidiaries
 (Unaudited)
 (Millions of Dollars)

	Member's Equity
December 31, 2017	\$ 4,563
Net income	358
Distributions to member	(217)
Other comprehensive income	4
September 30, 2018	\$ 4,708
December 31, 2016	\$ 4,667
Net income	322
Distributions to member	(316)
Other comprehensive income (loss)	(7)
September 30, 2017	\$ 4,666

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, 2018		Nine Months Ended September 30, 2017	
Operating Revenues				
Retail and wholesale	\$357	\$361	\$1,095	\$1,055
Electric revenue from affiliate	5	2	21	23
Total Operating Revenues	362	363	1,116	1,078
Operating Expenses				
Operation				
Fuel	83	76	234	225
Energy purchases	17	18	121	107
Energy purchases from affiliate	2	3	10	8
Other operation and maintenance	95	87	277	258
Depreciation	49	47	146	136
Taxes, other than income	9	8	27	25
Total Operating Expenses	255	239	815	759
Operating Income	107	124	301	319
Other Income (Expense) - net	(3)	(3)	(5)	(6)
Interest Expense	20	17	57	53
Income Before Income Taxes	84	104	239	260
Income Taxes	18	39	51	99
Net Income (a)	\$66	\$65	\$188	\$161

(a) Net income equals comprehensive income.

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

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CONDENSED STATEMENTS OF CASH FLOWS

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars)

	Nine Months Ended September 30, 2018 2017	
Cash Flows from Operating Activities		
Net income	\$188	\$161
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	146	136
Amortization	10	11
Defined benefit plans - expense	2	5
Deferred income taxes and investment tax credits	46	96
Change in current assets and current liabilities		
Accounts receivable	14	12
Accounts receivable from affiliates	2	6
Accounts payable	14	(12)
Accounts payable to affiliates	(2)	(10)
Unbilled revenues	30	11
Fuel, materials and supplies	9	6
Regulatory assets and liabilities, net	24	(2)
Taxes payable	4	(15)
Accrued interest	13	12
Other	(14)	8
Other operating activities		
Defined benefit plans - funding	(59)	(3)
Expenditures for asset retirement obligations	(17)	(13)
Other assets	—	5
Other liabilities	—	4
Net cash provided by operating activities	410	418
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(420)	(293)
Net cash used in investing activities	(420)	(293)
Cash Flows from Financing Activities		
Net increase in notes payable with affiliates	—	10
Issuance of long-term debt	100	60
Retirement of long-term debt	—	(60)
Net increase (decrease) in short-term debt	(23)	21
Payment of common stock dividends to parent	(113)	(150)
Contributions from parent	43	—
Other financing activities	(1)	(2)
Net cash provided by (used in) financing activities	6	(121)
Net Increase (Decrease) in Cash and Cash Equivalents	(4)	4
Cash and Cash Equivalents at Beginning of Period	15	5

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Cash and Cash Equivalents at End of Period	\$11	\$9
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Supplemental Disclosure of Cash Flow Information

Significant non-cash transactions:

Accrued expenditures for property, plant and equipment at September 30,	\$51	\$83
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The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED BALANCE SHEETS

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 11	\$ 15
Accounts receivable (less reserve: 2018, \$1; 2017, \$1)		
Customer	102	116
Other	13	13
Unbilled revenues	61	91
Accounts receivable from affiliates	22	24
Fuel, materials and supplies	122	131
Prepayments	14	11
Regulatory assets	11	12
Other current assets	3	3
Total Current Assets	359	416
Property, Plant and Equipment		
Regulated utility plant	5,684	5,587
Less: accumulated depreciation - regulated utility plant	707	614
Regulated utility plant, net	4,977	4,973
Construction work in progress	520	305
Property, Plant and Equipment, net	5,497	5,278
Other Noncurrent Assets		
Regulatory assets	400	411
Goodwill	389	389
Other intangibles	49	53
Other noncurrent assets	27	12
Total Other Noncurrent Assets	865	865
Total Assets	\$ 6,721	\$ 6,559

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

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CONDENSED BALANCE SHEETS

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2018	December 31, 2017
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 176	\$ 199
Long-term debt due within one year	234	98
Accounts payable	152	179
Accounts payable to affiliates	22	23
Customer deposits	28	27
Taxes	29	25
Price risk management liabilities	4	4
Regulatory liabilities	26	3
Interest	24	11
Asset retirement obligations	21	24
Other current liabilities	39	52
Total Current Liabilities	755	645
Long-term Debt	1,574	1,611
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	611	572
Investment tax credits	35	35
Price risk management liabilities	15	22
Accrued pension obligations	—	45
Asset retirement obligations	86	97
Regulatory liabilities	920	919
Other deferred credits and noncurrent liabilities	80	86
Total Deferred Credits and Other Noncurrent Liabilities	1,747	1,776
Commitments and Contingent Liabilities (Notes 7 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	424	424
Additional paid-in capital	1,755	1,712
Earnings reinvested	466	391
Total Equity	2,645	2,527
Total Liabilities and Equity	\$ 6,721	\$ 6,559

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at September 30, 2018 and December 31, 2017.

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

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CONDENSED STATEMENTS OF EQUITY

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2017	21,294	\$ 424	\$ 1,712	\$ 391	\$2,527
Net income				188	188
Capital contributions from parent			43		43
Cash dividends declared on common stock				(113)	(113)
September 30, 2018	21,294	\$ 424	\$ 1,755	\$ 466	\$2,645
December 31, 2016	21,294	\$ 424	\$ 1,682	\$ 370	\$2,476
Net income				161	161
Cash dividends declared on common stock				(150)	(150)
September 30, 2017	21,294	\$ 424	\$ 1,682	\$ 381	\$2,487

(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		Nine Months	
	Months		Months	
	Ended		Ended	
	September	September	September 30,	September 30,
	30,	30,	2018	2017
	2018	2017	2018	2017
Operating Revenues				
Retail and wholesale	\$445	\$457	\$1,322	\$1,295
Electric revenue from affiliate	2	3	10	8
Total Operating Revenues	447	460	1,332	1,303
Operating Expenses				
Operation				
Fuel	123	126	375	351
Energy purchases	5	4	14	13
Energy purchases from affiliate	5	2	21	23
Other operation and maintenance	114	104	331	312
Depreciation	70	67	208	188
Taxes, other than income	9	9	26	24
Total Operating Expenses	326	312	975	911
Operating Income	121	148	357	392
Other Income (Expense) - net	1	—	1	(4)
Interest Expense	24	24	74	72
Income Before Income Taxes	98	124	284	316
Income Taxes	21	47	59	120
Net Income (a)	\$77	\$77	\$225	\$196

(a) Net income approximates comprehensive income.

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

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CONDENSED STATEMENTS OF CASH FLOWS

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars)

	Nine Months Ended September 30, 2018 2017	
Cash Flows from Operating Activities		
Net income	\$225	\$196
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	208	188
Amortization	2	7
Defined benefit plans - expense	—	3
Deferred income taxes and investment tax credits	37	116
Other	(2)	—
Change in current assets and current liabilities		
Accounts receivable	2	6
Accounts receivable from affiliates	—	(1)
Accounts payable	(2)	(6)
Accounts payable to affiliates	(8)	(16)
Unbilled revenues	24	8
Fuel, materials and supplies	8	28
Regulatory assets and liabilities, net	38	(1)
Taxes payable	11	(21)
Accrued interest	21	22
Other	(4)	(5)
Other operating activities		
Defined benefit plans - funding	(53)	(22)
Expenditures for asset retirement obligations	(29)	(9)
Other assets	(1)	—
Other liabilities	8	8
Net cash provided by operating activities	485	501
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(405)	(283)
Net increase in notes receivable with affiliates	—	(10)
Other investing activities	1	4
Net cash used in investing activities	(404)	(289)
Cash Flows from Financing Activities		
Issuance of long-term debt	18	—
Retirement of long-term debt	(27)	—
Net increase (decrease) in short-term debt	83	(16)
Payment of common stock dividends to parent	(196)	(171)
Contributions from parent	45	—
Other financing activities	(1)	(1)
Net cash used in financing activities	(78)	(188)
Net Increase in Cash and Cash Equivalents	3	24

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Cash and Cash Equivalents at Beginning of Period	15	7
Cash and Cash Equivalents at End of Period	\$18	\$31

Supplemental Disclosure of Cash Flow Information

Significant non-cash transactions:

Accrued expenditures for property, plant and equipment at September 30,	\$57	\$58
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The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED BALANCE SHEETS

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 18	\$ 15
Accounts receivable (less reserve: 2018, \$2; 2017, \$1)		
Customer	128	130
Other	25	30
Unbilled revenues	88	112
Fuel, materials and supplies	116	123
Prepayments	17	14
Regulatory assets	—	6
Other current assets	4	5
Total Current Assets	396	435
Property, Plant and Equipment		
Regulated utility plant	7,746	7,592
Less: accumulated depreciation - regulated utility plant	1,323	1,170
Regulated utility plant, net	6,423	6,422
Construction work in progress	479	321
Property, Plant and Equipment, net	6,902	6,743
Other Noncurrent Assets		
Regulatory assets	387	384
Goodwill	607	607
Other intangibles	31	33
Other noncurrent assets	77	52
Total Other Noncurrent Assets	1,102	1,076
Total Assets	\$ 8,400	\$ 8,254

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

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CONDENSED BALANCE SHEETS

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2018	December 31, 2017
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 128	\$ 45
Long-term debt due within one year	96	—
Accounts payable	105	137
Accounts payable to affiliates	47	53
Customer deposits	32	31
Taxes	30	19
Regulatory liabilities	38	6
Interest	37	16
Asset retirement obligations	65	61
Other current liabilities	43	46
Total Current Liabilities	621	414
Long-term Debt	2,224	2,328
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	719	691
Investment tax credits	92	94
Accrued pension obligations	—	36
Asset retirement obligations	145	174
Regulatory liabilities	1,133	1,117
Other deferred credits and noncurrent liabilities	35	43
Total Deferred Credits and Other Noncurrent Liabilities	2,124	2,155
Commitments and Contingent Liabilities (Notes 7 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	308	308
Additional paid-in capital	2,661	2,616
Earnings reinvested	462	433
Total Equity	3,431	3,357
Total Liabilities and Equity	\$ 8,400	\$ 8,254

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at September 30, 2018 and December 31, 2017.

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

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CONDENSED STATEMENTS OF EQUITY

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive income (loss)	Total
December 31, 2017	37,818	\$ 308	\$ 2,616	\$ 433	\$ —	\$3,357
Capital contributions from parent			45			45
Net income				225		225
Cash dividends declared on common stock				(196)		(196)
September 30, 2018	37,818	\$ 308	\$ 2,661	\$ 462	\$ —	\$3,431
December 31, 2016	37,818	\$ 308	\$ 2,616	\$ 400	\$ (1)	\$3,323
Net income				196		196
Cash dividends declared on common stock				(171)		(171)
Other comprehensive income					1	1
September 30, 2017	37,818	\$ 308	\$ 2,616	\$ 425	\$ —	\$3,349

(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.

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Combined Notes to Condensed Financial Statements (Unaudited)

1. Interim Financial Statements

(All Registrants)

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

The accompanying unaudited condensed financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnote disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation in accordance with GAAP are reflected in the condensed financial statements. All adjustments are of a normal recurring nature, except as otherwise disclosed. Each Registrant's Balance Sheet at December 31, 2017 is derived from that Registrant's 2017 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 2017 Form 10-K. The results of operations for the three and nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for the full year ending December 31, 2018 or other future periods, because results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

2. Summary of Significant Accounting Policies

(All Registrants)

The following accounting policy disclosures represent updates to Note 1 in each Registrant's 2017 Form 10-K and should be read in conjunction with those disclosures.

Income Taxes

The Registrants recognized certain provisional amounts relating to the impact of the enactment of the TCJA in their December 31, 2017 financial statements, in accordance with SEC guidance. Included in those provisional amounts were estimates of: tax depreciation, deductible executive compensation, accumulated foreign earnings, foreign tax credits, and deemed dividends from foreign subsidiaries, all of which were based on the interpretation and application of various provisions of the TCJA.

In the third quarter of 2018, PPL filed its consolidated federal income tax return, which was prepared using guidance issued by the U.S. Treasury Department and the IRS since the filing of each Registrant's 2017 Form 10-K. Accordingly, the Registrants have updated the following provisional amounts and now consider them to be complete: (1) the amount of the deemed dividend and associated foreign tax credits relating to the transition tax imposed on accumulated foreign earnings as of December 31, 2017; (2) the amount of accelerated 100% "bonus" depreciation PPL is eligible to claim in its 2017 federal income tax return; and (3) the related impacts on PPL's 2017 consolidated federal net operating loss to be carried forward to future periods. In addition, the Registrants recorded the tax impact of the U.S. federal corporate income tax rate reduction from 35% to 21% on the changes to deferred tax assets and liabilities resulting from the completed provisional amounts. The completed provisional amounts related to the tax rate

reduction had an insignificant impact on the net regulatory liabilities of PPL's U.S. regulated operations. See Note 6 to the Financial Statements for the final amounts reported in PPL's 2017 federal income tax return, provisional adjustment amounts for the year ended December 31, 2017, the related measurement period adjustments and the resulting tax impact for the three and nine months ended September 30, 2018.

The Registrants' accounting related to the effects of the TCJA on financial results for the period ended December 31, 2017 is complete as of September 30, 2018 with respect to the three items discussed above. The Registrants continue to analyze the impact of the TCJA on the deductibility of executive compensation awarded on or before November 2, 2017. The Registrants do not currently anticipate a material change from what was reflected in the December 31, 2017 financial statements and expect to record the impact, if any, of changes in the deductibility of executive compensation in the fourth quarter of 2018.

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New Accounting Guidance Adopted

Accounting for Revenue from Contracts with Customers

Effective January 1, 2018, the Registrants adopted accounting guidance that establishes a comprehensive new model for the recognition of revenue from contracts with customers. This model is based on the core principle that revenue should be recognized to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Registrants adopted this guidance using the modified retrospective transition method. No cumulative effect adjustment was required as of the January 1, 2018 adoption date.

The adoption of this guidance did not have a material impact on the Registrants' revenue recognition policies. See Note 4 for the required disclosures resulting from the adoption of this standard.

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

Effective January 1, 2018, the Registrants adopted accounting guidance that changes the income statement presentation of net periodic benefit cost. Retrospectively, this guidance requires the service cost component to be disaggregated from other components of net benefit cost and presented in the same income statement line items as other employee compensation costs arising from services rendered during the period. The other components of net periodic benefits are presented separately from the line items that include the service cost and outside of any subtotal of operating income. Prospectively, the guidance limits the capitalization to the service cost component of net periodic benefit costs.

For PPL, the non-service cost components of net periodic benefit costs were in a net credit position for the three and nine months ended September 30, 2018. The non-service cost credits that would have been capitalized under previous guidance, but are now recorded as income within "Other Income (Expense) - net," were \$5 million (\$4 million after-tax or \$0.01 per share) and \$16 million (\$13 million after-tax or \$0.02 per share) for the three and nine months ended September 30, 2018. For PPL Electric, LG&E and KU, non-service costs or credits that would have been capitalized under previous guidance are now recognized as a regulatory asset or regulatory liability, as applicable, in accordance with regulatory approvals.

The following provides the non-service cost components of net periodic benefits (costs) or credits presented in "Other Income (Expense) - net" in 2018 and reclassified from "Other operation and maintenance" to "Other Income (Expense) - net" in 2017 on the Statements of Income as a result of the adoption.

	Three Months		Nine Months	
	2018	2017	2018	2017
PPL	\$61	\$41	\$195	\$123
PPL Electric 1	—	—	4	—
LKE	1	(2)	3	(4)
LG&E	—	(2)	(1)	(4)
KU	—	—	2	(1)

PPL and PPL Electric elected to use the practical expedient that permits using the amounts disclosed in the defined benefit plan note for the prior comparative period as the estimation basis for applying the retrospective presentation requirements.

Presentation of Restricted Cash in the Statement of Cash Flows (PPL and PPL Electric)

Effective January 1, 2018, PPL and PPL Electric adopted accounting guidance that changes the cash flow statement presentation of restricted cash. Under the new guidance, amounts considered restricted cash are presented with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total cash amounts on the Statements of Cash Flows. The guidance requires a reconciliation of the total cash, cash equivalents and restricted cash from the Statement of Cash Flows to amounts on the Balance Sheets and disclosure of the nature of the restrictions. PPL and PPL Electric have applied this guidance on a retrospective basis for all periods presented. The adoption of this guidance did not have a material impact on the Statements of Cash Flows.

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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		PPL Electric	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Cash and cash equivalents	\$842	\$ 485	\$414	\$ 49
Restricted cash - current (a)	3	3	2	2
Restricted cash - noncurrent (a)	19	23	—	—
Total Cash, Cash Equivalents and Restricted Cash	\$864	\$ 511	\$416	\$ 51

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

3. Segment and Related Information

(PPL)

See Note 2 in PPL's 2017 Form 10-K for a discussion of reportable segments and related information.

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

	Three Months		Nine Months	
	2018	2017	2018	2017
Operating Revenues from external customers				
U.K. Regulated	\$517	\$477	\$1,716	\$1,547
Kentucky Regulated	802	818	2,417	2,350
Pennsylvania Regulated	548	547	1,704	1,620
Corporate and Other	5	3	9	4
Total	\$1,872	\$1,845	\$5,846	\$5,521
Net Income				
U.K. Regulated (a)	\$245	\$126	\$836	\$560
Kentucky Regulated	122	125	332	299
Pennsylvania Regulated	112	95	335	251
Corporate and Other	(34)	9	(91)	(60)
Total	\$445	\$355	\$1,412	\$1,050

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

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

September 30, December 31,
2018 2017

Assets

U.K. Regulated (a)	\$ 16,823	\$ 16,813
Kentucky Regulated	14,754	14,468
Pennsylvania Regulated	11,110	10,082
Corporate and Other (b)	355	116
Total	\$ 43,042	\$ 41,479

(a) Includes \$12.4 billion and \$12.5 billion of net PP&E as of September 30, 2018 and December 31, 2017. WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP.

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

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

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

4. Revenue from Contracts with Customers

(All Registrants)

The following is a description of the principal activities from which the Registrants and PPL's segments generate their revenues.

U.K. Regulated Segment Revenue (PPL)

The U.K. Regulated Segment generates revenues from contracts with customers primarily from WPD's DUoS operations.

DUoS revenues result from WPD charging licensed third-party energy suppliers for their use of WPD's distribution systems to deliver energy to their customers. WPD satisfies its performance obligation and DUoS revenue is recognized over-time as electricity is delivered. The amount of revenue recognized is based on actual and forecasted volumes of electricity delivered during the period multiplied by a per-unit energy tariff, plus fixed charges. This method of recognition fairly presents WPD's transfer of electric service to the customer as the calculation is based on volumes, and the tariff rate is set by WPD using a methodology prescribed by Ofgem. Customers are billed monthly and outstanding amounts are typically due within 14 days of the invoice date.

DUoS customers are "at will" customers of WPD with no term contract and no minimum purchase commitment. Performance obligations are limited to the service requested and received to date. Accordingly, there is no unsatisfied performance obligation associated with WPD's DUoS contracts.

Pennsylvania Regulated Segment Revenue (PPL and PPL Electric)

The Pennsylvania Regulated Segment generates substantially all of its revenues from contracts with customers from PPL Electric's tariff-based distribution and transmission of electricity.

Distribution Revenue

PPL Electric provides distribution services to residential, commercial, industrial, municipal and governmental end users of energy. PPL Electric satisfies its performance obligation to its distribution customers and revenue is recognized over-time as electricity is delivered and simultaneously consumed by the customer. The amount of revenue recognized is the volume of electricity delivered during the period multiplied by a per-unit of energy tariff, plus a monthly fixed charge. This method of recognition fairly presents PPL Electric's transfer of electric service to the customer as the calculation is based on actual volumes, and the per-unit of energy tariff rate and the monthly fixed charge are set by the PUC. Customers are typically billed monthly and outstanding amounts are typically due within 21 days of the date of the bill.

Distribution customers are "at will" customers of PPL Electric with no term contract and no minimum purchase commitment. Performance obligations are limited to the service requested and received to date. Accordingly, there is

no unsatisfied performance obligation associated with PPL Electric's retail account contracts.

Transmission Revenue

PPL Electric generates transmission revenues from a FERC-approved PJM Open Access Transmission Tariff. An annual revenue requirement for PPL Electric to provide transmission services is calculated using a formula-based rate. This revenue requirement is converted into a daily rate (dollars per day). PPL Electric satisfies its performance obligation to provide transmission services and revenue is recognized over-time as transmission services are provided and consumed. This method of recognition fairly presents PPL Electric's transfer of transmission services as the daily rate is set by a FERC approved formula-based rate. PJM remits payment on a weekly basis.

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PPL Electric's agreement to provide transmission services contains no minimum purchase commitment. The performance obligation is limited to the service requested and received to date. Accordingly, PPL Electric has no unsatisfied performance obligations.

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

The Kentucky Regulated Segment generates substantially all of its revenues from contracts with customers from LG&E's and KU's regulated tariff-based sales of electricity and LG&E's regulated tariff-based sales of natural gas.

LG&E and KU are engaged in the generation, transmission, distribution and sale of electricity in Kentucky and, in KU's case, Virginia. LG&E also engages in the distribution and sale of natural gas in Kentucky. Revenue from these activities is generated from tariffs approved by applicable regulatory authorities including the FERC, KPSC and VSCC. LG&E and KU satisfy their performance obligations upon LG&E's and KU's delivery of electricity and LG&E's delivery of natural gas to customers. This revenue is recognized over-time as the customer simultaneously receives and consumes the benefits provided by LG&E and KU. The amount of revenue recognized is the billed volume of electricity or natural gas delivered multiplied by a tariff rate per-unit of energy, plus any applicable fixed charges or additional regulatory mechanisms. Customers are billed monthly and outstanding amounts are typically due within 22 days of the date of the bill. Additionally, unbilled revenues are recognized as a result of customers' bills rendered throughout the month, rather than bills being rendered at the end of the month. Unbilled revenues for a month are calculated by multiplying an estimate of unbilled kWh or Mcf delivered but not yet billed by the estimated average cents per kWh or Mcf. Any difference between estimated and actual revenues is adjusted the following month when the previous unbilled estimate is reversed and actual billings occur. This method of recognition fairly presents LG&E's and KU's transfer of electricity and LG&E's transfer of natural gas to the customer as the amount recognized is based on actual and estimated volumes delivered and the tariff rate per-unit of energy and any applicable fixed charges or regulatory mechanisms as set by the respective regulatory body.

LG&E's and KU's customers generally have no minimum purchase commitment. Performance obligations are limited to the service requested and received to date. Accordingly, there is no unsatisfied performance obligation associated with these customers.

(All Registrants)

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, 2018.

	Three Months				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	\$1,872	\$ 548	\$802	\$ 362	\$447
Revenues derived from:					
Alternative revenue programs (b)	(4)	(3)	(1)	(4)	3
Other (c)	(15)	(3)	(5)	(2)	(3)
Revenues from Contracts with Customers	\$1,853	\$ 542	\$796	\$ 356	\$447

	Nine Months				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	\$5,846	\$1,704	\$2,417	\$1,116	\$1,332
Revenues derived from:					

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Alternative revenue programs (b)	37	(1)	38	16	22				
Other (c)	(43)	(9)	(14)	(5)	(9)
Revenues from Contracts with Customers	\$5,840	\$1,694	\$2,441	\$1,127	\$1,345					

(a) PPL includes \$517 million and \$1.7 billion for the three and nine months ended September 30, 2018 of revenues from external customers reported by the U.K. Regulated segment. PPL Electric and LKE represent revenues from external customers reported by the Pennsylvania Regulated and Kentucky Regulated segments. See Note 3 for additional information.

Alternative revenue programs for PPL Electric include the over/under-collection of its transmission formula rate. (b) Alternative revenue programs for LKE, LG&E and KU include the over/under collection for the ECR and DSM programs as well as LG&E's over/under collection of its GLT program and KU's

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over/under collection of its generation formula rate. Over-collections of revenue are shown as positive amounts in the table above; under-collections are shown as negative amounts.

(c) Represents additional revenues outside the scope of revenues from contracts with customers such as leases and other miscellaneous revenues.

As discussed in Note 2 in PPL's 2017 Form 10-K, PPL's segments are segmented by geographic location. Revenues from external customers for each segment/geographic location are reconciled to revenues from contracts with customers in the table above. For PPL Electric, revenues from contracts with customers are further disaggregated by distribution and transmission, which were \$442 million and \$100 million for the three months ended September 30, 2018 and \$1.4 billion and \$306 million for the nine months ended September 30, 2018.

The following tables show revenues from contracts with customers disaggregated by customer class for the periods ended September 30, 2018.

	Three Months				
	PPL	PPL Electric	LKE	LG&E	KU
Licensed energy suppliers (a)	\$475	\$ —	\$—	\$ —	\$—
Residential	647	328	319	162	157
Commercial	307	88	219	112	107
Industrial	156	12	144	45	99
Other (b)	119	14	65	27	39
Wholesale - municipal	30	—	30	—	30
Wholesale - other (c)	19	—	19	10	15
Transmission	100	100	—	—	—
Revenues from Contracts with Customers	\$1,853	\$ 542	\$796	\$ 356	\$447

	Nine Months				
	PPL	PPL Electric	LKE	LG&E	KU
Licensed energy suppliers (a)	\$1,606	\$ —	\$—	\$—	\$—
Residential	2,039	1,036	1,003	505	498
Commercial	928	275	653	343	310
Industrial	466	37	429	134	295
Other (b)	339	40	200	88	113
Wholesale - municipal	91	—	91	—	91
Wholesale - other (c)	65	—	65	57	38
Transmission	306	306	—	—	—
Revenues from Contracts with Customers	\$5,840	\$ 1,694	\$2,441	\$1,127	\$1,345

(a) Represents customers of WPD.

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

(c) Includes wholesale power and transmission revenues. LG&E and KU amounts include intercompany power sales and transmission revenues, which are eliminated upon consolidation at LKE.

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

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The following table shows the accounts receivable balances that were impaired for the periods ended September 30, 2018.

	Three Months	Nine Months
PPL	\$ 11	\$ 24
PPL Electric	7	17
LKE	4	7
LG&E	2	3
KU	2	4

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

	PPL	PPL Electric	LKE	LG&E	KU
Contract liabilities as of December 31, 2017	\$29	\$ 19	\$ 8	\$ 4	\$ 4
Contract liabilities as of September 30, 2018	40	17	8	4	4

The following table shows the revenue recognized during the period ended September 30, 2018 that was included in the contract liability balance at December 31, 2017.

	Nine Months
PPL	\$ 22
PPL Electric	8
LKE	8
LG&E	4
KU	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, 2018, PPL had \$65 million of performance obligations attributable to Corporate and Other that have not been satisfied. Of this amount, PPL expects to recognize approximately \$44 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 non-participating securities were converted to common shares as calculated using the Treasury Stock Method. Incremental non-participating securities that have a dilutive impact are detailed in the table below. In 2018, these securities also included the PPL common stock forward sale agreements. See Note 8 for additional information on these agreements. The forward sale agreements are dilutive under the Treasury Stock Method to the extent the average stock price of PPL's common shares exceeds the forward sale price prescribed in the agreements.

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:

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	Three Months		Nine Months	
	2018	2017	2018	2017
Income (Numerator)				
Net income	\$445	\$ 355	\$1,412	\$ 1,050
Less amounts allocated to participating securities	1	1	2	2
Net income available to PPL common shareowners - Basic and Diluted	\$444	\$ 354	\$1,410	\$ 1,048
Shares of Common Stock (Denominator)				
Weighted-average shares - Basic EPS	703,730	686,563	699,117	683,783
Add incremental non-participating securities:				
Share-based payment awards	298	2,183	427	2,298
Forward sale agreements	6,489	—	2,761	—
Weighted-average shares - Diluted EPS	710,517	688,746	702,305	686,081
Basic EPS				
Net Income available to PPL common shareowners	\$0.63	\$ 0.52	\$2.02	\$ 1.53
Diluted EPS				
Net Income available to PPL common shareowners	\$0.62	\$ 0.51	\$2.01	\$ 1.53

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	
	2018	2017	2018	2017
Stock-based compensation plans (a)	80	256	568	1,707
DRIP	493	355	1,504	1,169

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

See Note 8 for additional information on common stock issued under the ATM Program and settlement of a portion of the PPL common stock forward sale agreements.

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
2018	2017