

KENTUCKY UTILITIES CO
Form 10-Q
November 08, 2012

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, 2012
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 for the transition period from
_____ to _____

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

Edgar Filing: KENTUCKY UTILITIES CO - Form 10-Q

(Exact name of Registrant as specified in its charter)

(Kentucky)

220 West Main Street

Louisville, KY 40202-1377

(502) 627-2000

1-3464

Kentucky Utilities Company

61-0247570

(Exact name of Registrant as specified in its charter)

(Kentucky and Virginia)

One Quality Street

Lexington, KY 40507-1462

(502) 627-2000

Edgar Filing: KENTUCKY UTILITIES CO - Form 10-Q

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

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

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

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

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

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

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

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

Edgar Filing: KENTUCKY UTILITIES CO - Form 10-Q

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, 581,705,916 shares outstanding at October 31, 2012.
PPL Energy Supply, LLC	PPL Corporation indirectly holds all of the membership interests in PPL Energy Supply, LLC.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at October 31, 2012.
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 31, 2012.
Kentucky Utilities Company	Common stock, no par value, 37,817,878 shares outstanding and all held by LG&E and KU Energy LLC at October 31, 2012.

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

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

FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

Table of Contents

This combined Form 10-Q is separately filed by the following individual registrants: PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company. Information contained herein relating to any individual registrant is filed by such registrant solely on its own behalf, and no registrant makes any representation as to information relating to any other registrant, except that information under "Forward-Looking Information" relating to PPL Corporation subsidiaries 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 within this Report, individually, to PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company are references to such entities directly or to one or more of their subsidiaries, as the case may be, the financial results of which are consolidated into such Registrants in accordance with GAAP. This presentation has been applied where identification of particular subsidiaries is not material to the matter being disclosed, and to conform narrative disclosures to the presentation of financial information on a consolidated basis.

	Page
GLOSSARY OF TERMS AND ABBREVIATIONS	i
FORWARD-LOOKING INFORMATION	1
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
PPL Corporation and Subsidiaries	
<u>Condensed Consolidated Statements of Income</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income</u>	4
<u>Condensed Consolidated Statements of Cash Flows</u>	5
<u>Condensed Consolidated Balance Sheets</u>	6
<u>Condensed Consolidated Statements of Equity</u>	8
PPL Energy Supply, LLC and Subsidiaries	
<u>Condensed Consolidated Statements of Income</u>	9
<u>Condensed Consolidated Statements of Comprehensive Income</u>	10
<u>Condensed Consolidated Statements of Cash Flows</u>	11

Edgar Filing: KENTUCKY UTILITIES CO - Form 10-Q

	<u>Condensed Consolidated Balance Sheets</u>	12
	<u>Condensed Consolidated Statements of Equity</u>	14
PPL Electric Utilities Corporation and Subsidiaries		
	<u>Condensed Consolidated Statements of</u>	
	<u>Income</u>	16
	<u>Condensed Consolidated Statements of Cash</u>	
	<u>Flows</u>	17
	<u>Condensed Consolidated Balance Sheets</u>	18
	<u>Condensed Consolidated Statements of</u>	
	<u>Shareowners' Equity</u>	20
LG&E and KU Energy LLC and Subsidiaries		
	<u>Condensed Consolidated Statements of</u>	
	<u>Income</u>	22
	<u>Condensed Consolidated Statements of Cash</u>	
	<u>Flows</u>	23
	<u>Condensed Consolidated Balance Sheets</u>	24
	<u>Condensed Consolidated Statements of Equity</u>	26
Louisville Gas and Electric Company		
	<u>Condensed Statements of Income</u>	28
	<u>Condensed Statements of Cash Flows</u>	29
	<u>Condensed Balance Sheets</u>	30
	<u>Condensed Statements of Equity</u>	32

Kentucky Utilities Company	
	34
	35
	36
	38
Combined Notes to Condensed Financial Statements (Unaudited)	
<u>1. Interim Financial Statements</u>	39
<u>2. Summary of Significant Accounting Policies</u>	39
<u>3. Segment and Related Information</u>	40
<u>4. Earnings Per Share</u>	41
<u>5. Income Taxes</u>	42
<u>6. Utility Rate Regulation</u>	46
<u>7. Financing Activities</u>	52
<u>8. Acquisitions, Development and Divestitures</u>	56
<u>9. Defined Benefits</u>	59
<u>10. Commitments and Contingencies</u>	61
<u>11. Related Party Transactions</u>	77
<u>12. Other Income (Expense) - net</u>	79
<u>13. Fair Value Measurements and Credit Concentration</u>	80
<u>14. Derivative Instruments and Hedging Activities</u>	87
<u>15. Goodwill</u>	100
<u>16. Asset Retirement Obligations</u>	100
<u>17. Available-for-Sale Securities</u>	101
<u>18. New Accounting Guidance Pending Adoption</u>	102
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	
	103
	132
	146
	155
	164
	171
Item 3. Quantitative and Qualitative Disclosures About Market Risk	178
Item 4. Controls and Procedures	178
PART II. OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	179
<u>Item 1A. Risk Factors</u>	179
<u>Item 4. Mine Safety Disclosures</u>	179
<u>Item 6. Exhibits</u>	180
<u>SIGNATURES</u>	182
<u>COMPUTATIONS OF RATIO OF EARNINGS TO FIXED CHARGES</u>	183
<u>CERTIFICATES OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER</u> <u>PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002</u>	189
<u>CERTIFICATES OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER</u> <u>PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002</u>	201

GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its current and former subsidiaries

Central Networks - collectively Central Networks East plc, Central Networks Limited and certain other related assets and liabilities. On April 1, 2011, PPL WEM Holdings plc (formerly WPD Investment Holdings Limited) purchased all of the outstanding ordinary share capital of these companies from E.ON AG subsidiaries. Central Networks West plc (subsequently renamed Western Power Distribution (West Midlands) plc), wholly owned by Central Networks Limited (subsequently renamed WPD Midlands Holdings Limited), and Central Networks East plc (subsequently renamed Western Power Distribution (East Midlands) plc) are British regional electricity distribution utility companies.

KU - Kentucky Utilities Company, a public utility subsidiary of LKE engaged in the regulated generation, transmission, distribution and sale of electricity, primarily in Kentucky. The subsidiary was acquired by PPL through the acquisition of LKE in November 2010.

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. The subsidiary was acquired by PPL through the acquisition of LKE in November 2010.

LKE - LG&E and KU Energy LLC (formerly E.ON U.S. LLC), a subsidiary of PPL and the parent of LG&E, KU and other subsidiaries. PPL acquired E.ON U.S. LLC in November 2010 and changed the name to LG&E and KU Energy LLC. Within the context of this document, references to LKE also relate to the consolidated entity.

LKS - LG&E and KU Services Company (formerly E.ON U.S. Services Inc.), a subsidiary of LKE that provides services for LKE and its subsidiaries. The subsidiary was acquired by PPL through the acquisition of LKE in November 2010.

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

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

PPL Capital Funding - PPL Capital Funding, Inc., a wholly owned financing subsidiary of PPL.

PPL Electric - PPL Electric Utilities Corporation, a public utility subsidiary of PPL that transmits and distributes electricity in its Pennsylvania service area and provides electric supply to retail customers in this area as a PLR.

PPL Energy Funding - PPL Energy Funding Corporation, a subsidiary of PPL and the parent holding company of PPL Energy Supply, PPL Global (effective January 2011) and other subsidiaries.

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

PPL Energy Supply - PPL Energy Supply, LLC, a subsidiary of PPL Energy Funding and the parent company of PPL Generation, PPL EnergyPlus and other subsidiaries. In January 2011, PPL Energy Supply distributed its membership interest in PPL Global, representing 100% of the outstanding membership interests of PPL Global, to PPL Energy Supply's parent, PPL Energy Funding.

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

PPL Global - PPL Global, LLC, a subsidiary of PPL Energy Funding that primarily owns and operates a business in the U.K., WPD, that is focused on the regulated distribution of electricity. In January 2011, PPL Energy Supply, PPL Global's former parent, distributed its membership interest in PPL Global, representing 100% of the outstanding membership interest of PPL Global, to its parent, PPL Energy Funding.

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

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

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

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

PPL Susquehanna - PPL Susquehanna, LLC, the nuclear generating subsidiary of PPL Generation.

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

PPL WW - PPL WW Holdings Limited (formerly Western Power Distribution Holdings Limited), an indirect, wholly owned U.K. subsidiary of PPL Global. PPL WW Holdings indirectly wholly owns WPD (South Wales) and WPD (South West).

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

WPD (East Midlands) - Western Power Distribution (East Midlands) plc, a British regional electricity distribution utility company. The company (formerly Central Networks East plc) was acquired and renamed in April 2011.

WPD Midlands - refers to Central Networks, which was renamed after the acquisition.

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. The company (formerly Central Networks West plc) was acquired and renamed in April 2011.

WKE - Western Kentucky Energy Corp., a subsidiary of LKE that leased certain non-utility generating plants in western Kentucky until July 2009. The subsidiary was acquired by PPL through the acquisition of LKE in November 2010.

Other terms and abbreviations

£ - British pound sterling.

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

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

2011 Bridge Facility - the £3.6 billion Senior Bridge Term Loan Credit Agreement between PPL Capital Funding and PPL WEM, as borrowers, and PPL, as guarantor, and lenders party thereto, used to fund the April 1, 2011 acquisition of Central Networks, as amended by Amendment No. 1 thereto dated April 15, 2011.

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

2011 Form 10-K - Annual Report to the SEC on Form 10-K for the year ended December 31, 2011.

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

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

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

AOCI - accumulated other comprehensive income or loss.

ARO - asset retirement obligation.

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

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

Bcf - billion cubic feet.

Bluegrass CTs - three natural gas combustion turbines owned by Bluegrass Generation. In 2011, LG&E and KU entered into an asset purchase agreement with Bluegrass Generation for the purchase of these combustion turbines, subject to certain conditions including receipt of applicable regulatory approvals and clearances. In June 2012, LG&E and KU terminated the asset purchase agreement.

Bluegrass Generation - Bluegrass Generation Company, L.L.C., an exempt wholesale electricity generator in LaGrange, Kentucky.

BREC - Big Rivers Electric Corporation, a power-generating rural electric cooperative in western Kentucky.

CAIR - the EPA's Clean Air Interstate Rule.

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

COLA - license application for a combined construction permit and operating license from the NRC for a nuclear plant.

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 any plant, equipment, property or facility for furnishing of utility service to the public.

CSAPR - Cross-State Air Pollution Rule, the CSAPR implements Clean Air Act requirements concerning the transport of air pollution from power plants across state boundaries. The CSAPR replaces the 2005 CAIR, which the U.S. Court of Appeals for the D.C. Circuit ordered the EPA to revise in 2008. The court has granted a stay allowing CAIR to remain in place pending a ruling on the legal challenges to the CSAPR. In August 2012, the court remanded CSAPR to the EPA for further action.

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

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

Dodd-Frank Act - the Dodd-Frank Wall Street Reform and Consumer Protection Act that was signed into law in July 2010.

Edgar Filing: KENTUCKY UTILITIES CO - Form 10-Q

DOE - Department of Energy, a U.S. government agency.

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

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

DRIP - Dividend Reinvestment and Direct Stock Purchase Plan.

iii

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

ECR - Environmental Cost Recovery. Pursuant to Kentucky Revised Statute 278.183, effective January 1993, 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 which apply to coal combustion and by-products from the production of energy from coal.

E.ON AG - a German corporation and the parent of E.ON UK plc, the former parent of Central Networks, and the indirect parent of E.ON US Investments Corp., the former parent of LKE.

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

EPS - earnings per share.

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

ESOP - Employee Stock Ownership Plan.

Euro - the basic monetary unit among participating members of the European Union.

E.W. Brown - a generating station in Kentucky with capacity of 1,631 MW.

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

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

FTRs - financial transmission rights, which are financial instruments established to manage price risk related to electricity transmission congestion. They entitle the holder to receive compensation or require the holder to remit payment for certain congestion-related transmission charges based on the level of congestion in the transmission grid.

Fundamental Change - as it relates to the terms of the 2011 and 2010 Equity Units, will be deemed to have occurred if any of the following occurs with respect to PPL, subject to certain exceptions: (i) a change of control; (ii) a consolidation with or merger into any other entity; (iii) common stock ceases to be listed or quoted; or (iv) a liquidation, dissolution or termination.

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

GBP - British pound sterling.

GHG - greenhouse gas(es).

GWh - gigawatt-hour, one million kilowatt-hours.

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

Ironwood Acquisition - In April 2012, PPL Ironwood Holdings, LLC, an indirect, wholly owned subsidiary of PPL Energy Supply, completed the acquisition from a subsidiary of The AES Corporation of all of the equity interests of AES Ironwood, L.L.C. (subsequently renamed PPL Ironwood, LLC) and AES Prescott, L.L.C. (subsequently renamed PPL Prescott, LLC), which own and operate, respectively, the Ironwood Facility.

Ironwood Facility - a natural gas-fired power plant in Lebanon, Pennsylvania with a summer rating of 657 MW.

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

ISO - Independent System Operator.

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

kV - kilovolt

LIBOR - London Interbank Offered Rate.

Long Island generation business - includes a 79.9 MW gas-fired plant in the Edgewood section of Brentwood, New York and a 79.9 MW oil-fired plant in Shoreham, New York and related tolling agreements. This business was sold in February 2010.

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

MW - megawatt, one thousand kilowatts.

NDT - PPL Susquehanna's nuclear plant decommissioning trust.

NERC - North American Electric Reliability Corporation.

NGCC - natural gas-fired combined-cycle turbine.

NPDES - National Pollutant Discharge Elimination System.

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

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

OCI - other comprehensive income or loss.

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

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

OVEC - Ohio Valley Electric Corporation, located in Piketon, Ohio, an entity in which LKE indirectly owns an 8.13% interest (consists of LG&E's 5.63% and KU's 2.50% interests), which is accounted for as a cost-method investment. OVEC owns and operates two coal-fired power plants, the Kyger Creek plant in Ohio and the Clifty Creek plant in Indiana, with combined nameplate capacities of 2,390 MW.

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

PJM - PJM Interconnection, L.L.C., operator of the electric transmission network and electric 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 to retail customers within its delivery area who have not chosen to select an alternative electricity supplier under the Customer Choice

Act.

PP&E - property, plant and equipment.

Predecessor - refers to the LKE, LG&E and KU pre-acquisition activity covering the time period prior to November 1, 2010.

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

Purchase Contract(s) - refers collectively to the 2010 and 2011 Purchase Contracts.

RAV - regulatory asset value. This term is also commonly known as RAB or regulatory asset base.

v

RECs - renewable energy credits.

Registrants - PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU, collectively.

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 - Reliability First 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.

Rev. Proc(s) - Revenue Procedure(s), an official published statement by the IRS of a matter of procedural importance to both taxpayers and the IRS concerning administration of the tax laws.

RMC - Risk Management Committee.

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

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

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

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

SEC - the U.S. Securities and Exchange Commission, a U.S. government agency whose primary mission is to protect investors and maintain the integrity of the securities markets.

Securities Act of 1933 - the Securities Act of 1933, 15 U.S. Code, Sections 77a-77aa, as amended.

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

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

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

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

SMGT - Southern Montana Electric Generation & Transmission Cooperative, Inc., a Montana cooperative and purchaser of electricity under a long-term supply contract with PPL EnergyPlus that was terminated effective April 1, 2012.

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

Edgar Filing: KENTUCKY UTILITIES CO - Form 10-Q

Successor - refers to the LKE, LG&E and KU post-acquisition activity covering the time period after October 31, 2010.

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

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

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

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

Utilization Factor - a measure reflecting the percentage of electricity actually generated by plants compared with the electricity the plants could produce at full capacity when available.

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

VIE - variable interest entity.

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

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

VWAP - as it relates to the 2011 and 2010 Equity Units issued by PPL, the per share volume-weighted-average price as displayed under the heading Bloomberg VWAP on Bloomberg page "PPL <EQUITY> AQR" (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading on the relevant trading day until the scheduled close of trading on the relevant trading day (or if such volume-weighted-average price is unavailable, the market price of one share of PPL common stock on such trading day determined, using a volume-weighted-average method, by a nationally recognized independent investment banking firm retained for this purpose by PPL).

(THIS PAGE LEFT BLANK INTENTIONALLY.)

viii

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 which 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 2011 Form 10-K and in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q report, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements.

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

Edgar Filing: KENTUCKY UTILITIES CO - Form 10-Q

- new state, federal or foreign legislation or regulatory developments;
- the outcome of any rate cases or other cost recovery filings by PPL Electric at the PUC or the FERC, by LG&E at the KPSC or the FERC, by KU at the KPSC, VSCC, TRA or the FERC, or by WPD at Ofgem in the U.K.;
- the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures; and
- business dispositions or acquisitions and our ability to successfully operate such acquired businesses and realize expected benefits from business acquisitions, including PPL's 2011 acquisition of WPD Midlands and 2010 acquisition of LKE.

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

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

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, except share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Operating Revenues				
Utility	\$ 1,693	\$ 1,675	\$ 5,012	\$ 4,695
Unregulated retail electric and gas	218	189	620	517
Wholesale energy marketing				
Realized	1,076	907	3,367	2,677
Unrealized economic activity (Note 14)	(716)	216	(322)	229
Net energy trading margins	(11)	(7)	7	14
Energy-related businesses	143	140	380	387
Total Operating Revenues	2,403	3,120	9,064	8,519
Operating Expenses				
Operation				
Fuel	570	603	1,405	1,492
Energy purchases				
Realized	583	362	2,253	1,467
Unrealized economic activity (Note 14)	(569)	176	(420)	49
Other operation and maintenance	650	735	2,095	2,041
Depreciation	278	252	813	697
Taxes, other than income	90	90	268	238
Energy-related businesses	137	135	363	368
Total Operating Expenses	1,739	2,353	6,777	6,352
Operating Income	664	767	2,287	2,167
Other Income (Expense) - net	(44)	37	(31)	(2)
Other-Than-Temporary Impairments		5	1	6
Interest Expense	248	240	714	678
Income from Continuing Operations Before Income Taxes	372	559	1,541	1,481
Income Taxes	17	110	364	429
	355	449	1,177	1,052

Edgar Filing: KENTUCKY UTILITIES CO - Form 10-Q

Income from Continuing Operations After Income Taxes

Income (Loss) from Discontinued Operations (net of income taxes)			(6)	2
Net Income	355	449	1,171	1,054
Net Income Attributable to Noncontrolling Interests		5	4	13
Net Income Attributable to PPL Shareowners	\$ 355	\$ 444	\$ 1,167	\$ 1,041

Amounts Attributable to PPL Shareowners:

Income from Continuing Operations After Income Taxes	\$ 355	\$ 444	\$ 1,173	\$ 1,039
Income (Loss) from Discontinued Operations (net of income taxes)			(6)	2
Net Income	\$ 355	\$ 444	\$ 1,167	\$ 1,041

Earnings Per Share of Common Stock:

Income from Continuing Operations After Income Taxes Available to PPL				
Common Shareowners:				
Basic	\$ 0.61	\$ 0.76	\$ 2.01	\$ 1.91
Diluted	\$ 0.61	\$ 0.76	\$ 2.01	\$ 1.91
Net Income Available to PPL Common Shareowners:				
Basic	\$ 0.61	\$ 0.76	\$ 2.00	\$ 1.92
Diluted	\$ 0.61	\$ 0.76	\$ 2.00	\$ 1.91
Dividends Declared Per Share of Common Stock	\$ 0.36	\$ 0.35	\$ 1.08	\$ 1.05

Weighted-Average Shares of Common Stock

Outstanding (in thousands)				
Basic	580,585	577,595	579,847	541,135
Diluted	582,636	578,054	580,930	541,480

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	\$ 355	\$ 449	\$ 1,171	\$ 1,054
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense)				
benefit:				
Foreign currency translation adjustments, net of tax of \$1, (\$2), \$1, (\$1)	152	(4)	49	156
Available-for-sale securities, net of tax of (\$14), \$28, (\$34), \$15	13	(26)	28	(13)
Qualifying derivatives, net of tax of \$14, (\$19), (\$41), (\$30)	(41)	41	27	48
Equity investees' other comprehensive income (loss), net of tax of \$0, \$0, \$2, \$0			(3)	(1)
Defined benefit plans:				
Net actuarial gain (loss), net of tax of \$0, \$0, \$28, \$0		1	(85)	1
Reclassifications to net income - (gains) losses, net of tax expense				
(benefit):				
Available-for-sale securities, net of tax of \$0, \$0, \$3, \$5		2	(4)	(6)
Qualifying derivatives, net of tax of \$51, \$57, \$222, \$163	(61)	(94)	(323)	(252)
Equity investees' other comprehensive (income) loss, net of tax of \$0, \$0, \$0, \$0				3
Defined benefit plans:				
Prior service costs, net of tax of (\$1), (\$2), (\$4), (\$5)	1	2	6	7
Net actuarial loss, net of tax of (\$6), (\$4), (\$17), (\$14)	17	13	54	36
Total other comprehensive income (loss) attributable to PPL				
Shareowners	81	(65)	(251)	(21)
Comprehensive income (loss)	436	384	920	1,033
Comprehensive income attributable to noncontrolling interests		5	4	13

Comprehensive income (loss) attributable to PPL

Shareowners	\$	436	\$	379	\$	916	\$	1,020
-------------	----	-----	----	-----	----	-----	----	-------

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

4

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Nine Months Ended September 30,	
	2012	2011
Cash Flows from Operating Activities		
Net income	\$ 1,171	\$ 1,054
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	813	697
Amortization	144	180
Defined benefit plans - expense	123	165
Deferred income taxes and investment tax credits	298	403
Unrealized (gains) losses on derivatives, and other hedging activities	21	(190)
Other	34	110
Change in current assets and current liabilities		
Accounts receivable	19	(134)
Accounts payable	(175)	(164)
Unbilled revenues	121	236
Prepayments	(11)	286
Counterparty collateral	13	(273)
Taxes	29	(64)
Accrued interest	43	111
Other	15	87
Other operating activities		
Defined benefit plans - funding	(526)	(565)
Other assets	1	(22)
Other liabilities	(39)	(71)
Net cash provided by operating activities	2,094	1,846
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(2,078)	(1,685)
Proceeds from the sale of certain non-core generation facilities		381
Ironwood Acquisition, net of cash acquired	(84)	
Acquisition of WPD Midlands		(5,763)
Purchases of nuclear plant decommissioning trust investments	(112)	(144)
Proceeds from the sale of nuclear plant decommissioning trust investments	102	134
Proceeds from the sale of other investments	20	163
Net (increase) decrease in restricted cash and cash equivalents	62	(51)
Other investing activities	(26)	(74)
Net cash provided by (used in) investing activities	(2,116)	(7,039)
Cash Flows from Financing Activities		
Issuance of long-term debt	824	5,245
Retirement of long-term debt	(105)	(708)
Issuance of common stock	54	2,281

Edgar Filing: KENTUCKY UTILITIES CO - Form 10-Q

Payment of common stock dividends	(623)	(543)
Redemption of preference stock of a subsidiary	(250)	
Debt issuance and credit facility costs	(10)	(84)
Contract adjustment payments	(71)	(49)
Net increase (decrease) in short-term debt	(51)	(322)
Other financing activities	(8)	(16)
Net cash provided by (used in) financing activities	(240)	5,804
Effect of Exchange Rates on Cash and Cash Equivalents	6	(25)
Net Increase (Decrease) in Cash and Cash Equivalents	(256)	586
Cash and Cash Equivalents at Beginning of Period	1,202	925
Cash and Cash Equivalents at End of Period	\$ 946	\$ 1,511

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

CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2012	December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 946	\$ 1,202
Short-term investments		16
Restricted cash and cash equivalents	88	152
Accounts receivable (less reserve: 2012, \$63; 2011, \$54)		
Customer	763	736
Other	51	91
Unbilled revenues	711	830
Fuel, materials and supplies	663	654
Prepayments	167	160
Price risk management assets	1,768	2,548
Regulatory assets	21	9
Other current assets	49	28
Total Current Assets	5,227	6,426
Investments		
Nuclear plant decommissioning trust funds	711	640
Other investments	67	78
Total Investments	778	718
Property, Plant and Equipment		
Regulated utility plant	24,415	22,994
Less: accumulated depreciation - regulated utility plant	4,011	3,534
Regulated utility plant, net	20,404	19,460
Non-regulated property, plant and equipment		
Generation	11,190	10,514
Nuclear fuel	524	457
Other	698	637
Less: accumulated depreciation - non-regulated property, plant and equipment	5,875	5,676
Non-regulated property, plant and equipment, net	6,537	5,932
Construction work in progress	2,106	1,874
Property, Plant and Equipment, net (a)	29,047	27,266
Other Noncurrent Assets		
Regulatory assets	1,323	1,349
Goodwill	4,130	4,114
Other intangibles (a)	913	1,065
Price risk management assets	860	920
Other noncurrent assets	962	790
Total Other Noncurrent Assets	8,188	8,238

Edgar Filing: KENTUCKY UTILITIES CO - Form 10-Q

Total Assets	\$	43,240	\$	42,648
--------------	----	--------	----	--------

(a) At September 30, 2012 and December 31, 2011, includes \$428 million and \$416 million of PP&E, consisting primarily of "Generation," including leasehold improvements, and \$10 million and \$11 million of "Other intangibles" from the consolidation of a VIE that is the owner/lessor of the Lower Mt. Bethel plant.

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

CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2012	December 31, 2011
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 526	\$ 578
Long-term debt due within one year	313	
Accounts payable	1,071	1,214
Taxes	95	65
Interest	335	287
Dividends	210	207
Price risk management liabilities	1,184	1,570
Regulatory liabilities	65	73
Other current liabilities	1,088	1,261
Total Current Liabilities	4,887	5,255
Long-term Debt	18,711	17,993
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	3,705	3,326
Investment tax credits	315	285
Price risk management liabilities	884	840
Accrued pension obligations	1,086	1,313
Asset retirement obligations	500	484
Regulatory liabilities	999	1,010
Other deferred credits and noncurrent liabilities	921	1,046
Total Deferred Credits and Other Noncurrent Liabilities	8,410	8,304
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
PPL Shareowners' Common Equity		
Common stock - \$0.01 par value (a)	6	6
Additional paid-in capital	6,912	6,813
Earnings reinvested	5,335	4,797
Accumulated other comprehensive loss	(1,039)	(788)
Total PPL Shareowners' Common Equity	11,214	10,828
Noncontrolling Interests	18	268
Total Equity	11,232	11,096
Total Liabilities and Equity	\$ 43,240	\$ 42,648

(a) 780,000 shares authorized; 580,970 and 578,405 shares issued and outstanding at September 30, 2012 and December 31, 2011.

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

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	PPL Shareowners							Total
	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Non- controlling interests		
June 30, 2012	580,213	\$ 6	\$ 6,886	\$ 5,190	\$ (1,120)	\$ 18	\$ 10,980	
Common stock issued (b)	757		21				21	
Stock-based compensation (c)			5				5	
Net income				355			355	
Dividends, dividend equivalents, redemptions and distributions (e)				(210)			(210)	
Other comprehensive income (loss)					81		81	
September 30, 2012	580,970	\$ 6	\$ 6,912	\$ 5,335	\$ (1,039)	\$ 18	\$ 11,232	
December 31, 2011	578,405	\$ 6	\$ 6,813	\$ 4,797	\$ (788)	\$ 268	\$ 11,096	
Common stock issued (b)	2,565		71				71	
Stock-based compensation (c)			28				28	
Net income				1,167		4	1,171	
Dividends, dividend equivalents, redemptions and distributions (e)				(629)		(254)	(883)	

Edgar Filing: KENTUCKY UTILITIES CO - Form 10-Q

Other comprehensive income (loss)						(251)		(251)			
September 30, 2012	580,970	\$	6	\$	6,912	\$	5,335	\$ (1,039)	18	\$	11,232
June 30, 2011	577,265	\$	6	\$	6,774	\$	4,306	\$ (435)	268	\$	10,919
Common stock issued (b)	579				16						16
Stock-based compensation (c)					5						5
Net income							444		5		449
Dividends, dividend equivalents and distributions (e)							(203)		(5)		(208)
Other comprehensive income (loss)									(65)		(65)
September 30, 2011	577,844	\$	6	\$	6,795	\$	4,547	\$ (500)	268	\$	11,116
December 31, 2010	483,391	\$	5	\$	4,602	\$	4,082	\$ (479)	268	\$	8,478
Common stock issued (b)	94,453		1		2,328						2,329
Purchase Contracts (d)					(141)						(141)
Stock-based compensation (c)					6						6
Net income							1,041		13		1,054
Dividends, dividend equivalents and distributions (e)							(576)		(13)		(589)
Other comprehensive income (loss)									(21)		(21)
September 30, 2011	577,844	\$	6	\$	6,795	\$	4,547	\$ (500)	268	\$	11,116

- (a) Shares in thousands. Each share entitles the holder to one vote on any question presented at any shareowners' meeting.
- (b) Each period includes shares of common stock issued through various stock and incentive compensation plans. The nine months ended September 30, 2011 includes the April issuance of 92 million shares of common stock.
- (c) The three and nine months ended September 30, 2012 include \$7 million and \$42 million and the three and nine months ended September 30, 2011 include \$5 million and \$27 million of stock-based compensation expense related to new and existing unvested equity awards. The three and nine months ended September 30, 2012 include \$(2) million and \$(14) million and the nine months ended September 30, 2011 includes \$(21) million related primarily to the reclassification from "Stock-based compensation" to "Common stock issued" for the issuance of common stock after applicable equity award vesting periods and tax adjustments related to stock-based compensation.
- (d) The nine months ended September 30, 2011 include \$123 million for the 2011 Purchase Contracts and \$18 million of related fees and expenses, net of tax.
- (e) "Earnings reinvested" includes dividends and dividend equivalents on PPL Corporation common stock and restricted stock units. "Noncontrolling interests" includes dividends, redemptions and distributions to noncontrolling interests. In June 2012, PPL Electric redeemed all of its outstanding preference stock at par value, \$250 million in the aggregate. See Note 7 for additional information.

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

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

PPL Energy Supply, LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Operating Revenues				
Wholesale energy marketing				
Realized	\$ 1,076	\$ 907	\$ 3,367	\$ 2,677
Unrealized economic activity (Note 14)	(716)	216	(322)	229
Wholesale energy marketing to affiliate	23	5	61	15
Unregulated retail electric and gas	219	190	623	518
Net energy trading margins	(11)	(7)	7	14
Energy-related businesses	128	130	336	354
Total Operating Revenues	719	1,441	4,072	3,807
Operating Expenses				
Operation				
Fuel	321	358	728	826
Energy purchases				
Realized	421	161	1,715	701
Unrealized economic activity (Note 14)	(569)	176	(420)	49
Energy purchases from affiliate	1	1	2	3
Other operation and maintenance	220	208	769	741
Depreciation	73	62	206	181
Taxes, other than income	18	18	53	50
Energy-related businesses	125	130	326	350
Total Operating Expenses	610	1,114	3,379	2,901
Operating Income	109	327	693	906
Other Income (Expense) - net	4	2	14	20
Other-Than-Temporary Impairments		5	1	6
Interest Income from Affiliates	1	2	2	6
Interest Expense	43	52	123	150
Income from Continuing Operations Before Income Taxes	71	274	585	776
Income Taxes	16	104	202	305
Income from Continuing Operations After Income Taxes	55	170	383	471

Edgar Filing: KENTUCKY UTILITIES CO - Form 10-Q

Income (Loss) from Discontinued Operations (net of income taxes)					2
Net Income	55	170	383	473	
Net Income Attributable to Noncontrolling Interests	1	1	1	1	
Net Income Attributable to PPL Energy Supply Member	\$ 54	\$ 169	\$ 382	\$ 472	
Amounts Attributable to PPL Energy Supply Member:					
Income from Continuing Operations After Income Taxes	\$ 54	\$ 169	\$ 382	\$ 470	
Income (Loss) from Discontinued Operations (net of income taxes)					2
Net Income	\$ 54	\$ 169	\$ 382	\$ 472	

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

PPL Energy Supply, LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net income	\$ 55	\$ 170	\$ 383	\$ 473
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Available-for-sale securities, net of tax of (\$14), \$28, (\$34), \$15	13	(26)	28	(13)
Qualifying derivatives, net of tax of (\$1), (\$27), (\$53), (\$48)	(1)	39	46	68
Defined benefit plans:				
Net actuarial gain (loss), net of tax of \$0, \$0, \$0, \$0		1		1
Reclassifications to net income - (gains) losses, net of tax expense (benefit):				
Available-for-sale securities, net of tax of \$0, \$0, \$3, \$5		2	(4)	(6)
Qualifying derivatives, net of tax of \$62, \$50, \$230, \$153	(92)	(73)	(339)	(220)
Equity investee's other comprehensive (income) loss, net of tax of \$0, \$0, \$0, \$0				3
Defined benefit plans:				
Prior service costs, net of tax of (\$1), (\$1), (\$2), (\$3)	1	1	4	3
Net actuarial loss, net of tax of (\$1), (\$1), (\$1), (\$2)	2	1	8	3
Total other comprehensive income (loss) attributable to PPL Energy Supply Member	(77)	(55)	(257)	(161)
Comprehensive income (loss)	(22)	115	126	312
Comprehensive income attributable to noncontrolling interests	1	1	1	1
Comprehensive income (loss) attributable to PPL Energy Supply Member	\$ (23)	\$ 114	\$ 125	\$ 311

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

PPL Energy Supply, LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Nine Months Ended September 30,	
	2012	2011
Cash Flows from Operating Activities		
Net income	\$ 383	\$ 473
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	206	182
Amortization	93	96
Defined benefit plans - expense	33	26
Deferred income taxes and investment tax credits	132	226
Unrealized (gains) losses on derivatives, and other hedging activities	(37)	(155)
Other	33	42
Change in current assets and current liabilities		
Accounts receivable	(26)	(43)
Accounts payable	(110)	(163)
Unbilled revenues	78	116
Counterparty collateral	12	(273)
Other	(48)	92
Other operating activities		
Defined benefit plans - funding	(70)	(136)
Other assets	(16)	(31)
Other liabilities	11	(12)
Net cash provided by operating activities	674	440
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(460)	(499)
Proceeds from the sale of certain non-core generation facilities		381
Ironwood Acquisition, net of cash acquired	(84)	
Expenditures for intangible assets	(36)	(45)
Purchases of nuclear plant decommissioning trust investments	(112)	(144)
Proceeds from the sale of nuclear plant decommissioning trust investments	102	134
Net (increase) decrease in notes receivable from affiliates	198	
Net (increase) decrease in restricted cash and cash equivalents	70	(36)
Other investing activities	14	7
Net cash provided by (used in) investing activities	(308)	(202)
Cash Flows from Financing Activities		
Retirement of long-term debt	(6)	(250)
Contributions from member	472	361
Distributions to member	(733)	(209)
Cash included in net assets of subsidiary distributed to member		(325)

Edgar Filing: KENTUCKY UTILITIES CO - Form 10-Q

Net increase (decrease) in short-term debt	(45)	(100)
Other financing activities	(1)	(1)
Net cash provided by (used in) financing activities	(313)	(524)
Net Increase (Decrease) in Cash and Cash Equivalents	53	(286)
Cash and Cash Equivalents at Beginning of Period	379	661
Cash and Cash Equivalents at End of Period	\$ 432	\$ 375

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

CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Energy Supply, LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	September 30, 2012	December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 432	\$ 379
Restricted cash and cash equivalents	80	145
Accounts receivable (less reserve: 2012, \$23; 2011, \$15)		
Customer	190	169
Other	25	31
Accounts receivable from affiliates	101	89
Unbilled revenues	324	402
Notes receivable from affiliates		198
Fuel, materials and supplies	318	298
Prepayments	20	14
Price risk management assets	1,767	2,527
Other current assets	6	11
Total Current Assets	3,263	4,263
Investments		
Nuclear plant decommissioning trust funds	711	640
Other investments	43	40
Total Investments	754	680
Property, Plant and Equipment		
Non-regulated property, plant and equipment		
Generation	11,199	10,517
Nuclear fuel	524	457
Other	260	245
Less: accumulated depreciation - non-regulated property, plant and equipment	5,750	5,573
Non-regulated property, plant and equipment, net	6,233	5,646
Construction work in progress	935	840
Property, Plant and Equipment, net (a)	7,168	6,486
Other Noncurrent Assets		
Goodwill	86	86
Other intangibles (a)	249	386
Price risk management assets	837	896
Other noncurrent assets	379	382
Total Other Noncurrent Assets	1,551	1,750
Total Assets	\$ 12,736	\$ 13,179

(a)

Edgar Filing: KENTUCKY UTILITIES CO - Form 10-Q

At September 30, 2012 and December 31, 2011, includes \$428 million and \$416 million of PP&E, consisting primarily of "Generation," including leasehold improvements, and \$10 million and \$11 million of "Other intangibles" from the consolidation of a VIE that is the owner/lessor of the Lower Mt. Bethel plant.

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

CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Energy Supply, LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	September 30, 2012	December 31, 2011
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 355	\$ 400
Long-term debt due within one year	313	
Accounts payable	384	472
Accounts payable to affiliates	1	14
Taxes	62	90
Interest	55	30
Price risk management liabilities	1,141	1,560
Counterparty collateral	160	148
Deferred income taxes	190	315
Other current liabilities	209	196
Total Current Liabilities	2,870	3,225
Long-term Debt	2,962	3,024
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,301	1,223
Investment tax credits	171	136
Price risk management liabilities	806	785
Accrued pension obligations	161	214
Asset retirement obligations	360	349
Other deferred credits and noncurrent liabilities	204	186
Total Deferred Credits and Other Noncurrent Liabilities	3,003	2,893
Commitments and Contingent Liabilities (Note 10)		
Equity		
Member's equity	3,883	4,019
Noncontrolling interests	18	18
Total Equity	3,901	4,037
Total Liabilities and Equity	\$ 12,736	\$ 13,179

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

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

PPL Energy Supply, LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Member's equity	Non- controlling interests	Total
June 30, 2012	\$ 3,982	\$ 18	\$ 4,000
Net income	54	1	55
Other comprehensive income (loss)	(77)		(77)
Distributions	(76)	(1)	(77)
September 30, 2012	\$ 3,883	\$ 18	\$ 3,901
December 31, 2011	\$ 4,019	\$ 18	\$ 4,037
Net income	382	1	383
Other comprehensive income (loss)	(257)		(257)
Contributions from member	472		472
Distributions	(733)	(1)	(734)
September 30, 2012	\$ 3,883	\$ 18	\$ 3,901
June 30, 2011	\$ 3,434	\$ 18	\$ 3,452
Net income	169	1	170
Other comprehensive income (loss)	(55)		(55)
Contributions from member	193		193
Distributions	(75)	(1)	(76)
September 30, 2011	\$ 3,666	\$ 18	\$ 3,684
December 31, 2010	\$ 4,491	\$ 18	\$ 4,509
Net income	472	1	473
Other comprehensive income (loss)	(161)		(161)
Contributions from member	361		361
Distributions	(209)	(1)	(210)
Distribution of membership interest in PPL Global (a)	(1,288)		(1,288)
September 30, 2011	\$ 3,666	\$ 18	\$ 3,684

(a) In January 2011, PPL Energy Supply distributed its entire membership interest in PPL Global to PPL Energy Supply's parent, PPL Energy Funding. The distribution was made based on the book value of the assets and liabilities of PPL Global with financial effect as of January 1, 2011, and no gains or losses were recognized on the distribution.

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

(THIS PAGE LEFT BLANK INTENTIONALLY.)

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Operating Revenues				
Retail electric	\$ 443	\$ 454	\$ 1,303	\$ 1,444
Electric revenue from affiliate	1	1	3	9
Total Operating Revenues	444	455	1,306	1,453
Operating Expenses				
Operation				
Energy purchases	137	171	410	591
Energy purchases from affiliate	23	5	61	15
Other operation and maintenance	148	146	431	402
Depreciation	41	38	119	108
Taxes, other than income	24	26	72	83
Total Operating Expenses	373	386	1,093	1,199
Operating Income	71	69	213	254
Other Income (Expense) - net	3	3	6	4
Interest Expense	25	26	73	74
Income Before Income Taxes	49	46	146	184
Income Taxes	16	14	47	56
Net Income (a)	33	32	99	128
Distributions on Preference Stock		4	4	12
Net Income Available to PPL	\$ 33	\$ 28	\$ 95	\$ 116

(a) Net income approximates comprehensive income.

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Nine Months Ended September 30,	
	2012	2011
Cash Flows from Operating Activities		
Net income	\$ 99	\$ 128
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	119	108
Amortization	13	5
Defined benefit plans - expense	17	13
Deferred income taxes and investment tax credits	72	9
Other	3	2
Change in current assets and current liabilities		
Accounts receivable	48	(5)
Accounts payable	(43)	(105)
Unbilled revenues	18	53
Prepayments	2	58
Regulatory assets and liabilities	(1)	95
Taxes		19
Other	(5)	(7)
Other operating activities		
Defined benefit plans - funding	(54)	(102)
Other assets		(1)
Other liabilities	(27)	(9)
Net cash provided by (used in) operating activities	261	261
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(407)	(357)
Net (increase) decrease in notes receivable from affiliates	(210)	
Other investing activities	3	4
Net cash provided by (used in) investing activities	(614)	(353)
Cash Flows from Financing Activities		
Issuance of long-term debt	249	645
Retirement of long-term debt		(458)
Contributions from parent	150	56
Redemption of preference stock	(250)	
Payment of common stock dividends to parent	(75)	(76)
Other financing activities	(10)	(18)
Net cash provided by (used in) financing activities	64	149

Edgar Filing: KENTUCKY UTILITIES CO - Form 10-Q

Net Increase (Decrease) in Cash and Cash Equivalents	(289)	57
Cash and Cash Equivalents at Beginning of Period	320	204
Cash and Cash Equivalents at End of Period	\$ 31	\$ 261

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

CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2012	December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 31	\$ 320
Accounts receivable (less reserve: 2012, \$17; 2011, \$17)		
Customer	259	271
Other	6	9
Accounts receivable from affiliates	3	35
Notes receivable from affiliates	210	
Unbilled revenues	80	98
Materials and supplies	38	42
Prepayments	76	78
Other current assets	30	30
Total Current Assets	733	883
Property, Plant and Equipment		
Regulated utility plant	6,104	5,830
Less: accumulated depreciation - regulated utility plant	2,300	2,217
Regulated utility plant, net	3,804	3,613
Other, net	2	2
Construction work in progress	348	242
Property, Plant and Equipment, net	4,154	3,857
Other Noncurrent Assets		
Regulatory assets	733	729
Intangibles	164	155
Other noncurrent assets	82	81
Total Other Noncurrent Assets	979	965
Total Assets	\$ 5,866	\$ 5,705

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

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

	September 30, 2012	December 31, 2011
Liabilities and Equity		
Current Liabilities		
Accounts payable	\$ 173	\$ 171
Accounts payable to affiliates	57	64
Interest	19	24
Regulatory liabilities	52	53
Customer deposits and prepayments	26	39
Vacation	23	22
Other current liabilities	50	47
Total Current Liabilities	400	420
Long-term Debt	1,967	1,718
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,187	1,115
Investment tax credits	4	5
Accrued pension obligations	142	186
Regulatory liabilities	12	7
Other deferred credits and noncurrent liabilities	109	129
Total Deferred Credits and Other Noncurrent Liabilities	1,454	1,442
Commitments and Contingent Liabilities (Notes 6 and 10)		
Shareowners' Equity		
Preference stock		250
Common stock - no par value (a)	364	364
Additional paid-in capital	1,129	979
Earnings reinvested	552	532
Total Equity	2,045	2,125
Total Liabilities and Equity	\$ 5,866	\$ 5,705

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at September 30, 2012 and December 31, 2011.

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

CONDENSED CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Common stock shares outstanding (a)	Preference stock	Common stock	Additional paid-in capital	Earnings reinvested	Total
June 30, 2012	66,368	\$	\$ 364	\$ 979	\$ 538	\$ 1,881
Net income					33	33
Capital contributions from PPL				150		150
Cash dividends declared on common stock					(19)	(19)
September 30, 2012	66,368	\$	\$ 364	\$ 1,129	\$ 552	\$ 2,045
December 31, 2011	66,368	\$ 250	\$ 364	\$ 979	\$ 532	\$ 2,125
Net income					99	99
Redemption of preference stock (b)		(250)				(250)
Capital contributions from PPL				150		150
Cash dividends declared on preference stock					(4)	(4)
Cash dividends declared on common stock					(75)	(75)
September 30, 2012	66,368	\$	\$ 364	\$ 1,129	\$ 552	\$ 2,045
June 30, 2011	66,368	\$ 250	\$ 364	\$ 879	\$ 487	\$ 1,980
Net income					32	32
Capital contributions from PPL				56		56
Cash dividends declared on preference stock					(4)	(4)
Cash dividends declared on common stock					(24)	(24)
September 30, 2011	66,368	\$ 250	\$ 364	\$ 935	\$ 491	\$ 2,040
December 31, 2010	66,368	\$ 250	\$ 364	\$ 879	\$ 451	\$ 1,944
Net income					128	128
Capital contributions from PPL				56		56
Cash dividends declared on preference stock					(12)	(12)
Cash dividends declared on common stock					(76)	(76)
September 30, 2011	66,368	\$ 250	\$ 364	\$ 935	\$ 491	\$ 2,040

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

(b) In June 2012, PPL Electric redeemed all of its outstanding preference stock. See Note 7 for additional information.

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

(THIS PAGE LEFT BLANK INTENTIONALLY.)

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,	
	2012	2011	2012	2011
Operating Revenues	\$ 732	\$ 736	\$ 2,095	\$ 2,140
Operating Expenses				
Operation				
Fuel	249	245	677	666
Energy purchases	27	32	135	179
Other operation and maintenance	186	187	589	566
Depreciation	87	84	259	249
Taxes, other than income	11	10	34	28
Total Operating Expenses	560	558	1,694	1,688
Operating Income	172	178	401	452
Other Income (Expense) - net	(4)		(14)	(1)
Interest Expense	37	36	112	108
Income from Continuing Operations Before Income Taxes	131	142	275	343
Income Taxes	48	52	89	125
Income from Continuing Operations After Income Taxes	83	90	186	218
Income (Loss) from Discontinued Operations (net of income taxes)		(1)	(6)	(1)
Net Income (a)	\$ 83	\$ 89	\$ 180	\$ 217

(a) Net income approximates comprehensive income.

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

LG&E and KU Energy LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Nine Months Ended September 30,	
	2012	2011
Cash Flows from Operating Activities		
Net income	\$ 180	\$ 217
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	259	249
Amortization	20	20
Defined benefit plans - expense	30	38
Deferred income taxes and investment tax credits	92	206
Other	(5)	(14)
Change in current assets and current liabilities		
Accounts receivable	(25)	1
Accounts payable	4	(28)
Unbilled revenues	26	58
Fuel, materials and supplies	4	30
Income tax receivable	3	40
Taxes	51	2
Other	48	19
Other operating activities		
Defined benefit plans - funding	(66)	(159)
Other assets	(3)	(8)
Other liabilities	28	12
Net cash provided by operating activities	646	683
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(525)	(296)
Proceeds from the sale of other investments		163
Net (increase) decrease in notes receivable from affiliates	9	8
Net (increase) decrease in restricted cash and cash equivalents	(3)	(11)
Net cash provided by (used in) investing activities	(519)	(136)
Cash Flows from Financing Activities		
Issuance of long-term debt		250
Net increase (decrease) in short-term debt		(163)
Debt issuance and credit facility costs	(1)	(6)
Distributions to member	(95)	(469)
Net cash provided by (used in) financing activities	(96)	(388)
Net Increase (Decrease) in Cash and Cash Equivalents	31	159
Cash and Cash Equivalents at Beginning of Period	59	11
Cash and Cash Equivalents at End of Period	\$ 90	\$ 170

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

CONDENSED CONSOLIDATED BALANCE SHEETS

LG&E and KU Energy LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	September 30, 2012	December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 90	\$ 59
Accounts receivable (less reserve: 2012, \$19; 2011, \$17)		
Customer	158	129
Other	10	20
Unbilled revenues	120	146
Fuel, materials and supplies	278	283
Prepayments	21	22
Notes receivable from affiliates	6	15
Income taxes receivable		3
Deferred income taxes	148	17
Regulatory assets	21	9
Other current assets	6	3
Total Current Assets	858	706
Investments	20	31
Property, Plant and Equipment		
Regulated utility plant	7,865	7,519
Less: accumulated depreciation - regulated utility plant	458	277
Regulated utility plant, net	7,407	7,242
Other, net	3	2
Construction work in progress	650	557
Property, Plant and Equipment, net	8,060	7,801
Other Noncurrent Assets		
Regulatory assets	590	620
Goodwill	996	996
Other intangibles	278	314
Other noncurrent assets	114	108
Total Other Noncurrent Assets	1,978	2,038
Total Assets	\$ 10,916	\$ 10,576

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

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

	September 30, 2012	December 31, 2011
Liabilities and Equity		
Current Liabilities		
Accounts payable	\$ 206	\$ 224
Accounts payable to affiliates	2	2
Customer deposits	47	45
Taxes	76	25
Regulatory liabilities	13	20
Interest	51	23
Salaries and benefits	67	59
Other current liabilities	47	35
Total Current Liabilities	509	433
Long-term Debt	4,074	4,073
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	645	413
Investment tax credits	140	144
Accrued pension obligations	316	359
Asset retirement obligations	118	116
Regulatory liabilities	987	1,003
Price risk management liabilities	57	55
Other deferred credits and noncurrent liabilities	248	239
Total Deferred Credits and Other Noncurrent Liabilities	2,511	2,329
Commitments and Contingent Liabilities (Notes 6 and 10)		
Member's equity	3,822	3,741
Total Liabilities and Equity	\$ 10,916	\$ 10,576

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

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

LG&E and KU Energy LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

		Member's Equity
June 30, 2012	\$	3,774
Net income		83
Distributions to member		(35)
September 30, 2012	\$	3,822
December 31, 2011	\$	3,741
Net income		180
Distributions to member		(95)
Other comprehensive income (loss)		(4)
September 30, 2012	\$	3,822
June 30, 2011	\$	3,991
Net income		89
Distributions to member		(323)
September 30, 2011	\$	3,757
December 31, 2010	\$	4,011
Net income		217
Distributions to member		(469)
Other comprehensive income (loss)		(2)
September 30, 2011	\$	3,757

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

(THIS PAGE LEFT BLANK INTENTIONALLY.)

CONDENSED STATEMENTS OF INCOME

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Operating Revenues				
Retail and wholesale	\$ 324	\$ 323	\$ 939	\$ 974
Electric revenue from affiliate	9	17	51	61
Total Operating Revenues	333	340	990	1,035
Operating Expenses				
Operation				
Fuel	100	98	281	265
Energy purchases	18	24	110	155
Energy purchases from affiliate	3	7	9	25
Other operation and maintenance	87	91	277	272
Depreciation	38	37	114	110
Taxes, other than income	6	5	17	14
Total Operating Expenses	252	262	808	841
Operating Income	81	78	182	194
Other Income (Expense) - net	(3)		(3)	
Interest Expense	10	11	31	34
Income Before Income Taxes	68	67	148	160
Income Taxes	25	24	54	58
Net Income (a)	\$ 43	\$ 43	\$ 94	\$ 102

(a) Net income approximates comprehensive income.

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

CONDENSED STATEMENTS OF CASH FLOWS

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars)

	Nine Months Ended September 30,	
	2012	2011
Cash Flows from Operating Activities		
Net income	\$ 94	\$ 102
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	114	110
Amortization	8	9
Defined benefit plans - expense	14	16
Deferred income taxes and investment tax credits	40	38
Other	(11)	2
Change in current assets and current liabilities		
Accounts receivable	(5)	21
Accounts payable	2	(16)
Unbilled revenues	16	39
Fuel, materials and supplies	(10)	16
Taxes	21	9
Other	13	3
Other operating activities		
Defined benefit plans - funding	(26)	(68)
Other assets	(2)	(7)
Other liabilities	(1)	5
Net cash provided by operating activities	267	279
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(193)	(127)
Proceeds from the sale of other investments		163
Net (increase) decrease in restricted cash and cash equivalents	(3)	(11)
Net cash provided by (used in) investing activities	(196)	25
Cash Flows from Financing Activities		
Net increase (decrease) in notes payable with affiliates		(12)
Net increase (decrease) in short-term debt		(163)
Debt issuance and credit facility costs	(1)	(1)
Payment of common stock dividends to parent	(47)	(55)
Net cash provided by (used in) financing activities	(48)	(231)
Net Increase (Decrease) in Cash and Cash Equivalents	23	73
Cash and Cash Equivalents at Beginning of Period	25	2
Cash and Cash Equivalents at End of Period	\$ 48	\$ 75

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

CONDENSED BALANCE SHEETS

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2012	December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 48	\$ 25
Accounts receivable (less reserve: 2012, \$1; 2011, \$2)		
Customer	68	60
Other	5	9
Unbilled revenues	49	65
Accounts receivable from affiliates	12	11
Fuel, materials and supplies	152	142
Prepayments	6	7
Income taxes receivable		4
Deferred income taxes	2	2
Regulatory assets	17	9
Total Current Assets	359	334
Property, Plant and Equipment		
Regulated utility plant	3,142	2,956
Less: accumulated depreciation - regulated utility plant	196	116
Regulated utility plant, net	2,946	2,840
Other, net	1	
Construction work in progress	186	215
Property, Plant and Equipment, net	3,133	3,055
Other Noncurrent Assets		
Regulatory assets	384	403
Goodwill	389	389
Other intangibles	149	166
Other noncurrent assets	44	40
Total Other Noncurrent Assets	966	998
Total Assets	\$ 4,458	\$ 4,387

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

CONDENSED BALANCE SHEETS

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2012	December 31, 2011
Liabilities and Equity		
Current Liabilities		
Accounts payable	\$ 89	\$ 94
Accounts payable to affiliates	24	26
Customer deposits	23	22
Taxes	34	13
Regulatory liabilities	5	10
Interest	11	6
Salaries and benefits	18	14
Other current liabilities	14	14
Total Current Liabilities	218	199
Long-term Debt	1,112	1,112
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	520	475
Investment tax credits	41	43
Accrued pension obligations	71	95
Asset retirement obligations	55	55
Regulatory liabilities	467	478
Price risk management liabilities	57	55
Other deferred credits and noncurrent liabilities	108	113
Total Deferred Credits and Other Noncurrent Liabilities	1,319	1,314
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	424	424
Additional paid-in capital	1,278	1,278
Earnings reinvested	107	60
Total Equity	1,809	1,762
Total Liabilities and Equity	\$ 4,458	\$ 4,387

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at September 30, 2012 and December 31, 2011.

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

CONDENSED STATEMENTS OF EQUITY

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars)

	Common stock shares outstanding (a)		Common stock		Additional paid-in capital		Earnings reinvested		Total
June 30, 2012	21,294	\$	424	\$	1,278	\$	80	\$	1,782
Net income							43		43
Cash dividends declared on common stock							(16)		(16)
September 30, 2012	21,294	\$	424	\$	1,278	\$	107	\$	1,809
December 31, 2011	21,294	\$	424	\$	1,278	\$	60	\$	1,762
Net income							94		94
Cash dividends declared on common stock							(47)		(47)
September 30, 2012	21,294	\$	424	\$	1,278	\$	107	\$	1,809
June 30, 2011	21,294	\$	424	\$	1,278	\$	36	\$	1,738
Net income							43		43
Cash dividends declared on common stock							(13)		(13)
September 30, 2011	21,294	\$	424	\$	1,278	\$	66	\$	1,768
December 31, 2010	21,294	\$	424	\$	1,278	\$	19	\$	1,721
Net income							102		102
Cash dividends declared on common stock							(55)		(55)
September 30, 2011	21,294	\$	424	\$	1,278	\$	66	\$	1,768

(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.

(THIS PAGE LEFT BLANK INTENTIONALLY.)

CONDENSED STATEMENTS OF INCOME

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Operating Revenues				
Retail and wholesale	\$ 408	\$ 413	\$ 1,156	\$ 1,166
Electric revenue from affiliate	3	7	9	25
Total Operating Revenues	411	420	1,165	1,191
Operating Expenses				
Operation				
Fuel	149	147	396	401
Energy purchases	9	8	25	24
Energy purchases from affiliate	9	17	51	61
Other operation and maintenance	93	90	286	274
Depreciation	49	47	145	139
Taxes, other than income	5	5	17	14
Total Operating Expenses	314	314	920	913
Operating Income	97	106	245	278
Other Income (Expense) - net	1		(5)	1
Interest Expense	18	18	52	53
Income Before Income Taxes	80	88	188	226
Income Taxes	30	32	70	82
Net Income (a)	\$ 50	\$ 56	\$ 118	\$ 144

(a) Net income approximates comprehensive income.

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

CONDENSED STATEMENTS OF CASH FLOWS

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars)

	Nine Months Ended September 30,	
	2012	2011
Cash Flows from Operating Activities		
Net income	\$ 118	\$ 144
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	145	139
Amortization	9	10
Defined benefit plans - expense	9	11
Deferred income taxes and investment tax credits	78	78
Other	1	(16)
Change in current assets and current liabilities		
Accounts receivable	(34)	8
Accounts payable	9	5
Accounts payable to affiliates	(4)	(21)
Unbilled revenues	10	19
Fuel, materials and supplies	16	14
Taxes	26	(5)
Other	32	15
Other operating activities		
Defined benefit plans - funding	(20)	(46)
Other assets	(1)	(1)
Other liabilities	16	5
Net cash provided by operating activities	410	359
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(331)	(168)
Net cash provided by (used in) investing activities	(331)	(168)
Cash Flows from Financing Activities		
Net increase (decrease) in notes payable with affiliates		(10)
Debt issuance and credit facility costs		(2)
Payment of common stock dividends to parent	(68)	(88)
Net cash provided by (used in) financing activities	(68)	(100)
Net Increase (Decrease) in Cash and Cash Equivalents	11	91
Cash and Cash Equivalents at Beginning of Period	31	3
Cash and Cash Equivalents at End of Period	\$ 42	\$ 94

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

CONDENSED BALANCE SHEETS

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2012	December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 42	\$ 31
Accounts receivable (less reserve: 2012, \$2; 2011, \$2)		
Customer	90	69
Other	5	9
Unbilled revenues	71	81
Accounts receivable from affiliates	14	
Fuel, materials and supplies	126	141
Prepayments	9	7
Income taxes receivable		5
Deferred income taxes	5	5
Regulatory assets	4	
Other current assets	6	3
Total Current Assets	372	351
Investments	19	31
Property, Plant and Equipment		
Regulated utility plant	4,723	4,563
Less: accumulated depreciation - regulated utility plant	262	161
Regulated utility plant, net	4,461	4,402
Construction work in progress	463	340
Property, Plant and Equipment, net	4,924	4,742
Other Noncurrent Assets		
Regulatory assets	206	217
Goodwill	607	607
Other intangibles	129	148
Other noncurrent assets	60	60
Total Other Noncurrent Assets	1,002	1,032
Total Assets	\$ 6,317	\$ 6,156

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

CONDENSED BALANCE SHEETS

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2012	December 31, 2011
Liabilities and Equity		
Current Liabilities		
Accounts payable	\$ 107	\$ 112
Accounts payable to affiliates	29	33
Customer deposits	24	23
Taxes	37	11
Regulatory liabilities	8	10
Interest	25	11
Salaries and benefits	14	15
Other current liabilities	30	13
Total Current Liabilities	274	228
Long-term Debt	1,842	1,842
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	563	484
Investment tax credits	99	101
Accrued pension obligations	72	83
Asset retirement obligations	63	61
Regulatory liabilities	520	525
Other deferred credits and noncurrent liabilities	93	87
Total Deferred Credits and Other Noncurrent Liabilities	1,410	1,341
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	308	308
Additional paid-in capital	2,348	2,348
Accumulated other comprehensive income (loss)	(4)	
Earnings reinvested	139	89
Total Equity	2,791	2,745
Total Liabilities and Equity	\$ 6,317	\$ 6,156

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at September 30, 2012 and December 31, 2011.

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

CONDENSED STATEMENTS OF EQUITY

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive income (loss)	Total
June 30, 2012	37,818	\$ 308	\$ 2,348	\$ 109	\$ (4)	\$ 2,761
Net income				50		50
Cash dividends declared on common stock				(20)		(20)
September 30, 2012	37,818	\$ 308	\$ 2,348	\$ 139	\$ (4)	\$ 2,791
December 31, 2011	37,818	\$ 308	\$ 2,348	\$ 89		\$ 2,745
Net income				118		118
Cash dividends declared on common stock				(68)		(68)
Other comprehensive income (loss)					\$ (4)	(4)
September 30, 2012	37,818	\$ 308	\$ 2,348	\$ 139	\$ (4)	\$ 2,791
June 30, 2011	37,818	\$ 308	\$ 2,348	\$ 55	\$ (1)	\$ 2,710
Net income				56		56
Cash dividends declared on common stock				(20)		(20)
Other comprehensive income (loss)					1	1
September 30, 2011	37,818	\$ 308	\$ 2,348	\$ 91	\$	\$ 2,747
December 31, 2010	37,818	\$ 308	\$ 2,348	\$ 35		\$ 2,691
Net income				144		144
Cash dividends declared on common stock				(88)		(88)
September 30, 2011	37,818	\$ 308	\$ 2,348	\$ 91	\$	\$ 2,747

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

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

Combined Notes to Condensed Financial Statements (Unaudited)

1. Interim Financial Statements

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

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 accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnotes required by accounting principles generally accepted in the U.S. for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation in accordance with accounting principles generally accepted in the U.S. 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, 2011 is derived from that Registrant's 2011 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 2011 Form 10-K. The results of operations for the three and nine months ended September 30, 2012, are not necessarily indicative of the results to be expected for the full year ending December 31, 2012, or other future periods, because results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

The classification of certain prior period amounts has been changed to conform to the presentation in the September 30, 2012 financial statements.

(PPL)

On April 1, 2011, PPL, through its indirect, wholly owned subsidiary PPL WEM, completed its acquisition of all of the outstanding ordinary share capital of Central Networks East plc and Central Networks Limited, the sole owner of Central Networks West plc, together with certain other related assets and liabilities (collectively referred to as Central Networks and subsequently renamed WPD Midlands), from subsidiaries of E.ON AG. PPL consolidates WPD, including WPD Midlands, on a one-month lag. Material intervening events, such as debt issuances that occur in the lag period, are recognized in the current period financial statements. Events that are significant but not material are disclosed. Therefore, the periods ended September 30, 2012 include three and nine months of WPD Midlands' results, compared with three and five months for the same periods in 2011. See Note 8 for additional information on the acquisition.

(PPL and PPL Energy Supply)

In April 2012, an indirect, wholly owned subsidiary of PPL Energy Supply completed the Ironwood Acquisition. See Note 8 for additional information.

2. Summary of Significant Accounting Policies

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

The following accounting policy disclosures represent updates to Note 1 in each Registrant's 2011 Form 10-K and should be read in conjunction with those disclosures.

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

PPL Electric's customers may choose an alternative supplier for their generation supply. In accordance with a PUC-approved purchase of accounts receivable program, PPL Electric continues to purchase certain accounts receivable from alternative suppliers at a nominal discount, which reflects a provision for uncollectible accounts. The alternative suppliers (including PPL Electric's affiliate, PPL EnergyPlus) have no continuing involvement or interest in the purchased accounts receivable. The purchased accounts receivable are initially recorded at fair value using a market approach based on the purchase price paid and are classified as Level 2 in the fair value hierarchy. PPL Electric receives a nominal fee for administering its program. During the three and nine months ended September 30, 2012, PPL Electric purchased \$225 million and \$647 million of accounts receivable from unaffiliated third parties and \$81 million and \$237 million from its affiliate, PPL EnergyPlus. During the three and nine months ended September 30, 2011, PPL Electric purchased \$222 million and \$674 million of accounts receivable from unaffiliated third parties and \$71 million and \$191 million from its affiliate, PPL EnergyPlus.

New Accounting Guidance Adopted (PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)

Fair Value Measurements

Effective January 1, 2012, the Registrants prospectively adopted accounting guidance that was issued to clarify existing fair value measurement guidance and to enhance fair value disclosures. The additional disclosures required by this guidance include quantitative information about significant unobservable inputs used for Level 3 measurements, qualitative information about the sensitivity of recurring Level 3 measurements, information about any transfers between Levels 1 and 2 of the fair value hierarchy, information about when the current use of a non-financial asset is different from the highest and best use, and the fair value hierarchy classification for assets and liabilities whose fair value is disclosed only in the notes to the financial statements.

The adoption of this standard resulted in additional footnote disclosures but did not have a significant impact on the Registrants. See Note 13 for additional disclosures required by this guidance.

Testing Goodwill for Impairment

Effective January 1, 2012, the Registrants prospectively adopted accounting guidance which allows an entity to elect the option to first make a qualitative evaluation about the likelihood of an impairment of goodwill. If, based on this assessment, the entity determines it is not more likely than not that the fair value of a reporting unit is less than the carrying amount, the two-step goodwill impairment test is not necessary. However, the first step of the impairment test is required if an entity concludes it is more likely than not that the fair value of a reporting unit is less than the carrying amount based on the qualitative assessment.

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

3. Segment and Related Information

(PPL)

See Note 2 in PPL's 2011 Form 10-K for a discussion of reportable segments. In 2012, the International Regulated segment was renamed the U.K. Regulated segment to more specifically reflect the focus of this segment. Other than the name change, there were no other changes to this segment. Because the acquisition of WPD Midlands occurred on April 1, 2011, and PPL consolidates WPD Midlands on a one-month lag, the 2011 operating results of the U.K. Regulated segment for the nine-month period include five months of WPD Midlands results.

Financial data for the segments for the periods ended September 30 are:

	Three Months		Nine Months	
	2012	2011	2012	2011
Income Statement Data				
Revenues from external customers				
Kentucky Regulated	\$ 732	\$ 736	\$ 2,095	\$ 2,140
U.K. Regulated	528	493	1,647	1,138
Pennsylvania Regulated	443	454	1,303	1,444
Supply (a)	700	1,437	4,019	3,797
Total	\$ 2,403	\$ 3,120	\$ 9,064	\$ 8,519
Intersegment electric revenues				

Edgar Filing: KENTUCKY UTILITIES CO - Form 10-Q

Pennsylvania Regulated	\$	1	\$	1	\$	3	\$	9
Supply		23		5		61		15
Net Income Attributable to PPL Shareowners								
Kentucky Regulated	\$	72	\$	78	\$	148	\$	184
U.K. Regulated		202		138		563		231
Pennsylvania Regulated		33		28		95		116
Supply (a)		48		200		361		510
Total	\$	355	\$	444	\$	1,167	\$	1,041

		September 30, December 31,	
		2012	2011
Balance Sheet Data			
Assets			
	Kentucky Regulated	\$ 10,546	\$ 10,229
	U.K. Regulated	14,015	13,364
	Pennsylvania Regulated	5,823	5,610
	Supply	12,856	13,445
	Total assets	\$ 43,240	\$ 42,648

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

4. Earnings Per Share

(PPL)

Basic EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding during the period. Diluted EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of shares outstanding that are increased for additional shares that would be outstanding if potentially dilutive non-participating securities were converted to common shares as calculated using the treasury stock method. For the three and nine months ended September 30, 2012 and 2011, these securities included stock options and performance units granted under incentive compensation plans and the Purchase Contracts associated with Equity Units. For the three and nine months ended September 30, 2012, these securities also included the PPL common stock forward sale agreements. See Note 7 for additional information on the forward sale agreements.

The forward sale agreements were dilutive under the treasury stock method for the three and nine months ended September 30, 2012 because the average stock price of PPL's common shares exceeded the forward sale price indicated in the forward sale agreements.

The Purchase Contracts are dilutive under the treasury stock method if the average VWAP of PPL common stock for a certain period exceeds approximately \$30.99 and \$28.80 for the 2011 and 2010 Purchase Contracts. The 2010 Purchase Contracts were dilutive for the three and nine months ended September 30, 2012. Subject to antidilution adjustments at September 30, 2012, the maximum number of shares issuable to settle the Purchase Contracts was 95.8 million shares, including 86.5 million shares that could be issued under standard provisions of the Purchase Contracts and 9.3 million shares that could be issued under make-whole provisions in the event of early settlement upon a Fundamental Change.

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

	Three Months		Nine Months	
	2012	2011	2012	2011
Income (Numerator)				
Income from continuing operations after income taxes attributable to PPL				
	\$ 355	\$ 444	\$ 1,173	\$ 1,039
Less amounts allocated to participating securities	2	2	7	4

Edgar Filing: KENTUCKY UTILITIES CO - Form 10-Q

Income from continuing operations after income taxes available to PPL								
common shareowners	\$	353	\$	442	\$	1,166	\$	1,035
Income (loss) from discontinued operations (net of income taxes) available								
to PPL common shareowners	\$		\$		\$	(6)	\$	2
Net income attributable to PPL shareowners	\$	355	\$	444	\$	1,167	\$	1,041
Less amounts allocated to participating securities		2		2		7		4
Net income available to PPL common shareowners	\$	353	\$	442	\$	1,160	\$	1,037
Shares of Common Stock (Denominator)								
Weighted-average shares - Basic EPS		580,585		577,595		579,847		541,135
Add incremental non-participating securities:								
Stock options and performance units		635		459		522		345
2010 Purchase Contracts		439				146		
Forward sale agreements		977				415		
Weighted-average shares - Diluted EPS		582,636		578,054		580,930		541,480

Edgar Filing: KENTUCKY UTILITIES CO - Form 10-Q

	Three Months		Nine Months	
	2012	2011	2012	2011
Basic EPS				
Available to PPL common shareowners:				
Income from continuing operations after income taxes	\$ 0.61	\$ 0.76	\$ 2.01	\$ 1.91
Income (loss) from discontinued operations (net of income taxes)			(0.01)	0.01
Net Income	\$ 0.61	\$ 0.76	\$ 2.00	\$ 1.92

Diluted EPS

Available to PPL common shareowners:

Income from continuing operations after income taxes	\$ 0.61	\$ 0.76	\$ 2.01	\$ 1.91
Income (loss) from discontinued operations (net of income taxes)			(0.01)	
Net Income	\$ 0.61	\$ 0.76	\$ 2.00	\$ 1.91

For the periods ended September 30, 2012, PPL issued common stock related to stock-based compensation plans, ESOP and DRIP as follows:

(Shares in thousands)	Three Months	Nine Months
Stock-based compensation plans (a)	159	512
ESOP		280
DRIP	598	1,773

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

For the periods ended September 30, the following options to purchase PPL common stock and performance units were excluded from the computations of diluted EPS because the effect would have been antidilutive.

	Three Months		Nine Months	
(Shares in thousands)	2012	2011	2012	2011
Stock options	4,935	4,473	5,622	5,377
Performance units		3	76	3

5. Income Taxes

Reconciliations of income tax expense for the periods ended September 30 are:

(PPL)

	Three Months		Nine Months	
	2012	2011	2012	2011
Reconciliation of Income Tax Expense				

Edgar Filing: KENTUCKY UTILITIES CO - Form 10-Q

Federal income tax on Income from Continuing
Operations Before

Income Taxes at statutory tax rate - 35%	\$ 130	\$ 196	\$ 539	\$ 518
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	6	8	38	47
State valuation allowance adjustments (a)	2		2	11
Impact of lower U.K. income tax rates (b)	(30)	(12)	(75)	(31)
U.S. income tax on foreign earnings - net of foreign tax credit (c)	1	(10)	2	(25)
Federal and state tax reserve adjustments	(2)	4	(7)	1
Foreign tax reserve adjustments (d)		2	(5)	2
Enactment of the U.K.'s Finance Acts 2012 and 2011 (b)	(74)	(69)	(74)	(69)
Federal income tax credits	(5)	(4)	(12)	(11)
Amortization of investment tax credit	(2)	(2)	(7)	(6)
Depreciation not normalized (a)	(2)	(1)	(6)	(7)
State deferred tax rate change (e)	(6)		(17)	
Net operating loss carryforward adjustments (f)			(9)	
Nondeductible acquisition-related costs (g)		1		9
Other	(1)	(3)	(5)	(10)
Total increase (decrease)	(113)	(86)	(175)	(89)
Total income taxes from continuing operations	\$ 17	\$ 110	\$ 364	\$ 429

(a) In February 2011, the Pennsylvania Department of Revenue issued interpretive guidance on the treatment of bonus depreciation for Pennsylvania income tax purposes. In accordance with Corporation Tax Bulletin 2011-01, Pennsylvania allows 100% bonus depreciation for qualifying assets in the same year bonus depreciation is allowed for federal tax purposes. Due to the decrease in projected taxable income related to bonus depreciation, PPL recorded state deferred income tax expense during the nine months ended September 30, 2011 related to valuation allowances.

Additionally, the 100% Pennsylvania bonus depreciation deduction created a current state income tax benefit for the flow-through impact of Pennsylvania regulated state tax depreciation. The federal provision for 100% bonus depreciation generally applies to property placed into service before January 1, 2012. The placed in-service deadline is extended to January 1, 2013 for property that exceeds \$1 million, has a production period longer than one year and has a tax life of at least ten years.

(b) The U.K. Finance Act of 2012, enacted in July 2012, reduced the U.K. statutory income tax rate from 25% to 24% retroactive to April 1, 2012 and from 24% to 23% effective April 1, 2013. As a result, PPL reduced its net deferred tax liabilities and recognized a deferred tax benefit in the third quarter of 2012 related to both rate decreases.

The U.K. Finance Act of 2011, enacted in July 2011, reduced the U.K. statutory income tax rate from 27% to 26% retroactive to April 1, 2011 and from 26% to 25% effective April 1, 2012. As a result, PPL reduced its net deferred tax liabilities and recognized a deferred tax benefit in the third quarter of 2011 related to both rate decreases.

(c) During the three and nine months ended September 30, 2011, PPL recorded a \$7 million and \$21 million federal income tax benefit related to U.K. pension contributions.

(d) During the nine months ended September 30, 2012, PPL recorded a tax benefit following resolution of a U.K. tax issue related to interest expense.

(e) During the three and nine months ended September 30, 2012, PPL recorded adjustments related to state deferred tax liabilities.

(f) During the nine months ended September 30, 2012, PPL recorded adjustments to deferred taxes related to net operating loss carryforwards of LKE based on income tax return adjustments.

(g) During the three and nine months ended September 30, 2011, PPL recorded non-deductible acquisition-related costs (primarily the U.K. stamp duty tax) associated with its acquisition of WPD Midlands.

(PPL Energy Supply)

	Three Months		Nine Months	
	2012	2011	2012	2011
Reconciliation of Income Tax Expense				
Federal income tax on Income from Continuing Operations Before				
Income Taxes at statutory tax rate - 35%	\$ 25	\$ 96	\$ 205	\$ 272
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	1	11	25	38
State valuation allowance adjustments (a)	2		2	6
Federal and state tax reserve adjustments		1		2
Federal income tax credits	(4)	(5)	(10)	(11)
State deferred tax rate change (b)	(6)		(17)	