

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

FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended December 31, 2020
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _____ to _____

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

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

<u>Title of each class</u>	<u>Trading Symbol(s):</u>	<u>Name of each exchange on which registered</u>
Common Stock of PPL Corporation	PPL	New York Stock Exchange
Junior Subordinated Notes of PPL Capital Funding, Inc. 2007 Series A due 2067	PPL/67	New York Stock Exchange
2013 Series B due 2073	PPX	New York Stock Exchange

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

Common Stock of PPL Electric Utilities Corporation

Indicate by check mark if the registrants are a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

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

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

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

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

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

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

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

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

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

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

PPL Corporation	<input type="checkbox"/>
PPL Electric Utilities Corporation	<input type="checkbox"/>
LG&E and KU Energy LLC	<input type="checkbox"/>
Louisville Gas and Electric Company	<input type="checkbox"/>
Kentucky Utilities Company	<input type="checkbox"/>

Indicate by check mark whether each registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

PPL Corporation	<input checked="" type="checkbox"/>
PPL Electric Utilities Corporation	<input type="checkbox"/>
LG&E and KU Energy LLC	<input type="checkbox"/>
Louisville Gas and Electric Company	<input type="checkbox"/>
Kentucky Utilities Company	<input type="checkbox"/>

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

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

As of June 30, 2020, PPL Corporation had 768,782,588 shares of its \$0.01 par value Common Stock outstanding. The aggregate market value of these common shares (based upon the closing price of these shares on the New York Stock Exchange on that date) held by non-affiliates was \$19,865,342,074. As of January 31, 2021, PPL Corporation had 768,984,785 shares of its \$0.01 par value Common Stock outstanding.

As of January 31, 2021, PPL Corporation held all 66,368,056 outstanding common shares, no par value, of PPL Electric Utilities Corporation.

As of January 31, 2021, PPL Corporation held all of the membership interests in LG&E and KU Energy LLC.

As of January 31, 2021, LG&E and KU Energy LLC held all 21,294,223 outstanding common shares, no par value, of Louisville Gas and Electric Company.

As of January 31, 2021, LG&E and KU Energy LLC held all 37,817,878 outstanding common shares, no par value, of Kentucky Utilities Company.

PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K and are therefore filing this form with the reduced disclosure format.

Documents incorporated by reference:

PPL Corporation has incorporated herein by reference certain sections of PPL Corporation's 2021 Notice of Annual Meeting and Proxy Statement, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2020 and which will provide the information required by Part III of this Report.

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

FORM 10-K ANNUAL REPORT TO
THE SECURITIES AND EXCHANGE COMMISSION
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

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GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its subsidiaries

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

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

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

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

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

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

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

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

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

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

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

PPL WPD Investments Limited – a subsidiary of PPL WPD Limited and parent to WPD plc.

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

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

U.K. utility business – the part of PPL's U.K. Regulated segment that is currently being marketed for sale, as announced on August 10, 2020. The entity being marketed is PPL WPD Investments Limited and its subsidiaries, including, notably, WPD plc and the four DNOs.

WPD - refers to PPL WPD Limited and its subsidiaries.

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

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

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

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

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

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

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

Other terms and abbreviations

£ - British pound sterling.

401(h) account(s) - a sub-account established within a qualified pension trust to provide for the payment of retiree medical costs.

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

Act 129 - Act 129 of 2008 that became effective in October 2008. The law amended the Pennsylvania Public Utility Code and created an energy efficiency and conservation program and smart metering technology requirements, adopted new PLR electricity supply procurement rules, provided remedies for market misconduct and changed the Alternative Energy Portfolio Standard (AEPS).

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

ADIT - accumulated deferred income tax.

Adjusted Gross Margins - a non-GAAP financial measure of performance used in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A).

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

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

AIP - annual iteration process.

AOCI - accumulated other comprehensive income or loss.

ARO - asset retirement obligation.

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

Cane Run Unit 7 - a natural gas combined-cycle generating unit in Kentucky, jointly owned by LG&E and KU.

CCR(s) - coal combustion residual(s). CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes.

CDP - a not-for-profit organization based in the United Kingdom formerly known as the Carbon Disclosure Project; that runs the global disclosure system that enables investors, companies, cities, states and regions to measure and manage their environmental impacts.

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

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

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

CPCN - Certificate of Public Convenience and Necessity. Authority granted by the KPSC pursuant to Kentucky Revised Statute 278.020 to provide utility service to or for the public or the construction of certain plant, equipment, property or facility for furnishing of utility service to the public. A CPCN is required for any capital addition, subject to KPSC jurisdiction, in excess of \$100 million.

CPI - consumer price index, a measure of inflation in the U.K. published monthly by the Office for National Statistics.

CPIH - consumer price index including owner-occupiers' housing costs. An aggregate measure of changes in the cost of living in the U.K., including a measure of owner-occupiers' housing costs.

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

DDCP - Directors Deferred Compensation Plan.

DNO - Distribution Network Operator in the U.K.

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

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

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

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

DSO - Distribution System Operation in the U.K. is the effective delivery of a range of functions and services that need to happen to run an advanced electricity distribution network. These functions cover long-term network planning; operations, real-time processes and planning, and markets and settlement. This does not focus on a single party as an operator; but recognizes roles for a range of parties to deliver DSO.

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

Earnings from Ongoing Operations - a non-GAAP financial measure of earnings adjusted for the impact of special items and used in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A).

EBPB - Employee Benefit Plan Board. The administrator of PPL's U.S. qualified retirement plans, which is charged with the fiduciary responsibility to oversee and manage those plans and the investments associated with those plans.

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

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

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

EPS - earnings per share.

Fast pot - Under RIIO-ED1, Totex costs that are recovered in the period they are incurred.

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

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

GBP - British pound sterling.

GHG(s) - greenhouse gas(es).

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

GWh - gigawatt-hour, one million kilowatt hours.

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

IBEW - International Brotherhood of Electrical Workers.

ICP - The PPL Incentive Compensation Plan. This plan provides for incentive compensation to PPL's executive officers and certain other senior executives. New awards under the ICP were suspended in 2012 upon adoption of PPL's 2012 Stock Incentive Plan.

ICPKE - The PPL Incentive Compensation Plan for Key Employees. The ICPKE provides for incentive compensation to certain employees below the level of senior executive.

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

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

KU 2010 Mortgage Indenture - KU's Indenture, dated as of October 1, 2010, to The Bank of New York Mellon, as supplemented.

kVA - kilovolt ampere.

kWh - kilowatt hour, basic unit of electrical energy.

LCIDA - Lehigh County Industrial Development Authority.

LG&E 2010 Mortgage Indenture - LG&E's Indenture, dated as of October 1, 2010, to The Bank of New York Mellon, as supplemented.

LIBOR - London Interbank Offered Rate.

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

MMBtu - one million British Thermal Units.

MOD - a mechanism applied in the U.K. to adjust allowed base revenue in future periods for differences in prior periods between actual values and those in the agreed business plan.

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

MW - megawatt, one thousand kilowatts.

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

NERC - North American Electric Reliability Corporation.

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

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

OCI - other comprehensive income or loss.

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

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

PEDFA - Pennsylvania Economic Development Financing Authority.

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

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

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

PP&E - property, plant and equipment.

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

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

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

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

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

RCRA - Resource Conservation and Recovery Act of 1976.

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

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

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

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

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

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

RTO - Regional Transmission Operator, an electric power transmission system operator that coordinates, controls and monitors a multi-state electric grid.

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

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

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

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

SIP - PPL Corporation's Amended and Restated 2012 Stock Incentive Plan.

Slow pot - Under RIIO-ED1, Totex costs that are added (capitalized) to RAV and recovered through depreciation over a 20 to 45 year period.

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

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

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

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

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

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

Total shareowner return - the change in market value of a share of the company's common stock plus the value of all dividends paid on a share of the common stock during the applicable performance period, divided by the price of the common stock as of the beginning of the performance period. The price used for purposes of this calculation is the average share price for the 20 trading days at the beginning and end of the applicable period.

Totex (total expenditures) - Totex generally consists of all the expenditures relating to WPD's regulated activities with the exception of certain specified expenditure items (Ofgem fees, National Grid transmission charges, property and corporate income taxes, pension deficit funding and cost of capital). The annual net additions to RAV are calculated as a percentage of Totex. Totex can be viewed as the aggregate net network investment, net network operating costs and indirect costs, less any cash proceeds from the sale of assets and scrap.

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

TRU - a mechanism applied in the U.K. to true-up inflation estimates used in determining base revenue.

U.K. Finance Act 2016 - refers to the U.K. Finance Act of 2016, enacted in September 2016, which reduced the U.K. statutory corporate income tax rate from 19% to 17%, effective April 1, 2020.

U.K. Finance Act 2020 - refers to the U.K. Finance Act of 2020, enacted in July 2020, which included a cancellation of the tax rate reduction to 17% in the U.K. Finance Act 2016, thereby maintaining the corporation tax rate at 19% for financial years 2020 and 2021. The U.K. Finance Act 2016 and the U.K. Finance Act 2020 are sometimes collectively referred to as the U.K. Finance Acts.

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

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

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Forward-looking Information

Statements contained in this Annual Report concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in "Item 1A. Risk Factors" and in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report, the following are among the important factors that could cause actual results to differ materially and adversely from the forward-looking statements:

- the COVID-19 pandemic and its impact on economic conditions and financial markets;
- other pandemic health events or other catastrophic events such as fires, earthquakes, explosions, floods, droughts, tornadoes, hurricanes and other storms;
- strategic acquisitions, dispositions, or similar transactions, including the potential sale of our U.K. utility business, and our ability to consummate these business transactions or realize expected benefits from them;
- the outcome of rate cases or other cost recovery or revenue proceedings;
- changes in U.S. state or federal or U.K. tax laws or regulations;
- the direct or indirect effects on PPL or its subsidiaries or business systems of cyber-based intrusion or the threat of cyberattacks;
- significant decreases in demand for electricity in the U.S.;
- expansion of alternative and distributed sources of electricity generation and storage;
- changes in foreign currency exchange rates for British pound sterling and the related impact on unrealized gains and losses on PPL's foreign currency economic hedges;
- the effectiveness of our risk management programs, including foreign currency and interest rate hedging;
- non-achievement by WPD of performance targets set by Ofgem;
- the effect of changes in RPI on WPD's revenues and index linked debt;
- developments related to the U.K.'s withdrawal from the European Union and any responses thereto;
- defaults by counterparties or suppliers for energy, capacity, coal, natural gas or key commodities, goods or services;
- capital market conditions, including the availability of capital or credit, changes in interest rates and certain economic indices, and decisions regarding capital structure;
- a material decline in the market value of PPL's equity;
- significant decreases in the fair value of debt and equity securities and their impact on the value of assets in defined benefit plans, and the potential cash funding requirements if the fair value of those assets declines;
- interest rates and their effect on pension and retiree medical liabilities, ARO liabilities and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial markets and economic conditions;
- the potential impact of any unrecorded commitments and liabilities of the Registrants and their subsidiaries;
- new accounting requirements or new interpretations or applications of existing requirements;
- changes in the corporate credit ratings or securities analyst rankings of the Registrants and their securities;
- any requirement to record impairment charges pursuant to GAAP with respect to any of our significant investments;
- laws or regulations to reduce emissions of GHGs or the physical effects of climate change;
- continuing ability to access fuel supply for LG&E and KU, as well as the ability to recover fuel costs and environmental expenditures in a timely manner at LG&E and KU and natural gas supply costs at LG&E;
- weather and other conditions affecting generation, transmission and distribution operations, operating costs and customer energy use;
- war, armed conflicts, terrorist attacks, or similar disruptive events;
- changes in political, regulatory or economic conditions in states, regions or countries where the Registrants or their subsidiaries conduct business;
- receipt of necessary governmental permits and approvals;
- new state, federal or foreign legislation or regulatory developments;
- the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- our ability to attract and retain qualified employees;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures;

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- collective labor bargaining negotiations; and
- the outcome of litigation involving the Registrants and their subsidiaries.

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

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

PART I

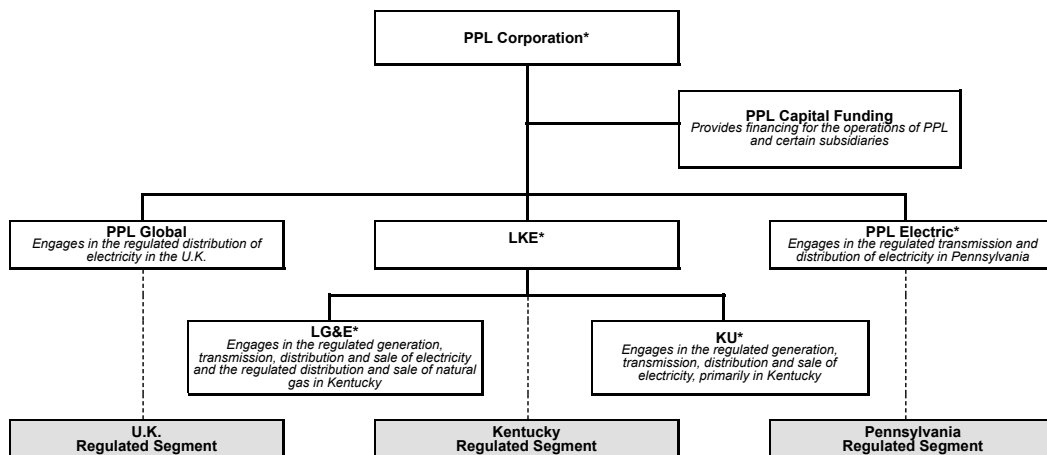
ITEM 1. BUSINESS

General

(All Registrants)

PPL Corporation, headquartered in Allentown, Pennsylvania, is a utility holding company, incorporated in 1994, in connection with the deregulation of electricity generation in Pennsylvania, to serve as the parent company to the regulated utility, PPL Electric, and to generation and other unregulated business activities. PPL Electric was founded in 1920 as Pennsylvania Power & Light Company. PPL, through its regulated utility subsidiaries, delivers electricity to customers in the U.K., Pennsylvania, Kentucky and Virginia; delivers natural gas to customers in Kentucky; and generates electricity from power plants in Kentucky.

PPL's principal subsidiaries at December 31, 2020 are shown below (* denotes a Registrant).



PPL Global is not a registrant. Unaudited annual consolidated financial statements for the U.K. Regulated Segment are furnished contemporaneously with this report on a Form 8-K with the SEC.

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

PPL Electric Utilities Corporation, headquartered in Allentown, Pennsylvania, is a wholly owned subsidiary of PPL organized in Pennsylvania in 1920 and a regulated public utility that is an electricity transmission and distribution service provider in eastern and central Pennsylvania. PPL Electric is subject to regulation as a public utility by the PUC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act. PPL Electric delivers electricity in its Pennsylvania service area and provides electricity supply to retail customers in that area as a PLR under the Customer Choice Act.

LG&E and KU Energy LLC, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of PPL and a holding company that owns regulated utility operations through its subsidiaries, LG&E and KU, which constitute substantially all of LKE's assets. LG&E and KU are engaged in the generation, transmission, distribution and sale of electricity. LG&E also engages in the distribution and sale of natural gas. LG&E and KU maintain separate corporate identities and serve customers in Kentucky under their respective names. KU also serves customers in Virginia under the Old Dominion Power name. LKE, formed in 2003, is the successor to a Kentucky entity incorporated in 1989.

Louisville Gas and Electric Company, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity and distribution and sale of natural gas in Kentucky. LG&E is subject to regulation as a public utility by the KPSC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act. LG&E was incorporated in 1913.

Kentucky Utilities Company, headquartered in Lexington, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity in Kentucky and Virginia. KU is subject to regulation as a public utility by the KPSC and the VSCC, and certain of its transmission and wholesale power activities are subject to the jurisdiction of the FERC under the Federal Power Act. KU serves its Kentucky customers under the KU name and its Virginia customers under the Old Dominion Power name. KU was incorporated in Kentucky in 1912 and in Virginia in 1991.

Segment Information

(PPL)

PPL is organized into three reportable segments as depicted in the chart above: U.K. Regulated, Kentucky Regulated, and Pennsylvania Regulated. The U.K. Regulated segment has no related subsidiary Registrants. PPL's other reportable segments' results primarily represent the results of its related subsidiary Registrants, except that the reportable segments are also allocated certain corporate level financing costs that are not included in the results of the applicable subsidiary Registrants. PPL also has corporate and other costs, primarily including financing costs incurred at the corporate level that have not been allocated or assigned to the segments, as well as certain other unallocated costs. The financial results of Safari Energy are also reported within Corporate and Other.

A comparison of PPL's three regulated segments is shown below.

	<u>U.K. Regulated</u>	<u>Kentucky Regulated</u>	<u>Pennsylvania Regulated</u>
For the year ended December 31, 2020:			
Operating Revenues (in billions)	\$ 2.1	\$ 3.1	\$ 2.3
Net Income (in millions)	\$ 686	\$ 418	\$ 497
Electricity delivered (GWh)	68,133	29,016	36,008
At December 31, 2020:			
Regulatory Asset Base (in billions) (a)	\$ 10.9	\$ 10.8	\$ 8.3
Service area (in square miles)	21,600	9,400	10,000
End-users (in millions)	8.0	1.3	1.4

(a) Represents RAV for U.K. Regulated, capitalization for Kentucky Regulated and rate base for Pennsylvania Regulated.

See Note 2 to the Financial Statements for additional financial information by segment.

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

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

U.K. Regulated Segment (PPL)

The U.K. Regulated segment consists of PPL Global, which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from British pound sterling into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs and acquisition-related financing costs.

WPD operates four of the 14 Ofgem regulated DNOs providing electricity service in the U.K. through wholly owned subsidiaries: WPD (South West), WPD (South Wales), WPD (East Midlands) and WPD (West Midlands). The number of network customers (end-users) served by WPD totals 8.0 million across 21,600 square miles in south Wales and southwest and central England. See Note 3 to the Financial Statements for revenue information. WPD's operating revenues are translated from GBP to U.S. dollars using the average exchange rates in effect each month. The annual weighted average of the monthly GBP

to U.S. dollar exchange rates used for the years ended December 2020, 2019 and 2018 were \$1.28 per GBP, \$1.28 per GBP, and \$1.34 per GBP.

In August 2020, PPL announced that it initiated a formal process to sell its U.K. utility business. See “Item 7. Combined Management’s Discussion and Analysis of Financial Condition and Results of Operations – Overview – Financial and Operational Developments – Initiation of Formal Process to Sell U.K. Utility Business.

Franchise and Licenses

WPD’s operations are regulated by Ofgem under the direction of the Gas and Electricity Markets Authority. Ofgem is a non-ministerial government department and an independent National Regulatory Authority responsible for protecting the interests of existing and future electricity and natural gas consumers. The Electricity Act 1989 provides the fundamental framework for electricity companies and established licenses that require each DNO to develop, maintain and operate efficient distribution networks. WPD’s operations are regulated under these licenses which set the outputs WPD needs to deliver to customers and associated revenues WPD is allowed to earn. WPD operates under a regulatory year that begins April 1 and ends March 31 of each year.

Ofgem has the formal power to propose modifications to each distribution license; however, licensees can appeal such changes to the U.K.’s Competition and Markets Authority. Generally, any potential changes to these licenses are reviewed with stakeholders in a formal regulatory consultation process prior to a formal change proposal.

Competition

Although WPD operates in non-exclusive concession areas in the U.K., it currently faces little competition with respect to end-users connected to its network. WPD’s four DNOs are, therefore, regulated monopolies, operating under regulatory price controls.

Customers

WPD provides regulated electricity distribution services to licensed third-party energy suppliers who use WPD’s networks to transfer electricity to their customers, the end-users. WPD bills energy suppliers for this service and the supplier is responsible for billing its end-users. Ofgem requires that all licensed electricity distributors and suppliers become parties to the Distribution Connection and Use of System Agreement. This agreement specifies how creditworthiness will be determined and, as a result, whether a supplier needs to collateralize its payment obligations.

U.K. Regulation and Rates

Overview

Ofgem has adopted a price control regulatory framework with a balanced objective of enhancing and developing future electricity networks, controlling costs to customers and allowing DNOs, such as WPD’s DNOs, to earn a fair return on their investments. This regulatory structure is focused on outputs and performance in contrast to traditional U.S. utility ratemaking that operates under a cost recovery model. Price controls are established based on long-term business plans developed by each DNO with substantial input from its stakeholders. To measure the outputs and performance, each DNO business plan includes incentive targets that allow for increases and/or reductions in revenues based on operational performance, which are intended to align returns with quality of service, innovation and customer satisfaction.

For comparative purposes, amounts listed below are in British pounds sterling, nominal prices and in calendar years unless otherwise noted.

Key Ratemaking Mechanisms

PPL believes the U.K. electricity utility model is a premium jurisdiction in which to do business due to its significant stakeholder engagement, incentive-based structure and high-quality ratemaking mechanisms.

Current Price Control: RIIO-ED1

WPD currently operates under an eight-year price control called RIIO-ED1, which commenced for electricity distribution companies on April 1, 2015. The regulatory framework is based on an updated approach for sustainable network regulation known as the "RIIO" model where Revenue = Incentives + Innovation + Outputs.

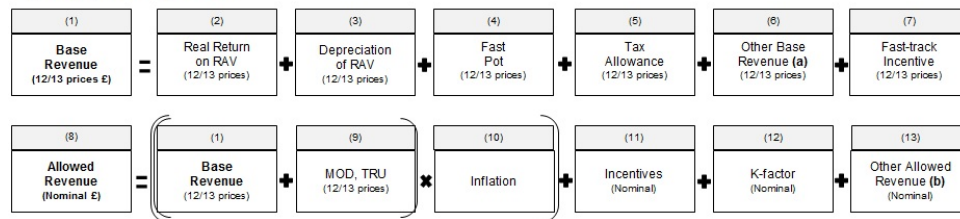
In coordination with numerous stakeholders, WPD developed its business plans for RIIO-ED1 building off its historical track record and long-term strategy of delivering industry-leading levels of performance at an efficient level of cost. As a result, all four of WPD's DNOs' business plans were accepted by Ofgem as "well justified" and were "fast-tracked" ahead of all other DNOs. WPD's DNOs were rewarded for being fast-tracked with preferential financial incentives, a higher return on equity and higher cost savings retention under their business plans as discussed further below. However, an unintended consequence of being fast-tracked resulted in WPD being disadvantaged from a cost of debt recovery standpoint, as further discussed within "(2) Real Return on capital from RAV" below.

WPD's combined RIIO-ED1 business plans as accepted by Ofgem included funding for total expenditures of approximately £12.8 billion (nominal) over the eight-year period, as follows:

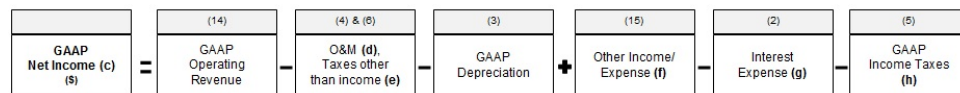
- Totex - £8.5 billion (£6.8 billion recovered as additions to RAV over time ("Slow pot"); £1.7 billion recovered in the year spent in the plan ("Fast pot"));
- Pension deficit funding - £1.2 billion;
- Cost of debt recovery - £1.0 billion;
- Pass Through Charges - £1.6 billion (Property taxes, Ofgem fees and National Grid transmissions charges); and
- Corporate income taxes recovery - £0.5 billion.

The chart below illustrates the building blocks of allowed revenue and GAAP net income for the U.K. Regulated Segment. The revenue components are shown in either 2012/13 prices or nominal prices, consistent with the formulas Ofgem established for RIIO-ED1. The reference numbers shaded in each block correspond with the descriptions that follow.

Regulatory - year ending March 31



GAAP - calendar year converted to U.S. dollars



- (a) Primarily pension deficit funding, pass through costs, profiling adjustments and legacy price control adjustments.
- (b) Primarily pass through true-ups.
- (c) Reference Form 8-K filed February 18, 2021 for U.K. Regulated Segment GAAP Statement of Income component values.
- (d) Includes the service cost component of GAAP pension costs/income. See "Defined Benefits, Net periodic defined benefit costs (credits)" in Note 12 to the Financial Statements.
- (e) Primarily property taxes.
- (f) Primarily includes the non-service cost (credit) components of GAAP pension costs/income and gains and losses on foreign currency hedges.
- (g) Includes WPD interest and \$32 million of allocated interest expense to finance the acquisition of WPD Midlands.
- (h) GAAP income taxes represent an effective tax rate of 18% for 2020, 16% for 2019, 17% for 2018 and approximately 19% going forward.

(1) Base Revenue

The base revenue a DNO can collect in each year of the current price control period is the sum of the following, discussed further below:

- a return on capital from RAV;
- a return of capital from RAV (i.e., depreciation);
- the Fast pot recovery, see discussion “(4) Expenditure efficiency mechanisms” below;
- an allowance for cash taxes paid less a potential reduction for tax benefits from excess leverage if a DNO is levered more than 65% Debt/RAV;
- pension deficit funding;
- certain pass-through costs over which the DNO has no control;
- profiling adjustments, see discussion “(6) Other revenue included in base revenue” below;
- certain legacy price control adjustments from preceding price control periods, including the information quality incentive (also known as the rolling RAV incentive); and
- fast-track incentive - because WPD's four DNOs were fast-tracked through the price control review process for RIIO-ED1, their base revenue also includes the fast-track incentive.

(2) Real Return on capital from RAV

Real-time returns on cost of regulated equity (real) - Ofgem establishes an allowed return on regulated equity that DNOs earn in their base business plan revenues as a consideration of the financial parameters for each RIIO-ED1 business plan. For WPD, the base cost of equity collected in revenues was set at 6.4% (real). Base equity returns exclude inflation adjustments, allowances for incentive rewards/penalties and over/under collections driven by cost efficiencies. WPD's DNO base equity returns are calculated using an equity ratio of 35% of RAV. The equity ratio was reviewed and set during the RIIO-ED1 business plan process taking various stakeholder impacts into consideration such as costs to consumers, credit ratings and investor needs. The amounts of base real equity return for 2020, 2019 and 2018 were £177 million, £168 million and £160 million.

Indexed cost of debt recovery (real) - As part of WPD's fast-track agreement with Ofgem for RIIO-ED1, WPD collects in revenues an assumed real cost of debt that is derived from a historical 10-year bond index (iBoxx) and adjusted annually for inflation. This calculated real cost of debt is then applied to 65% of RAV at the DNOs to determine the cost of debt revenue recovery. The cost of debt was set at 2.55% in the original "well justified" business plans. The recovery amounts are trued up annually as a component of the MOD true-up mechanism described within "(9) MOD and Inflation True-Up (TRU)" below.

As discussed above, WPD's cost of debt revenue allowances are derived from using a rolling 10-year trailing average of historical 10-year bond index (iBoxx); however, the cost of debt revenue allowances for all slow track companies are derived using an extending trailing average of the index. Under this approach, the trailing average period used is progressively extended from 10 to 20 years and consequently short-term fluctuations in the interest rate have a less pronounced effect on the regulatory cost of debt applied. Therefore, WPD's cost of debt recovery is significantly lower than it would have been had it been derived under the approach used for the slow-track companies.

Over the 8-year RIIO-ED1 period WPD is expected to under-recover its cost of debt at the four DNOs, based upon the latest inflation assumptions and projected 10-year iBoxx bond indices rates, by approximately £300 million primarily driven by the previously discussed differing cost of debt recovery calculations. Under the terms of the fast track process, fast tracked companies were not supposed to be disadvantaged financially to slow track companies. It is currently unlikely, however, if WPD will be able to recover any of this under-recovery in the next price control period, RIIO-ED2, beginning April 1, 2023.

Interest costs relating to long-term debt issued at WPD's holding companies are not recovered in revenues and for 2020, 2019 and 2018 were approximately £58 million, £57 million and £46 million.

(3) Recovery of depreciation in revenues - Recovery of depreciation in regulatory revenues is one of the key mechanisms Ofgem uses to support financeable business plans that provide incentives to attract the continued substantial investment required in the U.K. Differences between GAAP and regulatory depreciation exist primarily due to differing assumptions on asset lives and because RAV is adjusted for inflation using RPI.

Compared to asset lives established for GAAP, asset lives established for ratemaking are set by Ofgem based on economic lives which results in improved DNO near-term revenues and cash flows during investment cycles. Under U.K. regulation prior to RIIO-ED1, electric distribution assets were depreciated on a 20-year asset life for the purpose of setting revenues. After review and consultation, Ofgem decided to use 45-year asset lives for RAV additions after April 1, 2015, with transitional

arrangements available for DNOs fully demonstrating a need to ensure financeable plans. WPD adopted a transition that has a linear increase in asset lives from 20 to 45 years for additions to RAV in each year of RIIO-ED1 (with additions averaging a life of approximately 35 years over this period), which adds support to its credit metrics. RAV additions prior to March 31, 2015 continue to be recovered in revenues over 20 years.

The asset lives used to determine depreciation expense for GAAP purposes are not the same as those used for the depreciation of the RAV in setting revenues and, as such, vary by asset type and are based on the expected useful lives of the assets. Effective January 1, 2015, after completing a review of the useful lives of its distribution network assets, WPD set the weighted average useful lives to 69 years for GAAP depreciation expense.

Because Ofgem uses a real cost of capital, the RAV and recovery of depreciation are adjusted for inflation using RPI. The inflation revenues collected in this line item help recover the cost of equity and debt returns on a "nominal" basis, compared to the "real" rates used to set the return component of base revenues.

This regulatory construct, in combination with the different assets lives used for ratemaking and GAAP, results in amounts collected by WPD as recovery of depreciation in revenues being significantly higher than the amounts WPD recorded for depreciation expense under GAAP. For 2020, 2019 and 2018, this difference was £458 million, £450 million and £444 million (pre-tax) and positively impacted net income. The difference is expected to continue in the £400 million to £460 million (pre-tax) range at least through 2022 (the last full calendar year of RIIO-ED1), assuming RPI of approximately 3.0% per year from 2021 through 2022 and based on expected RAV additions of approximately £800 million per year to prepare the distribution system for future U.K. energy objectives while maintaining premier levels of reliability and customer service.

(4) Expenditure efficiency mechanisms - Ofgem introduced the concept of Totex in RIIO to ensure all DNOs face equal incentives in choosing between operating and capital solutions. Totex is split between immediate recovery (called "Fast pot") and deferred recovery as an addition to RAV (called "Slow pot"). The ratio of Slow pot to Fast pot was determined by each DNO in its business plan development. WPD established a Totex split of 80% Slow pot and 20% Fast pot for RIIO-ED1 to balance maximizing RAV growth with immediate cost recovery to support investment grade credit ratings. Comparatively, other DNOs on average used a ratio of approximately 70% Slow pot and 30% Fast pot for RIIO-ED1.

Ofgem also allows a Totex Incentive Mechanism that is intended to reward DNOs for cost efficiency. WPD's DNOs are able to retain 70% of any amounts not spent against their RIIO-ED1 plan and bear 70% of any over-spends. Any amounts to be returned to customers are trued up in the AIP discussed below.

Because Fast pot cost recovery represents 20% of Totex expenditures and certain other costs are recovered in other components of revenue, Fast pot will not equal operation and maintenance expenses recorded for GAAP purposes.

(5) Income Tax Allowance - For price control purposes, WPD collects income tax based on Ofgem's notional tax charge, which will not equal the amount of income tax expense recorded for GAAP purposes. The following table shows the amount of taxes collected in revenues and recorded under GAAP.

	2020		2019		2018	
Taxes collected in revenues	£	55	£	56	£	58
Taxes recorded under GAAP		233		167		156

(6) Other revenue included in base revenue - Other revenue included in base revenue primarily consists of pension deficit funding, pass through costs, profiling adjustments and legacy price control adjustments.

Recovery of annual (normal) pension cost and pension deficit funding - Ofgem allows DNOs to recover annual (normal) pension costs through the Totex allocation, split between the previously described Fast pot (immediate recovery) and Slow pot recovery (as an addition to RAV). The amount of normal pension cost is computed by the pension trustees, using assumptions that differ from those used in calculating pension costs/income under GAAP. In addition, the timing of the revenue collection may not match the actual pension payment schedule, resulting in a timing difference of cash flows.

In addition, WPD recovers approximately 80% of pension deficit funding for certain of WPD's defined benefit pension plans in conjunction with actual costs similar to the Fast pot mechanism. The pension deficit is determined by the pension trustees on a triennial basis in accordance with their funding requirements. Pension deficit funding recovered in revenues was £155 million, £151 million and £147 million in 2020, 2019 and 2018. Following the completion of the 2019 Actuarial Valuations and Ofgem's 2020 Reasonableness Review, WPD expects to collect £142 million, £138 million and £62 million in revenues through December 31, 2021, 2022 and 2023.

See Note 12 to the Financial Statements for additional information on pension costs/income recognized under GAAP.

Recovery of pass through costs - WPD recovers certain pass-through costs over which the DNO has no control such as property taxes, National Grid transmission charges and Ofgem fees. Although these items are intended to be pass-through charges there could be timing differences, primarily related to property taxes, as to when amounts are collected in revenues and when amounts are expensed in the Statements of Income. WPD over-collected property taxes by £30 million, £37 million and £38 million in 2020, 2019 and 2018. WPD expects to continue to over-recover property taxes until the end of RIIO-ED1. Amounts under- or over-recovered in revenues in a regulatory year are trued up through revenues two regulatory years later.

Profiling adjustments - Ofgem permitted DNOs the flexibility to make profiling adjustments to their base revenues within their business plans. These adjustments do not affect the total base revenue in real terms over the eight-year price control period but change the year in which the revenue is collected. In the first year of RIIO-ED1, WPD's base revenue decreased by 11.8% compared to the final year of the prior price control period (DPCR5), primarily due to a change in profiling methodology and a lower weighted-average cost of capital. Base revenue then increased by approximately 2.5% per annum before inflation for regulatory years up to March 31, 2019 and will increase by approximately 1% per annum before inflation for each regulatory year thereafter for the remainder of RIIO-ED1.

(7) Incentives for developing high-quality business plans (known as fast-tracking) - For RIIO-ED1, Ofgem incentivized DNOs with certain financial rewards to develop "well justified" business plans that drive value to customers. WPD was awarded the following fast-track incentives:

- an annual fast-track revenue incentive worth 2.5% of Totex (approximately £25 million annually for WPD);
- a real cost of equity rate of 6.4% compared to 6.0% for slow-tracked DNOs; and,
- cost savings retention was established at 70% for WPD compared to approximately 55% for slow-tracked DNOs.

(8) Allowed Revenue - Allowed revenue is the amount that a DNO can collect from its customers in order to fund its investment requirements.

Base revenues are adjusted annually during RIIO-ED1 to arrive at allowed revenues. These adjustments are discussed in sections (9) through (13) below.

(9) MOD and Inflation True-Up (TRU)

MOD - RIIO-ED1 includes an AIP that allows future base revenues, agreed with the regulator as part of the price control review, to be updated during the price control period for financial adjustments including taxes, pensions, cost of debt, legacy price control adjustments from preceding price control periods and adjustments relating to actual and allowed total expenditure together with the Totex Incentive Mechanism (TIM). The AIP calculates an incremental change to base revenue, known as the "MOD" adjustment.

- The MOD provided by Ofgem in November 2016 included the TIM for the 2015/16 regulatory year, as well as the cost of debt calculation based on the 10-year trailing average to October 2016. This MOD of £12 million reduced base revenue in calendar years 2017 and 2018 by £8 million and £4 million.
- The MOD provided by Ofgem in November 2017 for the 2016/17 regulatory year was a £39 million reduction to revenue that reduced base revenue in calendar years 2018 and 2019 by £26 million and £13 million.
- The MOD provided by Ofgem in November 2018 for the 2017/18 regulatory year was a £42 million reduction to revenue that reduced base revenue in calendar year 2019 and 2020 by £28 million and £14 million.
- The MOD provided by Ofgem in November 2019 for the 2018/19 regulatory year was a £81 million reduction to revenue that reduced base revenue in calendar year 2020 by £54 million and will reduce base revenues in calendar year 2021 by £27 million.
- The MOD provided by Ofgem in November 2020 for the 2019/20 regulatory year was a £126 million reduction to revenue that will reduce base revenue in calendar years 2021 and 2022 by £84 million and £42 million.
- The projected MOD for the 2020/2021 regulatory year is a £159 million reduction to revenue that is expected to reduce base revenue in calendar years 2022 and 2023 by £106 million and £53 million.

TRU - As discussed below in "(10) Inflation adjusted, multi-year rate cycle," the base revenue for the RIIO-ED1 period was set based on 2012/13 prices. Therefore, an inflation factor as determined by forecasted RPI, provided by HM Treasury, is applied to base revenue. Forecasted RPI is trued up to actuals and affects future base revenue two regulatory years later. This revenue change is called the "TRU" adjustment.

- The TRU for the 2015/16 regulatory year was a £31 million reduction to revenue that reduced base revenue in calendar years 2017 and 2018 by £21 million and £10 million.
- The TRU for the 2016/17 regulatory year was a £6 million reduction to revenue that reduced base revenue in calendar years 2018 and 2019 by £4 million and £2 million.
- The TRU for the 2017/18 regulatory year was a £4 million increase to revenue that increased base revenue in calendar year 2019 and 2020 by £3 million and £1 million.
- The TRU for the 2018/19 regulatory year was a £2 million reduction to revenue that reduced base revenue in calendar year 2020 by £1 million and will reduce base revenue in calendar year 2021 by £1 million.
- The TRU for the 2019/20 regulatory year was a £15 million reduction to revenue that will reduce base revenue in calendar years 2021 and 2022 by £10 million and £5 million.
- The projected TRU for the 2020/21 regulatory year is a £13 million reduction to revenue that is expected to reduce base revenue in calendar years 2022 and 2023 by £9 million and £4 million.

As both MOD and TRU are changes to future base revenues as determined by Ofgem, these adjustments are recognized as a component of revenues in future years in which service is provided and revenues are collected or returned to customers.

(10) Inflation adjusted, multi-year rate cycle - Ofgem built its price control framework to better coincide with the long-term nature of electricity distribution investments. The current price control for electricity distribution is for the eight-year period from April 1, 2015 through March 31, 2023. This both required and enabled WPD to design a base business plan with predictable revenues and expenses over the long-term to drive value for its customers through predetermined outputs and for its investors through preset base returns. A key aspect to the multi-year cycle is an annual inflation adjustment for revenue and cost components, which are inflated using RPI from the base 2012/13 prices used to establish the business plans. Consistent with Ofgem's formulas, the inflation adjustment is applied to base revenue, MOD and TRU when determining allowed revenue. This inflation adjustment also has the effect of inflating RAV, and real returns are earned on the inflated RAV.

(11) Incentive revenues for strong operational performance and innovation - Ofgem has established incentives to provide opportunities for DNOs to enhance overall returns by improving network efficiency, reliability and customer service. These incentives can result in an increase or reduction in revenues based on incentives or penalties for actual performance against pre-established targets based on past performance. Some of the more significant incentives that may affect allowed revenue include the Interruptions Incentive Scheme (IIS), the broad measure of customer service (BMCS) and the time to connect (TTC) incentive:

- The IIS has two major components: (1) Customer interruptions (CIs) and (2) Customer minutes lost (CMLs), and both are designed to incentivize the DNOs to invest in and operate their networks to manage and reduce both the frequency and duration of power outages.
- The BMCS encompasses customer satisfaction in supply interruptions, connections and general inquiries, complaints, stakeholder engagement and delivery of social obligations.
- The TTC incentive rewards DNOs for reducing connection times for minor connections against an Ofgem set target.

The annual incentives and penalties are reflected in customer rates on a two-year lag from the time they are earned and/or assessed. Based on applicable GAAP, incentive revenues and penalties are recorded in revenues when they are billed to customers. The following table shows the amount of incentive revenues (in total), primarily from IIS, BMCS and TTC that WPD has received and is projected to receive on a calendar year basis:

Calendar Year Ended Incentive Earned	Incentive Received (in millions)	Calendar Year Ended Incentive Included in Revenue
2016	£ 76	2018
2017	72	2019
2018	78	2020
2019	85	2021
2020 (a)	75-85	2022
2021 (a)	75-85	2023

(a) Reflects projected incentive revenues.

(12) Correction Factor (K-factor) - During the price control period, WPD sets its tariffs to recover allowed revenue. However, in any fiscal period, WPD's revenue could be negatively affected if its tariffs and the volume delivered do not fully recover the allowed revenue for a particular period. Conversely, WPD could over-recover revenue. Over- and under-recoveries are subtracted from or added to allowed revenue in future years, known as the "Correction Factor" or "K-factor." Over and under-recovered amounts during RIIO-ED1 will be refunded/recovered two regulatory years later.

- The K-factor for the 2015/16 regulatory year was a £4 million under-recovery that increased allowed revenue in calendar years 2017 and 2018 by £3 million and £1 million.
- The K-factor for the 2016/17 regulatory year was a £23 million over-recovery that reduced allowed revenue in calendar years 2018 and 2019 by £15 million and £8 million.
- The K-factor for the 2017/18 regulatory year was a £3 million over-recovery that reduced allowed revenue in calendar year 2019 and 2020 by £2 million and £1 million.
- The K-factor for the 2018/19 regulatory year was a £16 million over-recovery that reduced allowed revenue in calendar year 2020 by £11 million and will reduce allowed revenue in calendar year 2021 by £5 million.
- The K-factor for the 2019/20 regulatory year was a £25 million under-recovery that will increase allowed revenue in calendar years 2021 and 2022 by £17 million and £8 million.
- The projected K-factor for the 2020/21 regulatory year is a £88 million under-recovery that is expected to increase allowed revenue in calendar years 2022 and 2023 by £59 million and £29 million.

Historically, tariffs have been set a minimum of three months prior to the beginning of the regulatory year (April 1). In 2015, Ofgem determined that, beginning with the 2017/18 regulatory year, tariffs would be established a minimum of fifteen months in advance. This change will potentially increase volatility in future revenue forecasts due to the need to forecast components of allowed revenue including MOD, TRU, K-factor and incentive revenues.

(13) Other Allowed Revenue - Other Allowed Revenue primarily consists of pass through true-ups. For a discussion on property tax true-ups, see recovery of pass through costs in "(6) Other revenue included in base revenue" above.

(14) GAAP Operating Revenue - Operating revenue under GAAP primarily consists of allowed revenue, which has been converted to rates and earned as electricity was delivered in the calendar year, converted to U.S. dollars. It also includes miscellaneous revenue primarily from engineering recharge work and ancillary activity revenue. Engineering recharge is work performed for a third party by WPD which is not for general network maintenance or to increase reliability. Examples are diversions and running new lines and equipment for a new housing complex. Ancillary activity revenue includes revenue primarily from WPD's Telecoms and Property companies. The amounts of miscellaneous revenue for 2020, 2019 and 2018 were £121 million, £115 million and £115 million. The margin or profit on these activities, however, was not significant.

(15) Currency Hedging - Earnings generated by PPL's U.K. subsidiaries are subject to foreign currency translation risk. Due to the significant earnings contributed from WPD, PPL enters into foreign currency contracts to economically hedge the value of the GBP versus the U.S. dollar. These hedges do not receive hedge accounting treatment under GAAP.

GAAP Accounting implications

As the regulatory model in the U.K. is incentive based rather than a cost recovery model, WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP. Therefore, the accounting treatment for the differences in the amounts collected in revenues and the amounts recorded for expenses related to depreciation, pensions, cost of debt and income taxes, and the adjustments to base revenue and/or allowed revenue are evaluated primarily based on revenue recognition guidance.

See "Revenue Recognition" in Note 1 to the Financial Statements for additional information.

See "Overview - Financial and Operational Developments - RIIO-2 Framework" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for information on the RIIO-2 Framework which will commence on April 1, 2023.

Kentucky Regulated Segment (PPL)

The Kentucky Regulated segment consists of the operations of LKE, which owns and operates regulated public utilities engaged in the generation, transmission, distribution and sale of electricity and distribution and sale of natural gas, representing

primarily the activities of LG&E and KU. In addition, certain acquisition-related financing costs are allocated to the Kentucky Regulated segment.

(PPL, LKE, LG&E and KU)

LG&E and KU, direct subsidiaries of LKE, are engaged in the regulated generation, transmission, distribution and sale of electricity in Kentucky and, in KU's case, also Virginia. LG&E also engages in the distribution and sale of natural gas in Kentucky. LG&E provides electricity service to approximately 425,000 customers in Louisville and adjacent areas in Kentucky, covering approximately 700 square miles in nine counties and provides natural gas service to approximately 332,000 customers in its electricity service area and eight additional counties in Kentucky. KU provides electric service to approximately 536,000 customers in 77 counties in central, southeastern and western Kentucky and approximately 28,000 customers in five counties in southwestern Virginia, covering approximately 4,800 non-contiguous square miles. KU also sells wholesale electricity to two municipalities in Kentucky under load following contracts. See Note 3 to the Financial Statements for revenue information.

Franchises and Licenses

LG&E and KU provide electricity delivery service, and LG&E provides natural gas distribution service, in their respective service territories pursuant to certain franchises, licenses, statutory service areas, easements and other rights or permissions granted by state legislatures, cities or municipalities or other entities.

Competition

There are currently no other electric public utilities operating within the electricity service areas of LKE. From time to time, bills are introduced into the Kentucky General Assembly which seek to authorize, promote or mandate increased distributed generation, customer choice or other developments. Neither the Kentucky General Assembly nor the KPSC has adopted or approved a plan or timetable for retail electric industry competition in Kentucky. The nature or timing of legislative or regulatory actions, if any, regarding industry restructuring and their impact on LKE, which may be significant, cannot currently be predicted. Virginia, formerly a deregulated jurisdiction, has enacted legislation that implemented a hybrid model of cost-based regulation. KU's operations in Virginia have been and remain regulated.

Alternative energy sources such as electricity, oil, propane and other fuels indirectly impact LG&E's natural gas revenues. Marketers may also compete to sell natural gas to certain large end-users. LG&E's natural gas tariffs include gas price pass-through mechanisms relating to its sale of natural gas as a commodity. Therefore, customer natural gas purchases from alternative suppliers do not generally impact LG&E's profitability. Some large industrial and commercial customers, however, may physically bypass LG&E's facilities and seek delivery service directly from interstate pipelines or other natural gas distribution systems.

Power Supply

At December 31, 2020, LKE owned generating capacity of 7,561 MW, of which 2,786 MW related to LG&E and 4,775 MW related to KU. See "Item 2. Properties - Kentucky Regulated Segment" for a complete list of LKE's generating facilities.

The system capacity of LKE's owned or controlled generation is based upon a number of factors, including the operating experience and physical condition of the units, and may be revised periodically to reflect changes in circumstances.

During 2020, LKE's power plants generated the following amounts of electricity:

Fuel Source	GWh		
	LKE	LG&E	KU
Coal	24,039	9,961	14,078
Gas	5,370	1,274	4,096
Hydro	367	242	125
Solar	18	7	11
Total (a)	29,794	11,484	18,310

(a) This generation represents decreases for LKE, LG&E and KU of 8%, 13% and 4% from 2019 output.

The majority of LG&E's and KU's generated electricity was used to supply their retail customer bases.

LG&E and KU jointly dispatch their generation units with the lowest cost generation used to serve their customers. When LG&E has excess generation capacity after serving its own customers and its generation cost is lower than that of KU, KU purchases electricity from LG&E and vice versa.

Due to environmental requirements and energy efficiency measures, as of December 31, 2020, LG&E and KU have retired approximately 1,200 MW of coal-fired generation plants since 2010.

LG&E and KU received approval from the KPSC to develop a 4 MW Solar Share facility to service a Solar Share program. The Solar Share program is a voluntary program that allows customers to subscribe capacity in the Solar Share facility. Construction commences, in 500-kilowatt phases, when subscription is complete. Construction of two 500-kilowatt phases was completed as of December 31, 2020. The subscription for the third and fourth 500-kilowatt phase was completed with construction expected to be completed in 2021. LG&E and KU continue to market the program and have started receiving subscriptions for the fifth 500-kilowatt phase.

On January 23, 2020, LG&E and KU applied to the KPSC for approval of arrangements relating to the purchase of 100 MW of solar power in connection with the Green Tariff option established in the 2018 Kentucky base rate cases. Pursuant to the agreements, LG&E and KU would purchase the initial 20 years of output of a proposed third-party solar generation facility and resell the bulk of the power as renewable energy to two large industrial customers and use the remaining power for other customers. On May 8, 2020, the KPSC issued an order approving LG&E's and KU's applications with certain modifications. LG&E and KU requested reconsideration of limited portions of the KPSC's Order and on December 16, 2020, the KPSC amended their original order. PPL, LKE, LG&E and KU do not anticipate that these arrangements will have a significant impact on their results of operations or financial condition.

Fuel Supply

Coal and natural gas are expected to be the predominant fuels used by LG&E and KU for generation for the foreseeable future. Natural gas used for generation is primarily purchased using contractual arrangements separate from LG&E's natural gas distribution operations. Natural gas and oil are also used for intermediate and peaking capacity and flame stabilization in coal-fired boilers.

Fuel inventory is maintained at levels estimated to be necessary to avoid operational disruptions at coal-fired generating units. Reliability of coal deliveries can be affected from time to time by a number of factors including fluctuations in demand, coal mine production issues, high or low river level events, lock outages and other supplier or transporter operating difficulties.

LG&E and KU have entered into coal supply agreements with various suppliers for coal deliveries through 2024 and augment their coal supply agreements with spot market purchases, as needed.

For their existing units, LG&E and KU expect, for the foreseeable future, to purchase most of their coal from western Kentucky, southern Indiana, southern Illinois, northern West Virginia and western Pennsylvania. LG&E and KU continue to purchase certain quantities of ultra-low sulfur content coal from Wyoming for blending at Trimble County Unit 2. Coal is delivered to the generating plants primarily by barge and rail.

To enhance the reliability of natural gas supply, LG&E and KU have secured firm long-term pipeline transport capacity with contracts of various durations through 2024 on the interstate pipeline serving Cane Run Unit 7. This pipeline also serves the six simple cycle combustion turbine units located at the Trimble County site as well as three other simple cycle units at the Paddy's Run site. For the seven simple cycle combustion turbines at the E.W. Brown facility, no firm long-term pipeline transport capacity has been purchased due to the facility being interconnected to two pipelines and some of the units having dual fuel capability.

LG&E and KU have firm contracts for a portion of the natural gas fuel for Cane Run Unit 7 through March 2023. The bulk of the natural gas fuel remains purchased on the spot market.

(PPL, LKE and LG&E)

Natural Gas Distribution Supply

Five underground natural gas storage fields, with a current working natural gas capacity of approximately 15 billion cubic feet (Bcf), are used to provide natural gas service to LG&E's firm sales customers. Natural gas is stored during the summer season for withdrawal during the following winter heating season. Without this storage capacity, LG&E would need to purchase

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additional natural gas and pipeline transportation services during winter months when customer demand increases and the prices for natural gas supply and transportation services are expected to be higher. At December 31, 2020, LG&E had 12 Bcf of natural gas stored underground with a carrying value of \$30 million.

LG&E has a portfolio of supply arrangements of varying durations and terms that provide competitively priced natural gas designed to meet its firm sales obligations. These natural gas supply arrangements include pricing provisions that are market-responsive. In tandem with pipeline transportation services, these natural gas supplies provide the reliability and flexibility necessary to serve LG&E's natural gas customers.

LG&E purchases natural gas supply transportation services from two pipelines. LG&E has contracts with one pipeline that are subject to termination by LG&E between 2023 and 2026. Total winter season capacity under these contracts is 184,900 MMBtu/day and summer season capacity is 60,000 MMBtu/day. With this same pipeline, LG&E also has another contract for pipeline capacity through 2026 for 60,000 MMBtu/day during both the winter and summer seasons. LG&E has a single contract with a second pipeline with a total capacity of 20,000 MMBtu/day during both the winter and summer seasons that expires in 2023.

LG&E expects to purchase natural gas supplies for its gas distribution operations from onshore producing regions in South Texas, East Texas, North Louisiana and Arkansas, as well as gas originating in the Marcellus and Utica production areas.

(PPL, LKE, LG&E and KU)

Transmission

LG&E and KU contract with the Tennessee Valley Authority to act as their transmission reliability coordinator and contract with TranServ International, Inc. to act as their independent transmission organization.

Rates

LG&E is subject to the jurisdiction of the KPSC and FERC, and KU is subject to the jurisdiction of the KPSC, FERC and VSCC. LG&E and KU operate under a FERC-approved open access transmission tariff.

LG&E's and KU's Kentucky base rates are calculated based on a return on capitalization (common equity, long-term debt and short-term debt) including adjustments for certain net investments and costs recovered separately through other means. As such, LG&E and KU generally earn a return on regulatory assets in Kentucky.

KU's Virginia base rates are calculated based on a return on rate base (net utility plant plus working capital less accumulated deferred income taxes and miscellaneous deductions). As all regulatory assets and liabilities, except the levelized fuel factor and regulatory assets or liabilities recorded for pension and postretirement benefits and AROs related to certain CCR impoundments, are excluded from the return on rate base utilized in the calculation of Virginia base rates, no return is earned on the related assets.

KU's rates to municipal customers for wholesale power requirements are calculated based on annual updates to a formula rate that utilizes a return on rate base (net utility plant plus working capital less accumulated deferred income taxes and miscellaneous deductions). As all regulatory assets and liabilities are excluded from the return on rate base utilized in the development of municipal rates, no return is earned on the related assets. In April 2014, certain municipalities submitted notices of termination to cease taking power under the wholesale requirements contracts. KU's service to eight municipalities terminated effective April 30, 2019. KU continues to provide service to two municipalities.

See "Financial and Operational Developments" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 7 to the Financial Statements for additional information on current rate proceedings and rate mechanisms.

Pennsylvania Regulated Segment (PPL)

The Pennsylvania Regulated segment consists of PPL Electric, a regulated public utility engaged in the distribution and transmission of electricity.

(PPL and PPL Electric)

PPL Electric delivers electricity to approximately 1.4 million customers in a 10,000-square mile territory in 29 counties within eastern and central Pennsylvania. PPL Electric also provides electricity to retail customers in this territory as a PLR under the Customer Choice Act. See Note 3 to the Financial Statements for revenue information.

Franchise, Licenses and Other Regulations

PPL Electric is authorized to provide electric public utility service throughout its service area as a result of grants by the Commonwealth of Pennsylvania in corporate charters to PPL Electric and companies which it has succeeded, and as a result of certification by the PUC. PPL Electric is granted the right to enter the streets and highways by the Commonwealth subject to certain conditions. In general, such conditions have been met by ordinance, resolution, permit, acquiescence or other action by an appropriate local political subdivision or agency of the Commonwealth.

Competition

Pursuant to authorizations from the Commonwealth of Pennsylvania and the PUC, PPL Electric operates a regulated distribution monopoly in its service area. Accordingly, PPL Electric does not face competition in its electricity distribution business. Pursuant to the Customer Choice Act, generation of electricity is a competitive business in Pennsylvania, and PPL Electric does not own or operate any generation facilities.

The PPL Electric transmission business, operating under a FERC-approved PJM Open Access Transmission Tariff, is subject to competition pursuant to FERC Order 1000 from entities that are not incumbent PJM transmission owners with respect to the construction and ownership of transmission facilities within PJM.

Rates and Regulation

Transmission

PPL Electric's transmission facilities are within PJM, which operates the electricity transmission network and electric energy market in the Mid-Atlantic and Midwest regions of the U.S.

PJM serves as a FERC-approved Regional Transmission Operator (RTO) to promote greater participation and competition in the region it serves. In addition to operating the electricity transmission network, PJM also administers regional markets for energy, capacity and ancillary services. A primary objective of any RTO is to separate the operation of, and access to, the transmission grid from market participants that buy or sell electricity in the same markets. Electric utilities continue to own the transmission assets and to receive their share of transmission revenues, but the RTO directs the control and operation of the transmission facilities. Certain types of transmission investments are subject to competitive processes outlined in the PJM tariff.

As a transmission owner, PPL Electric's transmission revenues are recovered through PJM and billed in accordance with a FERC-approved Open Access Transmission Tariff that allows recovery of incurred transmission costs, a return on transmission-related plant and an automatic annual update based on a formula-based rate recovery mechanism. Under this formula, rates are put into effect in June of each year based upon prior year actual expenditures and current year forecasted capital additions. Rates are then adjusted the following year to reflect actual annual expenses and capital additions, as reported in PPL Electric's annual FERC Form 1, filed under the FERC's Uniform System of Accounts. Any difference between the revenue requirement in effect for the prior year and actual expenditures incurred for that year is recorded as a regulatory asset or regulatory liability. Any change in the prior year PPL zonal peak load billing factor applied on January 1 of each year will result in an increase or decrease in revenue until the next annual rate update is effective on June 1 of that same year.

As a PLR, PPL Electric also purchases transmission services from PJM. See "PLR" below.

See Note 7 to the Financial Statements for additional information on rate mechanisms.

Distribution

PPL Electric's distribution base rates are calculated based on a return on rate base (net utility plant plus a cash working capital allowance less plant-related deferred taxes and other miscellaneous additions and deductions). All regulatory assets and liabilities are excluded from the return on rate base. Therefore, no return is earned on the related assets unless specifically provided for by the PUC. Currently, PPL Electric's Smart Meter rider and the DSIC are the only riders authorized to earn a return. Certain operating expenses are also included in PPL Electric's distribution base rates including wages and benefits, other operation and maintenance expenses, depreciation and taxes.

Pennsylvania's Alternative Energy Portfolio Standard (AEPS) requires electricity distribution companies and electricity generation suppliers to obtain from alternative energy resources a portion of the electricity sold to retail customers in Pennsylvania. Under the default service procurement plans approved by the PUC, PPL Electric purchases all of the alternative energy generation supply it needs to comply with the AEPS.

Act 129 created an energy efficiency and conservation program, a demand side management program, smart metering technology requirements, new PLR generation supply procurement rules, remedies for market misconduct and changes to the existing AEPS.

Act 11 authorizes the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, the use of a DSIC. Such alternative ratemaking procedures and mechanisms provide opportunity for accelerated cost-recovery and, therefore, are important to PPL Electric as it is in a period of significant capital investment to maintain and enhance the reliability of its delivery system, including the replacement of aging assets. PPL Electric utilized the fully projected future test year mechanism in its 2015 base rate proceeding. PPL has had the ability to utilize the DSIC recovery mechanism since July 2013.

See "Financial and Operational Developments" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 7 to the Financial Statements for additional information on legislative and regulatory matters.

PLR

The Customer Choice Act requires electric distribution companies, including PPL Electric, or an alternative supplier approved by the PUC, to act as a PLR of electricity supply for customers who do not choose to shop for supply with a competitive supplier and provides that electricity supply costs will be recovered by the PLR pursuant to PUC regulations. In 2020, the following average percentages of PPL Electric's customer load were provided by competitive suppliers: 42% of residential, 81% of small commercial and industrial and 98% of large commercial and industrial customers. The PUC continues to favor expanding the competitive market for electricity.

PPL Electric's cost of electricity generation is based on a competitive solicitation process. The PUC approved PPL Electric's default service plan for the period June 2017 through May 2021, which included a total of eight semi-annual solicitations for electricity supply. Additionally, on December 17, 2020, the PUC approved PPL Electric's next default service plan for the period of June 2021 through May 2025, which includes a total of eight solicitations for electricity supply held semiannually in April and October. The new plan also includes eight solicitations for alternative energy credits held semiannually in January and July with the first solicitation being in July 2021 and the final solicitation being in January 2025.

Pursuant to the plans, PPL Electric contracts for all of the electricity supply for residential, commercial and industrial customers who elect to take default service from PPL Electric. These solicitations contain a mix of products including 5-year block energy contracts for residential customers, 6- and 12-month fixed-price load-following contracts for residential and small commercial and industrial customers, 12-month real-time pricing contracts for large commercial and industrial customers, and alternative energy credit contracts for residential, commercial and industrial customers. These contracts fulfill PPL Electric's obligation to provide customer electricity supply as a PLR.

Numerous alternative suppliers have offered to provide generation supply in PPL Electric's service area. As the cost of generation supply is a pass-through cost for PPL Electric, its financial results are not impacted if its customers purchase electricity supply from these alternative suppliers.

Corporate and Other (PPL)

PPL Services provides PPL subsidiaries with administrative, management and support services. The costs of these services are charged directly to the respective recipients for the services provided or indirectly charged to applicable recipients based on an average of the recipients' relative invested capital, operation and maintenance expenses and number of employees or a ratio of overall direct and indirect costs.

PPL Capital Funding, PPL's financing subsidiary, provides financing for the operations of PPL and certain subsidiaries. PPL's growth in rate-regulated businesses provides the organization with an enhanced corporate level financing alternative, through PPL Capital Funding, that enables PPL to cost effectively support targeted credit profiles across all of PPL's rated companies. As a result, PPL plans to utilize PPL Capital Funding as a source of capital in future financings, in addition to continued direct financing by the operating companies.

Unlike PPL Services, PPL Capital Funding's costs are not generally charged to PPL subsidiaries. Costs are charged directly to PPL. However, PPL Capital Funding participated significantly in the financing for the acquisitions of LKE and WPD Midlands and certain associated financing costs were allocated to the Kentucky Regulated and U.K. Regulated segments. The associated financing costs, as well as the financing costs associated with prior issuances of certain other PPL Capital Funding securities, have been assigned to the appropriate segments for purposes of PPL management's assessment of segment performance. The financing costs associated primarily with PPL Capital Funding's securities issuances beginning in 2013, with certain exceptions, have not been directly assigned or allocated to any segment.

During the second quarter of 2018, PPL completed the acquisition of all the outstanding membership interests of Safari Energy, a privately held provider of solar energy solutions for commercial customers in the U.S. The acquisition is not material to PPL and the financial results of Safari Energy are reported within Corporate and Other.

ENVIRONMENTAL MATTERS

(All Registrants)

The Registrants are subject to certain existing and developing federal, regional, state and local laws and regulations with respect to air and water quality, land use and other environmental matters. The EPA and other federal agencies with jurisdiction over environmental matters have issued numerous environmental regulations relating to air, water and waste that directly affect the electric power industry. Due to these environmental issues, it may be necessary for the Registrants to modify or cease certain operations or operation of certain facilities to comply with statutes, regulations and other requirements of regulatory bodies or courts. In addition, legal challenges to environmental permits or rules add uncertainty to estimating future costs of complying with such permits and rules. The new U.S. presidential administration is expected to undertake an assessment of potential changes in a wide range of environmental programs.

See "Legal Matters" in Note 14 to the Financial Statements for a discussion of environmental commitments and contingencies. See "Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash - Capital Expenditures" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for information on projected environmental capital expenditures for 2021 through 2025.

LG&E and KU are entitled to recover, through the ECR mechanism, certain costs of complying with the Clean Air Act, as amended, and other federal, state and local environmental requirements applicable to coal combustion wastes and by-products from coal-fired generating facilities upon KPSC review. Costs not covered by the ECR mechanism for LG&E and KU and all such costs for PPL Electric are subject to rate recovery at the discretion of the companies' respective state regulatory authorities, or the FERC, if applicable. WPD's distribution businesses are subject to certain statutory and regulatory environmental requirements. It may be necessary for WPD to incur significant compliance costs, which may be recoverable through rates subject to Ofgem approval. Because neither WPD nor PPL Electric own any generating plants, their exposure to related environmental compliance costs is reduced. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future proceedings before regulatory authorities.

Air

(PPL, LKE, LG&E and KU)

NAAQS

The Clean Air Act has a significant impact on the operation of fossil fuel generation plants. The Clean Air Act requires the EPA periodically to establish and review National Ambient Air Quality Standards, known as NAAQS, for six pollutants: carbon monoxide, lead, nitrogen dioxide, ozone (contributed to by nitrogen oxide emissions), particulate matter and sulfur dioxide. In December 2020, the EPA released final actions keeping the existing NAAQS standard for particulate matter and ozone without change. PPL, LKE, LG&E, and KU are unable to predict the outcome of future evaluations by the EPA and the states with respect to the NAAQS standards.

Applicable regulations require each state to identify areas within its boundaries that fail to meet the NAAQS, (known as nonattainment areas), and develop a state implementation plan to achieve and maintain compliance. States that are found to contribute significantly to another state's nonattainment with ozone standards are required to establish "good neighbor" state implementation plans. In addition, for attainment of ozone and fine particulates standards, certain states, including Kentucky, are subject to a regional EPA program known as the Cross-State Air Pollution Rule (CSAPR).

In January 2018, the EPA designated Jefferson County, Kentucky (Louisville) as being in nonattainment with the existing 2015 ozone standard. In 2020, LG&E entered into an agreement with the Louisville Metro Air Pollution Control District for temporary nitrogen oxide emission limits at LG&E's Mill Creek Station during 2020 to facilitate compliance with the ozone standard. If Jefferson County is unable to demonstrate attainment within the specified timeframes, it may be "bumped up" to the moderate nonattainment classification and thus subject to additional requirements including requirements for installation of reasonably available control technology on coal-fired generating units. Compliance with such requirements may require installation of additional pollution controls or other compliance actions. LKE and LG&E are unable to determine the impact on operations until certain compliance determinations are made by the EPA and Kentucky.

In December 2018, the EPA finalized the CSAPR "Close-Out Rule," determining that the existing CSAPR "Update Rule" for the 2008 ozone NAAQS fully addresses applicable states' interstate pollution transport obligations. Various states and others challenged the rule in the U.S. Court of Appeals for the D.C. Circuit (D.C. Circuit). In September 2019, the D.C. Circuit granted these petitions and remanded a portion of the CSAPR Update Rule to the EPA. In October 2020, the EPA released proposed revisions to the CSAPR Update Rule providing for rescission of Kentucky's approved good neighbor state implementation plan and additional reductions in ozone season nitrogen oxide emissions for 2021 and subsequent years from sources in 12 states, including Kentucky.

PPL, LKE, LG&E and KU are unable to determine the impact of the rule on operations until the rule is finalized, and certain implementation determinations are made by the EPA and Kentucky. Compliance with the NAAQS, CSAPR and related requirements may require installation of additional pollution controls or other compliance actions, the costs of which PPL, LKE, LG&E and KU believe would be subject to rate recovery.

Climate Change

There is continuing world-wide attention focused on issues related to climate change. In 2015, 195 nations, including the U.S., signed the Paris Agreement on Climate, establishing non-binding targets to reduce GHG emissions from both developed and developing nations. In 2017, the President announced a U.S. withdrawal from the Paris Agreement, effective November 2020. In January 2021, the new U.S. presidential administration initiated the process to rejoin the Paris Agreement. The new U.S. presidential administration also issued executive orders directing agencies to conduct a general review of regulations and executive actions relating to the environment and reestablished a framework for considering the social cost of carbon as part of certain agency cost-benefit analyses for new regulations. The new U.S. presidential administration is considering a wide range of additional policies, executive orders, rules, legislation and other initiatives to address climate change. Some of these initiatives may include repeal of policies, executive orders or rules implemented by the prior administration. Additionally, there are ongoing efforts by various state and local governments to assess potential changes to legislation, rules, policies, directives, and other requirements applicable to greenhouse gas emissions. PPL, LKE, LG&E and KU cannot predict the outcome of ongoing developments.

The U.K. has enacted binding carbon reduction requirements that are applicable to WPD. Under the U.K. law, WPD must purchase carbon allowances to offset emissions associated with WPD's operations. The cost of these allowances is not significant and is included in WPD's current operating expenses.

The EPA's Affordable Clean Energy Rule

In July 2019, the EPA repealed the Clean Power Plan and finalized the Affordable Clean Energy (ACE) Rule which gives states broad latitude to establish emission guidelines providing for plant-specific efficiency upgrades or "heat-rate improvements" to reduce GHG emissions per unit of electricity generated. States are generally allowed three years to submit plans establishing standards of performance, while the EPA anticipates that most facilities will be required to demonstrate compliance within two years of plan approval. The EPA intends to take additional action to finalize new criteria for determining whether efficiency projects will trigger New Source Review and thus be subject to more stringent emission controls. LG&E and KU are currently working with state agencies on submittal of compliance plans to the EPA. Various entities filed petitions for review and petitions for reconsideration. On January 19, 2021, the D.C. Circuit Court issued an opinion finding that the EPA had erroneously repealed the Clean Power Plan. The D.C. Circuit Court's opinion also vacated and remanded the ACE Rule to the EPA. PPL, LKE, LG&E, and KU cannot predict the outcome of the pending litigation and regulatory proceedings or changes that may be pursued by the new U.S. presidential administration, but believe that the costs would be subject to rate recovery.

Water/Waste

(PPL, LKE, LG&E and KU)

Clean Water Act

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

Clean Water Act Jurisdiction

Environmental groups and others have claimed that discharges to groundwater from leaking CCR impoundments at power plants are subject to Clean Water Act permitting. A citizen suit raising such claims has been filed against KU with respect to the E.W. Brown plant, as discussed under "Legal Matters" - "E.W. Brown Environmental Claims" in Note 14 to the Financial Statements. On April 12, 2019, the EPA released regulatory clarification finding that Clean Water Act jurisdiction does not cover such discharges to groundwater. On January 23, 2020, the EPA announced a final rule modifying the jurisdictional scope of the Clean Water Act. The announced rule revises the definition of the "Waters of the United States," including a revision to exclude groundwater from the definition. In April 2020, the U.S. Supreme Court issued a ruling that Clean Water Act jurisdiction may apply to certain discharges to groundwater that result in the functional equivalent of a direct discharge to navigable waters. In December 2020, the EPA published draft guidance addressing how the Supreme Court decision applies to the Clean Water Act National Pollutant Elimination System permit program. PPL, LKE, LG&E, and KU are unaware of any unpermitted releases from their facilities that are subject to Clean Water Act jurisdiction, but future regulatory developments and judicial rulings could potentially subject certain releases from CCR impoundments and landfills to additional permitting and remediation requirements, which could impose substantial costs. Any associated costs are expected to be subject to rate recovery. PPL, LKE, LG&E and KU are unable to predict the outcome or financial impact of future regulatory proceedings and litigation.

Seepages and Groundwater Infiltration

In addition to the actions described above, LG&E and KU have completed, or are completing, assessments of seepages or groundwater infiltration at various facilities and have completed, or are working with agencies to implement, further testing, monitoring or abatement measures, where applicable. Depending on the circumstances in each case, certain costs, which may be subject to rate recovery, could be significant.

Superfund and Other Remediation

(All Registrants)

From time to time, PPL's subsidiaries in the United States undertake testing, monitoring or remedial action in response to spills or other releases at various on-site and off-site locations, negotiate with the EPA and state and local agencies regarding actions

necessary to comply with applicable requirements, negotiate with property owners and other third parties alleging impacts from PPL's operations and undertake similar actions necessary to resolve environmental matters that arise in the course of normal operations. Based on analyses to date, resolution of these environmental matters is not expected to have a significant adverse impact on the operations of PPL Electric, LG&E and KU.

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

See "Legal Matters" in Note 14 to the Financial Statements for additional information.

(All Registrants)

SEASONALITY

The demand for and market prices of electricity and natural gas are affected by weather. As a result, the Registrants' operating results in the future may fluctuate substantially on a seasonal basis, especially when unpredictable weather conditions make such fluctuations more pronounced. The pattern of this fluctuation may change depending on the type and location of the facilities owned. See "Item 1. Business - Environmental Matters - Air" for additional information regarding climate change.

FINANCIAL CONDITION

See "Financial Condition" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for this information.

CAPITAL EXPENDITURE REQUIREMENTS

See "Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash - Capital Expenditures" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for information concerning projected capital expenditure requirements for 2021 through 2025. See "Item 1. Business - Environmental Matters" for additional information concerning the potential impact on capital expenditures from environmental matters.

HUMAN CAPITAL

PPL, together with its subsidiaries, is committed to fostering an exceptional workplace for employees. PPL pledges to enable success of its current and future workforce through a human capital management approach that cultivates a diverse, equitable and inclusive culture, fosters professional development and encourages employee engagement. Matters related to these priorities and corporate culture are overseen by PPL's senior management, which provides updates to the PPL Board of Directors (the Board). Three priorities of this commitment and their oversight are as follows:

- Diversity, equity and inclusion (DEI) – Foster an inclusive, respectful and diverse workplace. Senior management reviews demographic metrics, DEI objectives and associated programs semi-annually. The Director of Diversity, Inclusion and Talent Management also reports to the Board on the company's DEI strategy.
- Employee engagement – Create a workplace that fosters an engaged, high-quality workforce. PPL's operating companies regularly conduct assessments related to employee engagement, safety and culture. Senior management reviews corporate culture with the Board annually.
- Human capital – Invest in our current and future workforce through training and development, succession planning and creation of a pipeline for internal advancement. In addition to challenging careers and competitive salaries, PPL offers competitive benefits programs to attract and retain talent and support employees' well-being. PPL offers competitive vacation time, expanded leave for new parents, retirement programs, and internal and external development opportunities, including tuition reimbursement offerings for undergraduate and certain graduate degrees. Senior management reviews succession planning with the Compensation Committee of the Board on an annual basis.

PPL is also committed to maintaining an ethical and safe workplace culture. Additional steps to ensure Board oversight in these areas include:

- Compliance – The Corporate Compliance Committee, including senior executives, meets quarterly to discuss metrics and other matters related to the compliance and ethics culture. Among the items discussed are statistics regarding Ethics Helpline reports and employee concerns. This information is also reviewed with the Audit Committee of the Board quarterly.
- Safety – PPL carries out programs focused on health and safety, including emergency preparedness, vehicle safety and accident prevention. Employees receive safety training and are encouraged to share best practices. Senior management receives monthly safety data to determine whether additional safety measures should be implemented. The Board annually reviews the company's safety programs and results. The Board is also immediately engaged in the event of a fatality.

PPL will continue to engage with employees and to assess these priorities as we work to best position individuals and the company for future success. As a result of our continued effort in these areas, we have a relatively low turnover rate of 5.8% for the year ended December 31, 2020. Looking forward, we will maintain our strong focus on workforce planning to address future talent needs.

At December 31, 2020, PPL and its subsidiaries had the following full-time employees and employees represented by labor unions:

	Total Full-Time Employees	Number of Union Employees	Percentage of Total Workforce
PPL	12,318	5,692	46 %
PPL Electric	1,533	887	58 %
LKE	3,482	759	22 %
LG&E	1,016	640	63 %
KU	889	119	13 %

PPL's domestic workforce has 1,820 employees, or 32%, who are members of labor unions.

WPD has 3,872 employees who are members of labor unions (or 59% of PPL's U.K. workforce). WPD recognizes four unions, the largest of which represent 40% of its union workforce. WPD's Electricity Business Agreement, which covers 3,816 union employees, may be amended by agreement between WPD and the unions and can be terminated with 12 months' notice by either side.

CYBERSECURITY MANAGEMENT

The Registrants and their subsidiaries are subject to risks from cyber-attacks that have the potential to cause significant interruptions to the operation of their businesses. The frequency of these attempted intrusions has increased in recent years and the sources, motivations and techniques of attack continue to evolve and change rapidly. PPL has adopted a variety of measures to monitor and address cyber-related risks and continues to implement and explore additional cybersecurity measures. Cybersecurity and the effectiveness of PPL's cybersecurity strategy are regular topics of discussion at Board of Directors meetings. PPL's strategy for managing cyber-related risks is risk-based and, where appropriate, integrated within PPL's enterprise risk management processes. PPL's Chief Information Security Officer (CISO), who reports directly to the Chief Executive Officer, leads a dedicated cybersecurity team and is responsible for the design, implementation, and execution of cyber-risk management strategy. Among other things, the CISO and the cybersecurity team actively monitor the Registrants' systems, regularly review policies, compliance, regulations and best practices, perform penetration testing, lead response exercises and internal campaigns, and provide training and communication across the organization to strengthen secure behavior. The cybersecurity team also routinely participates in industry-wide programs to further information sharing, intelligence gathering, and unity of effort in responding to potential or actual attacks. In addition, in 2018, PPL revised and formalized its internal policy and procedures for communicating cybersecurity incidents on an enterprise-wide basis.

In addition to these enterprise-wide initiatives, PPL's Kentucky and Pennsylvania operations are subject to extensive and rigorous mandatory cybersecurity requirements that are developed and enforced by NERC and approved by the FERC to protect grid security and reliability. Finally, PPL purchases insurance to protect against a wide range of costs that could be incurred in connection with cyber-related incidents. There can be no assurance, however, that these efforts will be effective to prevent interruption of services or other damage to the Registrants' businesses or operations or that PPL's insurance coverage will cover all costs incurred in connection with any cyber-related incident.

AVAILABLE INFORMATION

PPL's Internet website is www.pplweb.com. Under the Investors heading of that website, PPL provides access to SEC filings of the Registrants (including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(d) or 15(d)) free of charge, as soon as reasonably practicable after filing with the SEC. The information contained on, or available through, PPL's Internet website is not, and shall not be deemed to be, incorporated by reference into this report. Additionally, the Registrants' filings are available at the SEC's website (www.sec.gov).

ITEM 1A. RISK FACTORS

The Registrants face various risks associated with their businesses. Our businesses, financial condition, cash flows or results of operations could be materially adversely affected by any of these risks. In addition, this report also contains forward-looking and other statements about our businesses that are subject to numerous risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 14 to the Financial Statements for more information concerning the risks described below and for other risks, uncertainties and factors that could impact our businesses and financial results.

As used in this Item 1A., the terms "we," "our" and "us" generally refer to PPL and its consolidated subsidiaries taken as a whole, or PPL Electric and its consolidated subsidiaries taken as a whole within the Pennsylvania Regulated segment discussion, or LKE and its consolidated subsidiaries taken as a whole within the Kentucky Regulated segment discussion.

Order of Subsection Presentation

- A. Risks Related to Our U.K. Regulated Segment
- B. Risks Related to Registrant Holding Companies
- C. Risks Related to Domestic Regulated Utility Operations
- D. Risks Specific to Kentucky Regulated Segment
- E. Risks Specific to Pennsylvania Regulated Segment
- F. Risks Related to All Segments

(PPL)

A. Risks Related to Our U.K. Regulated Segment

Our U.K. distribution business contributes a significant amount of PPL's earnings and exposes us to the following additional risks related to operating outside the U.S., including risks associated with changes in U.K. laws and regulations, taxes, economic conditions and political conditions and policies of the U.K. government and the European Union. These risks may adversely impact the results of operations of our U.K. distribution business or affect our ability to access U.K. revenues for payment of distributions or for other corporate purposes in the U.S.

- changes in laws or regulations relating to U.K. operations, including rate regulations beginning in April 2023 under RIIO-ED2, ability to recover previously incurred costs, operational performance and tax laws and regulations;
- changes in government policies, personnel or approval requirements;
- changes in general economic conditions affecting the U.K.;
- regulatory reviews of tariffs for DNOs;
- changes in labor relations;
- limitations on foreign investment or ownership of projects and returns or distributions to foreign investors;
- limitations on the ability of foreign companies to borrow money from foreign lenders and lack of local capital or loans;
- changes in U.S. tax law applicable to taxation of foreign earnings;
- compliance with U.S. foreign corrupt practices laws; and
- prolonged periods of low inflation or deflation.

PPL's earnings may be adversely affected by the U.K. withdrawal from the European Union.

The U.K. formally left the EU on January 31, 2020 and entered into a transition period that ended on December 31, 2020 through which the U.K. sought to negotiate a free trade agreement with the EU and new trade terms with countries outside of the EU. Successively, the EU-UK Trade and Cooperation Agreement was agreed on December 24, 2020 and ratified by the U.K. Parliament on December 30, 2020 and was provisionally applied by the EU from December 31, 2020. While significant progress has been made, uncertainty continues to surround the economic impact of Brexit. PPL believes that its greatest risks relate to any extended period of depressed value of the GBP or the potential further decline in the value of the GBP compared to the U.S. dollar.

We are subject to foreign currency exchange rate risks because a significant portion of our cash flows and reported earnings are currently generated by our U.K. business operations.

These risks relate primarily to changes in the relative value of the British pound sterling and the U.S. dollar between the time we initially invest U.S. dollars in our U.K. businesses, and our strategy to hedge against such changes, and the time that cash is

repatriated to the U.S. from the U.K., including cash flows from our U.K. businesses that may be distributed to PPL or used for repayments of intercompany loans or other general corporate purposes. In addition, PPL's consolidated reported earnings on a GAAP basis may be subject to earnings translation risk, which results from the conversion of earnings as reported in our U.K. businesses on a British pound sterling basis to a U.S. dollar basis in accordance with GAAP requirements.

Our U.K. segment's earnings are subject to variability based on fluctuations in RPI, which is a measure of inflation.

In R100-ED1, WPD's base revenue was established by Ofgem based on 2012/13 prices. Base revenue is subsequently adjusted to reflect any increase or decrease in RPI for each year to determine the amount of revenue WPD can collect in tariffs. The RPI is forecasted annually by HM Treasury and subject to true-up in subsequent years. Consequently, fluctuations between forecasted and actual RPI can result in variances in base revenue. Although WPD also has debt indexed to RPI and certain components of operations and maintenance expense are affected by inflation, these may not offset changes in base revenue and timing of such offsets would likely not be correlated precisely with the calendar year in which the variance in demand revenue was initially incurred. Further, as RAV is indexed to RPI under U.K. rate regulations, a reduction in RPI could adversely affect a borrower's debt-to-RAV ratio, potentially limiting future borrowings at WPD's holding company.

Our U.K. delivery business is subject to revenue variability based on operational performance.

Our U.K. delivery businesses operate under an incentive-based regulatory framework. Managing operational risk and delivering agreed-upon performance are critical to the U.K. Regulated segment's financial performance. Disruption to these distribution networks could reduce profitability both directly by incurring costs for network restoration and also through the system of penalties and rewards that Ofgem administers relating to customer service levels.

A failure by any of our U.K. regulated businesses to comply with the terms of a distribution license may lead to the issuance of an enforcement order by Ofgem that could have an adverse impact on PPL.

Ofgem has powers to levy fines of up to ten percent of revenue for any breach of a distribution license or, in certain circumstances, such as insolvency, the distribution license itself may be revoked. Ofgem also has formal powers to propose modifications to each distribution license and there can be no assurance that a restrictive modification will not be introduced in the future, which could have an adverse effect on the operations and financial condition of the U.K. regulated businesses and PPL.

(PPL and LKE)

B. Risk Related to Registrant Holding Companies

PPL and LKE are holding companies and their cash flows and ability to meet their obligations with respect to indebtedness and under guarantees, and PPL's ability to pay dividends, largely depends on the financial performance of their respective subsidiaries and, as a result, is effectively subordinated to all existing and future liabilities of those subsidiaries.

PPL and LKE are holding companies and conduct their operations primarily through subsidiaries. Substantially all of the consolidated assets of these Registrants are held by their subsidiaries. Accordingly, these Registrants' cash flows and ability to meet debt and guaranty obligations, as well as PPL's ability to pay dividends, are largely dependent upon the earnings of those subsidiaries and the distribution or other payment of such earnings in the form of dividends, distributions, loans, advances or repayment of loans and advances. The subsidiaries are separate legal entities and have no obligation to pay dividends or distributions to their parents or to make funds available for such a payment. The ability of the Registrants' subsidiaries to pay dividends or distributions in the future will depend on the subsidiaries' future earnings and cash flows and the needs of their businesses, and may be restricted by their obligations to holders of their outstanding debt and other creditors, as well as any contractual or legal restrictions in effect at such time, including the requirements of state corporate law applicable to payment of dividends and distributions, and regulatory requirements, including restrictions on the ability of PPL Electric, LG&E and KU to pay dividends under Section 305(a) of the Federal Power Act.

Because PPL and LKE are holding companies, their debt and guaranty obligations are effectively subordinated to all existing and future liabilities of their subsidiaries. Although certain agreements to which certain subsidiaries are parties limit their ability to incur additional indebtedness, PPL and LKE and their subsidiaries retain the ability to incur substantial additional indebtedness and other liabilities. Therefore, PPL's and LKE's rights and the rights of their creditors, including rights of debt holders, to participate in the assets of any of their subsidiaries, in the event that such a subsidiary is liquidated or reorganized, will be subject to the prior claims of such subsidiary's creditors.

(PPL Electric, LG&E and KU)

C. Risks Related to Domestic Regulated Utility Operations

Our domestic regulated utility businesses face many of the same risks, in addition to those risks that are unique to each of the Kentucky Regulated and Pennsylvania Regulated segments. Set forth below are risk factors common to both domestic regulated segments, followed by sections identifying separately the risks specific to each of these segments.

Our profitability is highly dependent on our ability to recover the costs of providing energy and utility services to our customers and earn an adequate return on our capital investments. Regulators may not approve the rates we request and existing rates may be challenged.

The rates we charge our utility customers must be approved by one or more federal or state regulatory commissions, including the FERC, KPSC, VSCC and PUC. Although rate regulation is generally premised on the recovery of prudently incurred costs and a reasonable rate of return on invested capital, there can be no assurance that regulatory authorities will consider all of our costs to have been prudently incurred or that the regulatory process by which rates are determined will always result in rates that achieve full or timely recovery of our costs or an adequate return on our capital investments. Federal or state agencies, intervenors and other permitted parties may challenge our current or future rate requests, structures or mechanisms, and ultimately reduce, alter or limit the rates we receive. Although our rates are generally regulated based on an analysis of our costs incurred in a base year or on future projected costs, the rates we are allowed to charge may or may not match our costs at any given time. Our domestic regulated utility businesses are subject to substantial capital expenditure requirements over the next several years, which will likely require rate increase requests to the regulators. If our costs are not adequately recovered through rates, it could have an adverse effect on our business, results of operations, cash flows and financial condition.

Our domestic utility businesses are subject to significant and complex governmental regulation.

In addition to regulating the rates we charge, various federal and state regulatory authorities regulate many aspects of our domestic utility operations, including:

- the terms and conditions of our service and operations;
- financial and capital structure matters;
- siting, construction and operation of facilities;
- mandatory reliability and safety standards under the Energy Policy Act of 2005 and other standards of conduct;
- accounting, depreciation and cost allocation methodologies;
- tax matters;
- affiliate transactions;
- acquisition and disposal of utility assets and issuance of securities; and
- various other matters, including energy efficiency.

Such regulations or changes thereto may subject us to higher operating costs or increased capital expenditures and failure to comply could result in sanctions or possible penalties which may not be recoverable from customers.

Our domestic regulated businesses undertake significant capital projects and these activities are subject to unforeseen costs, delays or failures, as well as risk of inadequate recovery of resulting costs.

The domestic regulated utility businesses are capital intensive and require significant investments in energy generation (in the case of LG&E and KU) and transmission, distribution and other infrastructure projects, such as projects for environmental compliance and system reliability. The completion of these projects without delays or cost overruns is subject to risks in many areas, including:

- approval, licensing and permitting;
- land acquisition and the availability of suitable land;
- skilled labor or equipment shortages;
- construction problems or delays, including disputes with third-party intervenors;
- increases in commodity prices or labor rates; and
- contractor performance.

Failure to complete our capital projects on schedule or on budget, or at all, could adversely affect our financial performance, operations and future growth if such expenditures are not granted rate recovery by our regulators.

We are or may be subject to costs of remediation of environmental contamination at facilities owned or operated by our former subsidiaries.

We may be subject to liability for the costs of environmental remediation of property now or formerly owned by us with respect to substances that we may have generated regardless of whether the liabilities arose before, during or after the time we owned or operated the facilities. We also have current or previous ownership interests in sites associated with the production of manufactured gas for which we may be liable for additional costs related to investigation, remediation and monitoring of these sites. Remediation activities associated with our former manufactured gas plant operations are one source of such costs. Citizen groups or others may bring litigation regarding environmental issues including claims of various types, such as property damage, personal injury and citizen challenges to compliance decisions on the enforcement of environmental requirements, which could subject us to penalties, injunctive relief and the cost of litigation. We cannot predict the amount and timing of future expenditures (including the potential or magnitude of fines or penalties) related to such environmental matters, although they could be material.

D. Risks Specific to Kentucky Regulated Segment

(PPL, LKE, LG&E and KU)

We are subject to financial, operational, regulatory and other risks related to requirements, developments and uncertainties in environmental regulation, including those affecting coal-fired generation facilities.

Extensive federal, state and local environmental laws and regulations are applicable to LG&E's and KU's generation supply, including its air emissions, water discharges (ELGs) and the management of hazardous and solid wastes (CCRs), among other business-related activities, and the costs of compliance or alleged non-compliance cannot be predicted and could be material. In addition, our costs may increase significantly if the requirements or scope of environmental laws, regulations or similar rules are expanded or changed as the environmental standards governing LG&E's and KU's businesses, particularly as applicable to coal-fired generation and related activities, continue to be subject to uncertainties due to rulemaking and other regulatory developments, legislative activities and litigation, administrative and permit challenges. The new U.S. presidential administration is considering a wide range of potential policies, executive orders, rules, legislation and other initiatives in connection with climate change that may affect these costs. Depending on the extent, frequency and timing of such changes, the companies may face higher risks of unsuccessful implementation of environmental-related business plans, noncompliance with applicable environmental rules, delayed or incomplete rate recovery or increased costs of implementation. Costs may take the form of increased capital expenditures or operating and maintenance expenses, monetary fines, penalties or forfeitures, operational changes, permit limitations or other restrictions. At some of our older generating facilities it may be uneconomic for us to install necessary pollution control equipment, which could cause us to retire those units. Market prices for energy and capacity also affect this cost-effectiveness analysis. Many of these environmental law considerations are also applicable to the operations of our key suppliers or customers, such as coal producers, power producers and industrial power users, and may impact the costs of their products and demand for our services.

(PPL, LKE and LG&E)

We are subject to operational, regulatory and other risks regarding natural gas supply infrastructure.

A natural gas pipeline explosion or associated incident could have a significant impact on LG&E's natural gas operations or result in significant damages and penalties that could have an adverse impact on LG&E's financial position and results of operations. The Pipeline and Hazardous Materials Safety Administration enforces regulations that govern the design, construction, operation and maintenance of pipeline facilities. Failure to comply with these regulations could result in the assessment of fines or penalties against LG&E. These regulations require, among other things, that pipeline operators take certain measures with respect to pipeline integrity. Depending on the results of integrity tests and other integrity program activities, we could incur significant and unexpected costs to perform remedial activities on our natural gas infrastructure to ensure our continued safe and reliable operation. Recent pipeline incidents in the U.S. have also led to the introduction of proposed rules and possible federal legislative actions which could impose restrictions on LG&E's operations or require more stringent testing to ensure pipeline integrity. Implementation of these regulations could increase our costs to comply with pipeline integrity and safety regulations.

E. Risks Specific to Pennsylvania Regulated Segment

(PPL and PPL Electric)

We face competition for transmission projects, which could adversely affect our rate base growth.

FERC Order 1000, issued in July 2011, establishes certain procedural and substantive requirements relating to participation, cost allocation and non-incumbent developer aspects of regional and inter-regional electricity transmission planning activities. The PPL Electric transmission business, operating under a FERC-approved PJM Open Access Transmission Tariff, is subject to competition pursuant to FERC Order 1000 from entities that are not incumbent PJM transmission owners with respect to the construction and ownership of transmission facilities within PJM. Increased competition can result in lower rate base growth.

We could be subject to higher costs and/or penalties related to Pennsylvania Conservation and Energy Efficiency Programs.

PPL Electric is subject to Act 129, which contains requirements for energy efficiency and conservation programs and for the use of smart metering technology, imposes PLR electricity supply procurement rules, provides remedies for market misconduct, and made changes to the existing Alternative Energy Portfolio Standard. The law also requires electric utilities to meet specified goals for reduction in customer electricity usage and peak demand. Utilities not meeting these Act 129 requirements are subject to significant penalties that cannot be recovered in rates. Numerous factors outside of our control could prevent compliance with these requirements and result in penalties to us.

F. Risks Related to All Segments

(All Registrants)

The COVID-19 pandemic and resultant impact on business and economic conditions could negatively affect our business.

The COVID-19 pandemic has disrupted the U.S. and global economies and continues to present extraordinary challenges to businesses, communities, workforces and markets. In the U.S. and throughout the world, governmental authorities have taken urgent and extensive actions to contain the spread of the virus and mitigate known or foreseeable impacts. In the Registrants' service territories, mitigation measures have included quarantines, stay-at-home orders, travel restrictions, reduced operations or closures of businesses, schools and governmental agencies, and executive, legislative or regulatory actions to address health or other pandemic-related concerns.

Until the COVID-19 virus is contained, it poses significant risks to the health and welfare of the Registrants' customers, employees, contractors and suppliers, and to the conduct of their business. Mandates to stay at home, shelter in place, or quarantine and resulting lock-down or closures of non-essential businesses could reduce demand for electricity and gas, and continue to cause shifts in demand between residential, commercial and industrial customers that could negatively impact the Registrants' financial condition. Customers experiencing financial strain from unemployment, furloughs, or reduced work hours may not be able to pay their bills on a timely basis, which could negatively impact our liquidity. Continued economic disruption may further depress the GBP to U.S. dollar exchange rate and increase PPL's foreign exchange exposure. New or changing legislation or regulatory orders may unfavorably impact the Registrants or the utility industry generally.

All of these factors have the potential to materially and adversely affect the Registrants' business and operations, especially if they remain in effect for a prolonged period of time. At this time, the Registrants' cannot predict the extent to which these or other pandemic-related factors may affect their business, earnings or other financial results, as it depends on the duration and scope of the outbreak, the measures undertaken in response and other future developments, all of which are highly uncertain. In addition to the factors discussed above, investors should be aware that other COVID-19-related risks may emerge in the future and may prove to be significant. Investors should carefully consider the discussion of COVID-19 related items presented in this Annual Report on Form 10-K, especially to the extent that the COVID-19 pandemic may exacerbate or increase those risks.

The operation of our businesses is subject to cyber-based security and data integrity risks.

Numerous functions affecting the efficient operation of our businesses are dependent on the secure and reliable storage, processing and communication of electronic data and the use of sophisticated computer hardware and software systems. The operation of our transmission and distribution systems, as well as our generation plants, are all reliant on cyber-based technologies and, therefore, subject to the risk that these systems could be the target of disruptive actions by terrorists or criminals or otherwise be compromised by unintentional events. As a result, operations could be interrupted, property could be damaged and sensitive customer information lost or stolen, causing us to incur significant losses of revenues, other substantial

liabilities and damages, costs to replace or repair damaged equipment and damage to our reputation. In addition, under the Energy Policy Act of 2005, users, owners and operators of the bulk power transmission system, including PPL Electric, LG&E and KU, are subject to mandatory reliability standards promulgated by NERC and enforced by the FERC. As an operator of natural gas distribution systems, LG&E is also subject to mandatory reliability standards of the U.S. Department of Transportation. Failure to comply with these standards could result in the imposition of fines or civil penalties, and potential exposure to third party claims for alleged violations of the standards.

We are subject to risks associated with federal and state tax laws and regulations.

Changes in tax law as well as the inherent difficulty in quantifying potential tax effects of business decisions could negatively impact our results of operations and cash flows. We are required to make judgments in order to estimate our obligations to taxing authorities. These tax obligations include income, property, gross receipts, franchise, sales and use, employment-related and other taxes. We also estimate our ability to utilize deferred tax assets and tax credits. Dependent upon the revenue needs of the jurisdictions in which our businesses operate, various tax and fee increases may be proposed or considered. We cannot predict changes in tax law or regulation or the effect of any such changes on our businesses. Any such changes could increase tax expense and could have a significant negative impact on our results of operations and cash flows. The effects of the TCJA have been reflected in our financial statements, and we continue to evaluate the application of the law in calculating income tax expense.

Increases in electricity prices and/or a weak economy, can lead to changes in legislative and regulatory policy, including the promotion of energy efficiency, conservation and distributed generation or self-generation, which may adversely impact our business.

Energy consumption is significantly impacted by overall levels of economic activity and costs of energy supplies. Economic downturns or periods of high energy supply costs can lead to changes in or the development of legislative and regulatory policy designed to promote reductions in energy consumption and increased energy efficiency, alternative and renewable energy sources, and distributed or self-generation by customers. This focus on conservation, energy efficiency and self-generation may result in a decline in electricity demand, which could adversely affect our business.

We could be negatively affected by rising interest rates, downgrades to our credit ratings, adverse credit market conditions or other negative developments in our ability to access capital markets.

Our businesses are capital-intensive and, in the ordinary course of business, we are reliant upon adequate long-term and short-term financing to fund our significant capital expenditures, debt service and operating needs. As a result, we are sensitive to developments in interest rates, credit rating considerations, insurance, security or collateral requirements, market liquidity and credit availability and refinancing opportunities necessary or advisable to respond to credit market changes. Changes in these conditions could result in increased costs and decreased availability of credit. In addition, certain sources of debt and equity capital have expressed reservations about investing in companies that rely on fossil fuels. If sources of our capital are reduced, capital costs could increase materially.

A downgrade in our credit ratings could negatively affect our ability to access capital and increase the cost of maintaining our credit facilities and any new debt.

Credit ratings assigned by Moody's and S&P to our businesses and their financial obligations have a significant impact on the cost of capital incurred by our businesses. A ratings downgrade could increase our short-term borrowing costs and negatively affect our ability to fund liquidity needs and access new long-term debt at acceptable interest rates. See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition - Liquidity and Capital Resources - Ratings Triggers" for additional information on the financial impact of a downgrade in our credit ratings.

Our operating revenues could fluctuate on a seasonal basis, especially as a result of extreme weather conditions.

Our businesses are subject to seasonal demand cycles. For example, in some markets demand for, and market prices of, electricity peak during hot summer months, while in other markets such peaks occur in cold winter months. As a result, our overall operating results may fluctuate substantially on a seasonal basis if weather conditions diverge adversely from seasonal norms.

Operating expenses could be affected by weather conditions, including storms, as well as by significant man-made or accidental disturbances, including terrorism or natural disasters.

Weather and other factors can significantly affect our profitability or operations by causing outages, damaging infrastructure and requiring significant repair costs. Storm outages and damage often directly decrease revenues and increase expenses, due to reduced usage and restoration costs.

Our businesses are subject to physical, market and economic risks relating to potential effects of climate change.

Climate change may produce changes in weather or other environmental conditions, including temperature or precipitation levels, and thus may impact consumer demand for electricity. In addition, the potential physical effects of climate change, such as increased frequency and severity of storms, floods, and other climatic events, could disrupt our operations and cause us to incur significant costs to prepare for or respond to these effects. These or other meteorological changes could lead to increased operating costs, capital expenses or power purchase costs. Greenhouse gas regulation could increase the cost of electricity, particularly power generated by fossil fuels, and such increases could have a depressive effect on regional economies. Reduced economic and consumer activity in our service areas -- both generally and specific to certain industries and consumers accustomed to previously lower cost power -- could reduce demand for the power we generate, market and deliver. Also, demand for our energy-related services could be similarly lowered by consumers' preferences or market factors favoring energy efficiency, low-carbon power sources or reduced electricity usage.

We cannot predict the outcome of legal proceedings or investigations related to our businesses in which we are periodically involved. An unfavorable outcome or determination in any of these matters could have a material adverse effect on our financial condition, results of operations or cash flows.

We are involved in legal proceedings, claims and litigation and periodically are subject to state and federal investigations arising out of our business operations, the most significant of which are summarized in Item 1. Business and "Regulatory Matters" in Note 7 to the Financial Statements and in "Legal Matters" and "Regulatory Issues" in Note 14 to the Financial Statements. We cannot predict the ultimate outcome of these matters, nor can we reasonably estimate the costs or liabilities that could potentially result from a negative outcome in each case.

Significant increases in our operation and maintenance expenses, including health care and pension costs, could adversely affect our future earnings and liquidity.

We continually focus on limiting and reducing our operation and maintenance expenses. However, we expect to continue to face increased cost pressures in our operations. Increased costs of materials and labor may result from general inflation, increased regulatory requirements (especially in respect of environmental regulations), the need for higher-cost expertise in the workforce or other factors. In addition, pursuant to collective bargaining agreements, we are contractually committed to provide specified levels of health care and pension benefits to certain current employees and retirees. These benefits give rise to significant expenses. Due to general inflation with respect to such costs, the aging demographics of our workforce and other factors, we have experienced significant health care cost inflation in recent years, and we expect our health care costs, including prescription drug coverage, to continue to increase despite measures that we have taken and expect to take to require employees and retirees to bear a higher portion of the costs of their health care benefits. In addition, we expect to continue to incur significant costs with respect to the defined benefit pension plans for our employees and retirees. The measurement of our expected future health care and pension obligations, costs and liabilities is highly dependent on a variety of assumptions, most of which relate to factors beyond our control. These assumptions include investment returns, interest rates, health care cost trends, inflation rates, benefit improvements, salary increases and the demographics of plan participants. If our assumptions prove to be inaccurate, our future costs and cash contribution requirements to fund these benefits could increase significantly.

We may incur liabilities in connection with divestitures.

In connection with various divestitures, and certain other transactions, we have indemnified or guaranteed parties against certain liabilities. These indemnities and guarantees relate, among other things, to liabilities which may arise with respect to the period during which we or our subsidiaries operated a divested business, and to certain ongoing contractual relationships and entitlements with respect to which we or our subsidiaries made commitments in connection with the divestiture. See "Guarantees and Other Assurances" in Note 14 to the Financial Statements.

We are subject to liability risks relating to our generation, transmission and distribution operations.

The conduct of our physical and commercial operations subjects us to many risks, including risks of potential physical injury, property damage or other financial liability, caused to or by employees, customers, contractors, vendors, contractual or financial counterparties and other third parties.

Our facilities may not operate as planned, which may increase our expenses and decrease our revenues and have an adverse effect on our financial performance.

Operation of power plants, transmission and distribution facilities, information technology systems and other assets and activities subjects us to a variety of risks, including the breakdown or failure of equipment, accidents, security breaches, viruses or outages affecting information technology systems, labor disputes, obsolescence, delivery/transportation problems and disruptions of fuel supply and performance below expected levels. These events may impact our ability to conduct our businesses efficiently and lead to increased costs, expenses or losses. Operation of our delivery systems below our expectations may result in lost revenue and increased expense, including higher maintenance costs, which may not be recoverable from customers. Planned and unplanned outages at our power plants may require us to purchase power at then-current market prices to satisfy our commitments or, in the alternative, pay penalties and damages for failure to satisfy them.

Although we maintain insurance coverage for certain of these risks, we do not carry insurance for all of these risks and no assurance can be given that such insurance coverage will be sufficient to compensate us in the event losses occur.

We are required to obtain, and to comply with, government permits and approvals.

We are required to obtain, and to comply with, numerous permits, approvals, licenses and certificates from governmental agencies. The process of obtaining and renewing necessary permits can be lengthy and complex and sometimes result in the establishment of permit conditions that make the project or activity for which a permit was sought unprofitable or otherwise unattractive. In addition, such permits or approvals may be subject to denial, revocation or modification under circumstances. Failure to obtain or comply with the conditions of permits or approvals, or failure to comply with any applicable laws or regulations, may result in delay or temporary suspension of our operations and electricity sales or the curtailment of our power delivery and may subject us to penalties and other sanctions. Although various regulators routinely renew existing licenses, renewal could be denied or jeopardized by various factors, including failure to provide adequate financial assurance for closure; failure to comply with environmental, health and safety laws and regulations or permit conditions; local community, political or other opposition; and executive, legislative or regulatory action.

Our cost or inability to obtain and comply with the permits and approvals required for our operations could have a material adverse effect on our operations and cash flows. In addition, new environmental legislation or regulations, if enacted, or changed interpretations of existing laws may elicit claims that historical routine modification activities at our facilities violated applicable laws and regulations. In addition to the possible imposition of fines in such cases, we may be required to undertake significant capital investments in pollution control technology and obtain additional operating permits or approvals, which could have an adverse impact on our business, results of operations, cash flows and financial condition.

War, other armed conflicts or terrorist attacks could have a material adverse effect on our business.

War, terrorist attacks and unrest have caused and may continue to cause instability in the world's financial and commercial markets. In addition, unrest could lead to acts of terrorism in the United States, the United Kingdom or elsewhere, and acts of terrorism could be directed against companies such as ours. Armed conflicts and terrorism and their effects on us or our markets may significantly affect our business and results of operations in the future. In addition, we may incur increased costs for security, including additional physical plant security and security personnel or increased capability following a terrorist incident.

We are subject to counterparty performance, credit or other risk in the provision of goods or services to us, which could adversely affect our ability to operate our facilities or conduct business activities.

We purchase from a variety of suppliers energy, capacity, fuel, natural gas, transmission service and certain commodities used in the physical operation of our businesses, as well as goods or services, including information technology rights and services, used in the administration of our businesses. Delivery of these goods and services is dependent on the continuing operational performance and financial viability of our contractual counterparties and also the markets, infrastructure or third parties they use to provide such goods and services to us. As a result, we are subject to risks of disruptions, curtailments or increased costs in the operation of our businesses if such goods or services are unavailable or become subject to price spikes or if a

counterparty fails to perform. Such disruptions could adversely affect our ability to operate our facilities or deliver services and collect revenues, which could result in lower sales and/or higher costs and thereby adversely affect our results of operations. The performance of coal markets and producers may be the subject of increased counterparty risk to LKE, LG&E and KU currently due to weaknesses in such markets and suppliers. The coal industry is subject to increasing competitive pressures from natural gas markets, political pressures and new or more stringent environmental regulation, including regulation of combustion byproducts and water inputs or discharges.

We are subject to the risk that our workforce and its knowledge base may become depleted in coming years.

We experience attrition due primarily to retiring employees, with the risk that critical knowledge will be lost and that it may be difficult to replace departed personnel, and to attract and retain new personnel, with appropriate skills and experience.

ITEM 1B. UNRESOLVED STAFF COMMENTS

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

None.

ITEM 2. PROPERTIES

U.K. Regulated Segment (PPL)

For a description of WPD's service territory, see "Item 1. Business - General - Segment Information - U.K. Regulated Segment." WPD has electric distribution lines in public streets and highways pursuant to legislation and rights-of-way secured from property owners. At December 31, 2020, WPD's distribution system in the U.K. includes 1,895 substations with a total capacity of 74 million kVA, 55,637 circuit miles of overhead lines and 85,333 underground cable miles.

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

LG&E's and KU's properties consist primarily of regulated generation facilities, electricity transmission and distribution assets and natural gas transmission and distribution assets in Kentucky. The capacity of generation units is based on a number of factors, including the operating experience and physical condition of the units, and may be revised periodically to reflect changed circumstances. The electricity generating capacity at December 31, 2020 was:

Primary Fuel/Plant	Total MW Capacity Summer	LKE	LG&E		KU	
		Ownership or Other Interest in MW	% Ownership or Other Interest	Ownership or Other Interest in MW	% Ownership or Other Interest	Ownership or Other Interest in MW
Coal						
Ghent - Units 1- 4	1,919	1,919			100.00	1,919
Mill Creek - Units 1- 4	1,465	1,465	100.00	1,465		
E.W. Brown - Unit 3	412	412			100.00	412
Trimble County - Unit 1 (a)	493	370	75.00	370		
Trimble County - Unit 2 (a)	732	549	14.25	104	60.75	445
	5,021	4,715		1,939		2,776
Natural Gas/Oil						
E.W. Brown Unit 5 (b)	130	130	53.00	69	47.00	61
E.W. Brown Units 6 - 7	292	292	38.00	111	62.00	181
E.W. Brown Units 8 - 11 (b)	484	484			100.00	484
Trimble County Units 5 - 6	318	318	29.00	92	71.00	226
Trimble County Units 7 - 10	636	636	37.00	235	63.00	401
Paddy's Run Units 11 - 12	35	35	100.00	35		
Paddy's Run Unit 13	147	147	53.00	78	47.00	69
Haefling - Units 1 - 2	24	24			100.00	24
Zorn Unit	14	14	100.00	14		
Cane Run Unit 7	662	662	22.00	146	78.00	516
	2,742	2,742		780		1,962
Hydro						
Ohio Falls - Units 1-8	64	64	100.00	64		
Dix Dam - Units 1-3	32	32			100.00	32
	96	96		64		32
Solar						
E.W. Brown Solar (c)	8	8	39.00	3	61.00	5
Total	7,867	7,561		2,786		4,775

- (a) Trimble County Unit 1 and Trimble County Unit 2 are jointly owned with Illinois Municipal Electric Agency and Indiana Municipal Power Agency. Each owner is entitled to its proportionate share of the units' total output and funds its proportionate share of capital, fuel and other operating costs. See Note 13 to the Financial Statements for additional information.
- (b) There is an inlet air cooling system attributable to these units. This inlet air cooling system is not jointly owned; however, it is used to increase production on the units to which it relates, resulting in an additional 12 MW of capacity for LG&E and an additional 86 MW of capacity for KU.
- (c) This unit is a 10 MW facility and achieves such production. The 8 MW solar facility summer capacity rating is reflective of an average expected output across the peak hours during the summer period based on average weather conditions at the solar facility.

For a description of LG&E's and KU's service areas, see "Item 1. Business - General - Segment Information - Kentucky Regulated Segment." At December 31, 2020, LG&E's and KU's electricity transmission and distribution systems and LG&E's natural gas transmission and distribution systems were:

	LKE		LG&E		KU	
	Distribution	Transmission	Distribution	Transmission	Distribution	Transmission
Electricity System						
Substations (a)	556	289	96	76	460	213
Capacity (in millions of kVA)	13	22	5	8	8	14
Overhead lines (circuit miles)	17,892	4,728	3,883	669	14,009	4,059
Underground lines (circuit miles)	5,354	—	2,706	—	2,648	—
Natural Gas System						
Distribution mains (miles)	4,398	—	4,398	—	—	—
Transmission pipeline (miles)	—	234	—	234	—	—
Transmission storage lines (miles)	—	117	—	117	—	—
Combustion turbine lines (miles)	—	30	—	19	—	11
Storage fields	—	5	—	5	—	—
Storage field capacity (Bcf)	—	15	—	15	—	—

(a) 192 substations (62 at LG&E and 130 at KU) are shared between the distribution and transmission systems.

Substantially all of LG&E's and KU's respective real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity and, in the case of LG&E, the storage and distribution of natural gas, is subject to the lien of either the LG&E 2010 Mortgage Indenture or the KU 2010 Mortgage Indenture. See Note 8 to the Financial Statements for additional information.

LG&E and KU continuously reexamine development projects based on market conditions and other factors to determine whether to proceed with the projects, sell, cancel or expand them or pursue other options. See Item 1. Business for a discussion related to LG&E's and KU's Solar Share program.

Pennsylvania Regulated Segment (PPL and PPL Electric)

For a description of PPL Electric's service area, see "Item 1. Business - General - Segment Information - Pennsylvania Regulated Segment." PPL Electric has electric transmission and distribution lines in public streets and highways pursuant to franchises and rights-of-way secured from property owners. At December 31, 2020, PPL Electric's transmission system includes 51 substations with a total capacity of 31 million kVA and 5,470 circuit miles in service. PPL Electric's distribution system includes 352 substations with a total capacity of 14 million kVA, 36,453 circuit miles of overhead lines and 8,610 underground circuit miles. All of PPL Electric's facilities are located in Pennsylvania. Substantially all of PPL Electric's distribution properties and certain transmission properties are subject to the lien of the PPL Electric 2001 Mortgage Indenture. See Note 8 to the Financial Statements for additional information.

ITEM 3. LEGAL PROCEEDINGS

See Notes 6, 7 and 14 to the Financial Statements for information regarding legal, tax and regulatory matters and proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

**ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY,
RELATED STOCKHOLDER MATTERS AND
ISSUER PURCHASES OF EQUITY SECURITIES**

See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash" for information regarding certain restrictions on the ability to pay dividends for all Registrants.

PPL Corporation

Additional information for this item is set forth in the sections entitled "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" and "Shareowner and Investor Information" of this report. At January 31, 2021, there were 50,548 common stock shareowners of record.

There were no purchases by PPL of its common stock during the fourth quarter of 2020.

PPL Electric Utilities Corporation

There is no established public trading market for PPL Electric's common stock, as PPL owns 100% of the outstanding common shares. Dividends paid to PPL on those common shares are determined by PPL Electric's Board of Directors. PPL Electric paid common stock dividends to PPL of \$400 million in 2020 and \$486 million in 2019.

LG&E and KU Energy LLC

There is no established public trading market for LKE's membership interests. PPL owns all of LKE's outstanding membership interests. Distributions on the membership interests are paid as determined by LKE's Board of Directors. LKE made cash distributions to PPL of \$283 million in 2020 and \$308 million in 2019.

Louisville Gas and Electric Company

There is no established public trading market for LG&E's common stock, as LKE owns 100% of the outstanding common shares. Dividends paid to LKE on those common shares are determined by LG&E's Board of Directors. LG&E paid common stock dividends to LKE of \$161 million in 2020 and \$182 million in 2019.

Kentucky Utilities Company

There is no established public trading market for KU's common stock, as LKE owns 100% of the outstanding common shares. Dividends paid to LKE on those common shares are determined by KU's Board of Directors. KU paid common stock dividends to LKE of \$200 million in 2020 and \$229 million in 2019.

ITEM 6. SELECTED FINANCIAL AND OPERATING DATA

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

Omitted as permitted in SEC Release No. 33-10890.

Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations

(All Registrants)

This "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" is separately filed by PPL, PPL Electric, LKE, LG&E and KU. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure for each Registrant's related activities and disclosures. Within combined disclosures, amounts are disclosed for individual Registrants when significant.

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

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

- "Overview" provides a description of each Registrant's business strategy and a discussion of important financial and operational developments.
- "Results of Operations" for all Registrants includes a "Statement of Income Analysis," which discusses significant changes in principal line items on the Statements of Income, comparing 2020 with 2019. For PPL, "Results of Operations" also includes "Segment Earnings" and "Adjusted Gross Margins," which provide a detailed analysis of earnings by reportable segment. These discussions include non-GAAP financial measures, including "Earnings from Ongoing Operations" and "Adjusted Gross Margins" and provide explanations of the non-GAAP financial measures and a reconciliation of the non-GAAP financial measures to the most comparable GAAP measure.
- "Financial Condition - Liquidity and Capital Resources" provides an analysis of the Registrants' liquidity positions and credit profiles. This section also includes a discussion of forecasted sources and uses of cash and rating agency actions.
- "Financial Condition - Risk Management" provides an explanation of the Registrants' risk management programs relating to market and credit risk.
- "Application of Critical Accounting Policies" provides an overview of the accounting policies that are particularly important to the results of operations and financial condition of the Registrants and that require their management to make significant estimates, assumptions and other judgments of inherently uncertain matters.

For comparison of the Registrants' results of operations and cash flows for the years ended December 31, 2019 to December 31, 2018, refer to "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2019 Form 10-K, filed with the SEC on February 14, 2020.

Overview

For a description of the Registrants and their businesses, see "Item 1. Business."

Business Strategy

(All Registrants)

PPL operates seven fully regulated high-performing utilities. These utilities are located in the U.K., Pennsylvania and Kentucky, constructive regulatory jurisdictions with distinct regulatory structures and customer classes.

PPL's strategy, and that of the other Registrants, is to deliver best-in-sector operational performance, invest in a sustainable energy future, provide superior customer service, maintain a strong financial foundation, and engage and develop its people. PPL's business plan is designed to achieve growth by providing efficient, reliable and safe operations and strong customer service, maintaining constructive regulatory relationships and achieving timely recovery of costs. These businesses are expected to achieve long-term growth in rate base in the U.S. and RAV in the U.K. Rate base growth is being driven by planned significant capital expenditures to maintain existing assets and improve system reliability and, for LKE, LG&E and KU, to comply with federal and state environmental regulations related to coal-fired electricity generation facilities.

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

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

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

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

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

Financial and Operational Developments

Initiation of Formal Process to Sell U.K. Utility Business (PPL)

On August 10, 2020, PPL announced that it initiated a formal process to sell its U.K. utility business. There can be no assurance of any specific outcome, including whether the sale process will result in the completion of any potential transaction, the timing or terms thereof, the value or benefits that may be realized or the effect that any potential transaction will have on future financial results.

As a result of the potential sale, PPL assessed the recoverability of the assets of its U.K. utility business. PPL prepared probability-weighted undiscounted cash flow estimates as of December 31, 2020 and September 30, 2020 that considered the likelihood of the possible outcomes of the sale process, including the possibility of not selling the U.K. utility business. The resulting cash flow analyses exceeded the carrying value of the assets of the U.K. utility business. A change in the possible outcomes of the sale process could result in the carrying value of the assets of the U.K. utility business not being recoverable, which could result in an impairment in future periods. The U.K. utility business will continue to be classified as held and used until it meets the criteria to be classified as held for sale, which includes management obtaining a commitment to a plan to sell from its Board of Directors.

Should the U.K. utility business meet the criteria to be classified as held for sale in a future period, PPL will be required at that time to compare the estimated fair value of its investment in the U.K. utility business, less costs to sell, to its carrying value, including accumulated other comprehensive losses related to the U.K. utility business, for impairment purposes. The resulting measurement may result in a loss. In addition, PPL will reassess its assertion of the indefinite reinvestment of the unremitted earnings of the U.K. utility business. See Note 21 to the Financial Statements for additional information on accumulated other comprehensive income and losses. See Note 6 to the Financial Statements for additional information on income taxes.

Outbreak of COVID-19 (All Registrants)

The continued spread of COVID-19 has disrupted the U. S. and global economies and continues to present extraordinary challenges to businesses, communities, workforces and markets. The Registrants have taken significant steps to mitigate the potential spread of COVID-19 to our customers, suppliers and employees. PPL has successfully implemented its company-wide pandemic plan, which guides the emergency response. Business continuity and other precautionary measures have been taken to ensure we can continue to safely provide reliable electricity and gas service to our customers. The Registrants have implemented social distancing measures for all employees including work from home arrangements where possible and continue to implement strong physical and cyber security measures to ensure that systems function effectively to serve operational and remote workforce needs. The Registrants continue to monitor developments affecting their workforces and customers and will take additional actions as appropriate to respond to changing conditions and mitigate the impacts.

This rapidly evolving situation could lead to continued disruption of economic activity in the Registrants' markets for an undetermined period of time. Lock-down or closure of non-essential businesses has occurred in each of the Registrants' service territories, which has resulted in reductions in commercial and industrial demand and an increase in residential demand for electricity service. The impact of this net reduction in load has not been material to the Registrants' 2020 financial condition. The impact on future periods will depend upon various factors, including the pace and extent to which the Registrants' jurisdictions reopen their economies and community response to the reopening of businesses as well as the extent that businesses continue work from home protocols. We cannot predict these factors and therefore cannot quantify the overall impact COVID-19 will have on our future results of operations.

The Registrants are committed to supporting their customers and communities and have followed federal and state mandates related to suspending disconnections for non-payment and new late fees, reconnecting service for customers who had previously been disconnected and developing late payment plans with customers, where appropriate. The Registrants have experienced an increase in aged accounts receivable, resulting in an increase in expected credit losses. See "Current Expected Credit Losses" in Note 1 to the Financial Statements for additional information. The Registrants will continue to monitor cash receipts and accounts receivable aging to determine if further increases in their allowance for uncollectible accounts are required.

At December 31, 2020, the Registrants had approximately \$3.2 billion of combined unused credit facility capacity. In addition, PPL Capital Funding, PPL Electric, LG&E and KU may, subject to certain conditions, increase their syndicated credit facilities in an aggregate amount of up to \$1 billion. In April 2020, PPL Capital Funding issued \$1 billion of 4.125% Senior Notes due 2030. In June 2020, KU issued \$500 million of First Mortgage Bonds due 2050. In October 2020, PPL Electric issued \$250 million of First Mortgage Bonds, Floating Rate Series due 2023. In October 2020, WPD (South Wales) issued £250 million of 1.625% Senior Notes due 2035. Based on available liquidity and access to capital markets, the Registrants do not anticipate a significant impact on their financial condition or liquidity, and do not foresee difficulties in accessing the capital markets in the near-term. See Note 8 to the Financial Statements for additional information.

The Registrants have assessed the fair value of their assets and liabilities and no impairment charges were required. See "Goodwill Assessment" below for additional information on the interim goodwill impairment test performed for the U.K. Regulated segment reporting unit in the first quarter of 2020 and the annual goodwill impairment tests performed in the fourth quarter of 2020 for all of PPL's reporting units.

PPL's pension plans continue to be well-funded as its liability-driven investment strategy and active management function to mitigate investment losses resulting from market volatility.

In response to COVID-19, various forms of aid and relief were enacted in 2020, including the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The provisions of the CARES Act and other forms of aid and relief did not have a material impact on the Registrants' financial statements.

For the year ended December 31, 2020 the following estimated changes in revenue and incremental costs incurred resulted from the impact of COVID-19.

	Reduction in Revenue	Incremental Costs
PPL	\$ (114)	\$ 28
WPD	(82)	19
LKE	(32)	7
LG&E	(18)	3
KU	(14)	4

WPD tariffs are set to recover allowed revenues. Any under-recoveries, including the estimated amounts shown above, will be added to revenue, with interest, in future years through K-factor. See discussion of K-factor in "Item 1. Business." The impact on revenue and incremental COVID-19 related costs were not significant at PPL Electric.

To date, there has been no material impact on the Registrants' operations, financial condition, liquidity or on their supply chain as a result of COVID-19. The ultimate severity or duration of the outbreak or its effects on the global economy, the capital markets, or the Registrants' workforce, contractors, customers and suppliers is uncertain. The Registrants cannot predict the ultimate impact COVID-19 will have on their financial position, results of operations, cash flows or liquidity.

Goodwill Assessment (PPL, LKE, LG&E and KU)

During the three months ended March 31, 2020, PPL, LKE, LG&E and KU considered whether the impact of COVID-19 described above, resulting volatility and decrease in PPL's shares would more likely than not reduce the fair value of the Registrants' reporting units below their carrying amounts. Based on our assessment, a quantitative impairment test was not required for the LKE, LG&E and KU reporting units, but was required for the U.K. Regulated segment reporting unit, the allocated goodwill of which was \$2.5 billion at March 31, 2020. The test did not indicate impairment of the reporting unit.

No impairments were recognized in conjunction with the annual goodwill impairment tests performed in the fourth quarter of 2020. See "Long-Lived and Intangible Assets - Asset Impairment (Excluding Investments)" in Note 1 to the Financial Statements for additional information. An impairment charge could occur in future periods if PPL's share price or any of the assumptions used in determining fair value of the reporting units are negatively impacted.

U.K. Corporation Tax Rate Change (PPL)

The U.K. corporation tax rate was scheduled to be reduced from 19% to 17%, effective April 1, 2020. On March 11, 2020, the U.K. Finance Act 2020 included a cancellation of the tax rate reduction to 17%, thereby maintaining the corporation tax rate at 19%. The Finance Act 2020 was formally enacted on July 22, 2020. The primary impact of the cancellation of the corporation tax rate reduction was an increase in deferred tax liabilities and a corresponding deferred tax expense of \$106 million.

U.S. Tax Reform (All Registrants)

In July 2020, the IRS issued final and new proposed regulations relating to the limitation on interest deductibility. The final regulations do not apply to the Registrants until the 2021 tax year. The new proposed regulations were finalized on January 5, 2021 and will apply to the Registrants in the 2022 tax year. The Registrants are evaluating the final regulations issued in 2021, but do not expect these regulations or the 2020 final regulations to have a material impact on the Registrants' financial condition or results of operations.

U.K. Withdrawal from European Union (PPL)

In March 2017, the U.K. Government invoked Article 50 (Article 50) of the Lisbon Treaty, formally beginning the two-year period for the U.K. to negotiate an agreement specifying the terms of its withdrawal from the European Union (EU), popularly referred to as Brexit. After repeated extensions, in October 2019, the EU agreed to extend the Article 50 process until January 31, 2020. Following an early general election in December 2019, which resulted in a substantial Conservative Party Parliamentary majority, the U.K. and EU Parliaments voted to approve the EU withdrawal agreement negotiated by Prime Minister Boris Johnson.

The U.K. formally left the EU on January 31, 2020 and entered into a transition period that ended on December 31, 2020 through which the U.K. sought to negotiate a free trade arrangement with the EU and new trade terms with countries outside of the EU. Successively, the EU-UK Trade and Cooperation Agreement was agreed on December 24, 2020 and ratified by the

U.K. Parliament on December 30, 2020 and was provisionally applied by the EU beginning December 31, 2020. While significant progress has been made, uncertainty continues to surround the economic impact of Brexit. PPL believes that its greatest risks relate to any extended period of depressed value of the GBP or the potential further decline in the value of the GBP compared to the U.S. dollar.

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

PPL does not expect the financial condition and results of operations of WPD, itself, to change significantly as a result of Brexit. The regulatory environment and operation of WPD's businesses are not expected to change. RIIO-ED1, the current price control, with allowed revenues agreed with Ofgem runs through March 2023. The impact of a slower economy or recession on WPD would be mitigated in part because U.K. regulation provides that any reduction in the volume of electricity delivered will be recovered in allowed revenues in future periods through the K-factor adjustment. See "Item 1. Business - Segment Information - U.K. Regulated Segment" for additional information on the current price control and K-factor adjustment. In addition, an increase in inflation would have a positive effect on revenues and RAV as annual inflation adjustments are applied to both revenues and RAV (and real returns are earned on inflated RAV). This impact, however, would be partially offset by higher operation and maintenance expenses and interest expense on index-linked debt. With respect to access to financing, WPD has substantial borrowing capacity under existing credit facilities and expects to continue to have access to all major financial markets. With respect to access to and cost of equipment and other materials, WPD management continues to review U.K. government issued advice on preparations for Brexit and has taken actions to mitigate potential increasing costs and disruption to its critical sources of supply. Additionally, less than 1% of WPD's employees are non-U.K. EU nationals and no change in their domicile is expected.

Regulatory Requirements

(All Registrants)

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

(PPL, LKE, LG&E and KU)

The businesses of LKE, LG&E and KU are subject to extensive federal, state and local environmental laws, rules and regulations, including those pertaining to CCRs, GHG, and ELGs. See "Item 1. Business" and Notes 7, 14 and 20 to the Financial Statements for a discussion of these significant environmental matters. These and other environmental requirements led PPL, LKE, LG&E and KU to retire approximately 1,200 MW of coal-fired generating plants in Kentucky since 2010.

RIIO-2 Framework (PPL)

In 2018, Ofgem issued its consultation document on the RIIO-2 framework, covering all U.K. gas and electricity transmission and distribution price controls. The current electricity distribution price control, RIIO-ED1, continues through March 31, 2023 and will not be impacted by the RIIO-2 consultation process. Later in 2018, Ofgem published its decision following its RIIO-2 framework consultation after consideration of comments received including those from WPD and PPL.

In August 2019, Ofgem published an open letter seeking views on its proposed sector specific approach on the RIIO-ED2 framework. WPD and PPL provided responses to this open letter. In December 2019, Ofgem published its decision on the RIIO-ED2 framework, thus confirming the following points in its RIIO-2 and RIIO-ED2 framework decision documents:

- RIIO-ED2 will be a five-year price control period, compared to eight years in the current RIIO-ED1 price control.
- CPI or CPIH will be used for inflation measurement in calculating both RAV and allowed returns rather than RPI.
- The baseline allowed return on equity will be set using the same methodology in all RIIO-2 sectors. The new methodology includes; (a) an equity indexation, whereby the allowed return on equity is updated to reflect changes in the risk-free rate, and (b) potentially setting the allowed return 0.5% below the expected return.
- Full debt indexation will be retained.

- The early settlement process (fast tracking) will be removed and replaced with an alternative mechanism to incentivize high-quality, rigorous and ambitious business plans.
- The Totex incentive rate will be based on a confidence level for setting baseline cost allowances.
- A new enhanced engagement model will be introduced requiring distribution companies to set up a customer engagement group to provide Ofgem with a public report of local stakeholders' views on the companies' business plans. Ofgem will also establish an independent RIIO-2 challenge group comprised of consumer experts to provide Ofgem with a public report on companies' business plans.
- There will be no change to the existing depreciation policy of using economic asset lives as the basis for depreciating RAV as part of base revenue calculations. WPD is currently transitioning to 45-year asset lives for new additions in RIIO-ED1 based on Ofgem's extensive review of asset lives in RIIO-ED1.
- A focus of RIIO-2 will be on whole-system outcomes. Ofgem intends network companies and system operators working together to ensure the energy system as a whole is efficient and delivers the best value to consumers. Ofgem is undertaking further work to clarify the definition of whole-system and the appropriate roles of the network companies in supporting this objective. Ofgem is still undecided on how DSO functions are to be treated. Ofgem will include a DSO reopener to reassess progress made in the establishment of DSO activities.

On July 30, 2020, Ofgem published its consultation on the RIIO-ED2 price control methodology which Ofgem will use to apply its framework decisions listed above. Some of the key aspects in Ofgem's consultation include:

- Proposing a suite of Net-Zero related investment and innovation mechanisms, including a Net Zero re-opener, to ensure that RIIO-ED2 is adaptable and can keep pace with changes in the wider policy and technological environment.
- Consulting on four different models for managing strategic investment to enable more flexibility within the price control and allow DNOs to adapt their investment plans to keep pace with Net Zero.
- Consulting on debt allowance proposals including the debt allowance calibration, the index used, and a possible additional cost of borrowing allowance.
- Consulting on whether the three-stage equity indexation methodology for baseline allowance returns proposed in the Gas Distribution and Transmission Draft Determination should equally apply to the ED sector and if the estimation approach for systematic risk should differ for ED2.
- Proposing to introduce a suite of reforms to define and regulate the distribution system operation. In the first instance, those reforms will apply to DNOs.

WPD and PPL continue to be fully engaged in the RIIO-ED2 process. The comment period on the July 30, 2020 consultation closed on October 1, 2020, which WPD provided a response to, and a decision on the RIIO-ED2 Sector Specific Methodology was made in December 2020 with the Regulatory finance decisions to be confirmed in the first quarter of 2021. Final Determinations for RIIO-ED2 will be made in December 2022. The RIIO-ED2 price control will come into effect on April 1, 2023. PPL cannot predict the outcome of this process or the long-term impact the final RIIO-ED2 price control will have on its financial condition or results of operations.

Challenge to PPL Electric Transmission Formula Rate Return on Equity

(PPL and PPL Electric)

On May 21, 2020, PP&L Industrial Customer Alliance (PPLICA) filed a complaint with the FERC alleging that PPL Electric's base return on equity (ROE) of 11.18% used to determine PPL Electric's formula transmission rate is unjust and unreasonable, and proposing an alternative ROE of 8.00% based on its interpretation of FERC Opinion No. 569. However, also on May 21, 2020, the FERC issued Opinion No. 569-A in response to numerous requests for rehearing of Opinion No. 569, which revised the method for analyzing base ROE. On June 10, 2020, PPLICA filed a Motion to Supplement the May 21, 2020 complaint in which PPLICA continued to allege that PPL Electric's base ROE is unjust and unreasonable, but revised its analysis of PPL Electric's base ROE to reflect the guidance provided in Opinion No. 569-A. The amended complaint proposed an updated alternative ROE of 8.50% and also requested that the FERC preserve the original refund effective date as established by the filing of the original complaint on May 21, 2020. Several parties have filed motions to intervene, including one party who filed Comments in Support of the original complaint.

On July 10, 2020, PPL Electric filed its Answer and supporting Testimony to the PPLICA filings arguing that the FERC should deny the original and amended complaints as they are without merit and fail to demonstrate the existing base ROE is unjust and

unreasonable. In addition, PPL Electric contended any refund effective date should be set for no earlier than June 10, 2020 and PPLICA's proposed replacement ROE should be rejected.

On October 15, 2020, the FERC issued an order on the PPLICA complaints which established hearing and settlement procedures, set a refund effective date of May 21, 2020 and granted the motions to intervene. On November 16, 2020, PPL Electric filed a request for rehearing of the portion of the October 15, 2020 Order that set the May 21, 2020 refund effective date. On December 17, 2020, the FERC issued a Notice of Denial of Rehearing by Operation of Law and Providing for Further Consideration. On February 16, 2021, PPL Electric filed a Petition for Review with the United States Court of Appeals for the District of Columbia Circuit of the portion of the October 15, 2020 Order that set the May 21, 2020 refund effective date.

PPL Electric continues to believe its ROE is just and reasonable and that it has meritorious defenses against the original and amended complaints. At this time, PPL Electric cannot predict the outcome of this matter or the range of possible losses, if any, that may be incurred. However, revenue earned from May 21, 2020 through the settlement of this matter may be subject to refund. A change of 50 basis points to the base ROE would impact PPL Electric's net income by approximately \$12 million on an annual basis.

FERC Transmission Rate Filing

(PPL, LKE, LG&E and KU)

In 2018, LG&E and KU applied to the FERC requesting elimination of certain on-going credits to a sub-set of transmission customers relating to the 1998 merger of LG&E's and KU's parent entities and the 2006 withdrawal of LG&E and KU from the Midcontinent Independent System Operator, Inc. (MISO), a regional transmission operator and energy market. The application sought termination of LG&E's and KU's commitment to provide certain Kentucky municipalities mitigation for certain horizontal market power concerns arising out of the 1998 LG&E and KU merger and 2006 MISO withdrawal. The amounts at issue are generally waivers or credits granted to a limited number of Kentucky municipalities for either certain LG&E and KU or MISO transmission charges incurred for transmission service received. Due to the development of robust, accessible energy markets over time, LG&E and KU believe the mitigation commitments are no longer relevant or appropriate. In March 2019, the FERC granted LG&E's and KU's request to remove the ongoing credits, conditioned upon the implementation by LG&E and KU of a transition mechanism for certain existing power supply arrangements, subject to FERC review and approval. In July 2019, LG&E and KU proposed their transition mechanism to the FERC and in September 2019, the FERC rejected the proposed transition mechanism and issued a separate order providing clarifications of certain aspects of the March order. In October 2019, LG&E and KU filed requests for rehearing and clarification on the two September orders. In September 2020, the FERC issued its orders in the rehearing process that modified the discussion in, and set aside portions of, the September 2019 orders including adjusting factors impacting the proposed transition mechanism. In October 2020, both LG&E and KU and other parties filed separate motions for rehearing and clarification regarding FERC's September 2020 orders. In November 2020, the FERC denied the parties' rehearing requests. In November 2020 and January 2021, LG&E and KU and other parties filed for appeal of the September 2020 and November 2020 orders with the D.C. Circuit Court of Appeals, where certain additional prior petitions for review relating to the proceedings are also pending. On January 15, 2021, LG&E and KU made a filing seeking FERC acceptance of a new proposal for a transition mechanism. LG&E and KU cannot predict the outcome of these proceedings. LG&E and KU currently receive recovery of the waivers and credits provided through other rate mechanisms.

Rate Case Proceedings

(PPL, LKE, LG&E and KU)

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

LG&E's and KU's applications also include a request for a CPCN to deploy Advanced Metering Infrastructure across LG&E's and KU's service territories in Kentucky.

The applications are based on a forecasted test year of July 1, 2021 through June 30, 2022 and request an authorized return on equity of 10.0%. Subject to KPSC approval, the requested rates, decreased by the amount of the billing credit, are expected to become effective July 1, 2021. Certain counterparties have intervened in the proceedings. Data discovery and the filing of written testimony will continue through April 2021 and a hearing is expected to occur during the second quarter of 2021. PPL, LKE, LG&E and KU cannot predict the outcome of these proceedings.

(LKE and KU)

In July 2019, KU filed a request with the VSCC for an increase in annual Virginia base electricity revenues of approximately \$13 million, representing an increase of 18.2%. In January 2020, KU reached a partial settlement agreement including an increase in annual Virginia base electricity revenues of \$9 million effective May 1, 2020, representing an increase of 12.9%. A hearing on the settlement and certain tariff provisions was held in January 2020. On April 6, 2020, the VSCC issued an order approving the settlement and Hearing Examiner tariff provision recommendations. KU implemented the new rates on May 1, 2020.

Results of Operations

(PPL)

The "Statement of Income Analysis" discussion below describes significant changes in principal line items on PPL's Statements of Income, comparing 2020 with 2019. The "Segment Earnings" and "Adjusted Gross Margins" discussions for PPL provide a review of results by reportable segment. These discussions include non-GAAP financial measures, including "Earnings from Ongoing Operations" and "Adjusted Gross Margins," and provide explanations of the non-GAAP financial measures and a reconciliation of those measures to the most comparable GAAP measure.

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

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

A "Statement of Income Analysis" is presented separately for PPL Electric, LKE, LG&E and KU. The "Statement of Income Analysis" discussion below describes significant changes in principal line items on the Statements of Income, comparing 2020 with 2019. The results of operations section for PPL Electric, LKE, LG&E and KU is presented in a reduced disclosure format in accordance with General Instructions (I)(2)(a) of Form 10-K.

PPL: Statement of Income Analysis, Segment Earnings and Adjusted Gross Margins

Statement of Income Analysis

Net income for the years ended December 31 includes the following results:

	2020	2019	Change 2020 vs. 2019
Operating Revenues	\$ 7,607	\$ 7,769	\$ (162)
Operating Expenses			
Operation			
Fuel	632	709	(77)
Energy purchases	634	723	(89)
Other operation and maintenance	1,944	1,985	(41)
Depreciation	1,287	1,199	88
Taxes, other than income	307	313	(6)
Total Operating Expenses	4,804	4,929	(125)
Other Income (Expense) - net	169	309	(140)
Interest Expense	1,001	994	7
Income Taxes	502	409	93
Net Income	\$ 1,469	\$ 1,746	\$ (277)

Operating Revenues

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

	2020 vs. 2019
Domestic:	
PPL Electric Distribution price (a)	\$ (27)
PPL Electric Distribution volume (b)	(16)
PPL Electric PLR (c)	(57)
PPL Electric Transmission Formula Rate (d)	82
LKE Volumes (b)	(95)
LKE Demand (e)	(42)
LKE Fuel and other energy prices (f)	(37)
LKE Municipal supply (g)	(28)
LKE Retail rates (h)	64
LKE ECR (i)	29
Other	(1)
Total Domestic	(128)
U.K.:	
Price	13
Volumes (e)	(67)
Foreign currency exchange rates	14
Engineering recharge income	7
Other	(1)
Total U.K.	(34)
Total	\$ (162)

- (a) Distribution price variance was primarily due to reconcilable cost recovery mechanisms approved by the PUC.
- (b) The decrease was primarily due to unfavorable weather.
- (c) The decrease was primarily the result of lower energy prices, unfavorable weather and lower usage, partially offset by higher volumes of non-shopping customers.
- (d) The increase was primarily due to returns on additional capital investments.
- (e) The decrease was primarily due to COVID-19.
- (f) The decrease was primarily due to lower recoveries of fuel and energy purchases due to lower commodity costs.
- (g) The decrease was primarily due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.
- (h) The increase was primarily due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.

(i) The increase was primarily due to higher recoverable depreciation expense as a result of higher depreciation rates effective May 1, 2019.

Fuel

Fuel decreased \$77 million in 2020 compared with 2019 at LKE, primarily due to a \$46 million decrease in volumes driven by weather, a \$27 million decrease in commodity costs and a \$9 million decrease in volumes driven by the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.

Energy Purchases

Energy purchases decreased \$89 million in 2020 compared with 2019, primarily due to a \$58 million decrease at PPL Electric due to lower PLR prices of \$70 million, partially offset by higher transmission enhancement expenses of \$13 million and a \$31 million decrease at LKE primarily due to a \$24 million decrease in commodity costs.

Other Operation and Maintenance

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

	<u>2020 vs. 2019</u>
Domestic:	
PPL Electric Act 129	\$ (17)
PPL Electric storm costs	(11)
PPL Electric universal service programs	(10)
PPL Electric vegetation management	(8)
PPL Electric canceled projects	7
LKE administrative and general	(12)
LKE plant operations and maintenance	(11)
LKE distribution operations and maintenance	(9)
LKE COVID-19	7
Stock compensation expense	(7)
Other	(13)
U.K.:	
Pension	6
Third-party engineering	9
Engineering management	5
COVID-19 impact	19
Other	4
Total	<u>\$ (41)</u>

Depreciation

The increase (decrease) in depreciation was due to:

	<u>2020 vs. 2019</u>
Additions to PP&E, net	\$ 55
Depreciation rates (a)	26
Other	7
Total	<u>\$ 88</u>

(a) Higher depreciation rates were effective May 1, 2019 at LG&E and KU.

Other Income (Expense) - net

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

	2020 vs. 2019
Economic foreign currency exchange contracts (Note 18)	\$ (84)
Defined benefit plans - non-service credits (Note 12)	(54)
Charitable contributions	14
Other	(16)
Total	\$ (140)

Interest Expense

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

	2020 vs. 2019
Long-term debt interest	\$ 23
Short-term debt interest	(18)
Other	2
Total	\$ 7

Income Taxes

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

	2020 vs. 2019
Change in pre-tax income	\$ (37)
Federal and state income tax return adjustments	(10)
U.S. income tax on foreign earnings net of foreign tax credit	9
Impact of the U.K. Finance Acts on deferred tax balances (a)	115
Kentucky recycling credit, net of federal income tax expense (b)	18
Other	(2)
Total	\$ 93

- (a) The U.K. corporation tax rate was scheduled to be reduced from 19% to 17%, effective April 1, 2020. On March 11, 2020, the U.K. Finance Act 2020 included a cancellation of the tax rate reduction to 17%, thereby maintaining the corporation tax rate at 19% for financial years 2020 and 2021. The Finance Act 2020 was formally enacted on July 22, 2020. The impact of the cancellation of the corporation tax rate reduction resulted in an increase in deferred tax liabilities and a corresponding deferred tax cost of \$106 million.
- (b) In 2019, LKE recorded a deferred income tax benefit associated with two projects placed into service that prepare a generation waste material for reuse and, as a result, qualify for a Kentucky recycling credit. The applicable credit provides tax benefits for a portion of the equipment costs for major recycling projects in Kentucky.

See Note 6 to the Financial Statements for additional information on income taxes.

Segment Earnings

PPL's net income by reportable segments were as follows:

	2020		2019		Change 2020 vs. 2019
U.K. Regulated	\$	686	\$	977	\$ (291)
Kentucky Regulated		418		436	(18)
Pennsylvania Regulated		497		458	39
Corporate and Other (a)		(132)		(125)	(7)
Net Income	\$	1,469	\$	1,746	\$ (277)

- (a) Primarily represents financing and certain other costs incurred at the corporate level that have not been allocated or assigned to the segments, which are presented to reconcile segment information to PPL's consolidated results.

Earnings from Ongoing Operations

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

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

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

Unrealized gains or losses on foreign currency economic hedges include the changes in fair value of foreign currency contracts used to hedge GBP-denominated anticipated earnings and anticipated proceeds from the potential sale of PPL's U.K. utility business. The changes in fair value of these contracts are recognized immediately within GAAP earnings. Management believes that excluding these amounts from Earnings from Ongoing Operations until settlement of the contracts provides a better matching of the financial impacts of those contracts with the economic value of PPL's underlying hedged earnings. See Note 18 to the Financial Statements and "Risk Management" below for additional information on foreign currency economic activity.

PPL's Earnings from Ongoing Operations by reportable segment were as follows:

	2020	2019	<u>Change</u> <u>2020 vs. 2019</u>
U.K. Regulated	\$ 1,027	\$ 1,032	\$ (5)
Kentucky Regulated	423	436	(13)
Pennsylvania Regulated	498	458	40
Corporate and Other	(101)	(120)	19
Earnings from Ongoing Operations	\$ 1,847	\$ 1,806	\$ 41

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

U.K. Regulated Segment

The U.K. Regulated segment consists of PPL Global, which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from GBP into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs, and certain acquisition-related financing costs. The U.K. Regulated segment represents 47% of PPL's Net Income for 2020 and 40% of PPL's assets at December 31, 2020.

Net Income and Earnings from Ongoing Operations include the following results:

	2020	2019	Change 2020 vs. 2019
Operating revenues	\$ 2,133	\$ 2,167	\$ (34)
Other operation and maintenance	549	510	39
Depreciation	265	250	15
Taxes, other than income	127	127	—
Total operating expenses	941	887	54
Other Income (Expense) - net	166	294	(128)
Interest Expense	400	405	(5)
Income Taxes	272	192	80
Net Income	686	977	(291)
Less: Special Items	(341)	(55)	(286)
Earnings from Ongoing Operations	\$ 1,027	\$ 1,032	\$ (5)

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

	Income Statement Line Item	2020	2019
Foreign currency economic hedges, net of tax of \$57, \$13 (a)	Other Income (Expense) - net	\$ (216)	\$ (51)
COVID-19 impact, net of tax of \$4, \$0 (b)	Other operation and maintenance	(15)	—
U.K. tax rate change (c)	Income Taxes	(102)	—
Strategic corporate initiatives (d)	Income Taxes	(8)	—
Other, net of tax of \$0, \$1 (e)	Other operation and maintenance	—	(4)
Total		\$ (341)	\$ (55)

- (a) Unrealized gains (losses) on contracts that economically hedge anticipated GBP-denominated earnings and anticipated proceeds from the potential sale of the U.K. utility business.
- (b) Incremental costs for labor not chargeable to capital projects due to U.K. government lockdown restrictions, purchases of personal protective equipment and other safety related actions associated with the COVID-19 pandemic.
- (c) The U.K. Finance Act 2020, formally enacted on July 22, 2020, cancelled the reduction of the corporation tax rate from 19% to 17%. See Note 6 to the Financial Statements for additional information.
- (d) U.S. tax on distribution of intercompany note receivable from the U.K. utility business related to the potential sale.
- (e) Settlement of a contractual dispute.

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

	2020 vs. 2019
U.K.	
U.K. Adjusted Gross Margins	\$ (57)
Other operation and maintenance	(15)
Depreciation	(14)
Other Income (Expense) - net	(45)
Interest expense	8
Income taxes	16
U.S.	
Income taxes	(6)
Operation and maintenance	2
Foreign currency exchange, after-tax	106
Earnings from Ongoing Operations	(5)
Special items, after-tax	(286)
Net Income	\$ (291)

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

- Higher U.K. operation and maintenance expense in 2020 compared with 2019 primarily due to increases in various costs that were not individually significant in comparison to the prior year.
- Higher depreciation expense in 2020 compared with 2019 primarily due to additions to PP&E, net of retirements.
- Lower other income (expense) - net in 2020 compared with 2019 primarily due to lower pension income.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations conducted by LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain acquisition-related financing costs are allocated to the Kentucky Regulated segment. The Kentucky Regulated segment represents 28% of PPL's Net Income for 2020 and 33% of PPL's assets at December 31, 2020.

Net Income and Earnings from Ongoing Operations include the following results:

	2020	2019	Change 2020 vs. 2019
Operating revenues	\$ 3,106	\$ 3,206	\$ (100)
Fuel	632	709	(77)
Energy purchases	143	174	(31)
Other operation and maintenance	834	861	(27)
Depreciation	606	547	59
Taxes, other than income	77	74	3
Total operating expenses	2,292	2,365	(73)
Other Income (Expense) - net	2	(13)	15
Interest Expense	300	298	2
Income Taxes	98	94	4
Net Income	418	436	(18)
Less: Special Items	(5)	—	(5)
Earnings from Ongoing Operations	\$ 423	\$ 436	\$ (13)

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

	Income Statement Line Item	2020	2019
COVID-19 impact, net of tax of \$2, \$0 (a)	Other operation and maintenance	\$ (5)	\$ —
Total		\$ (5)	\$ —

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

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

	2020 vs. 2019
Kentucky Adjusted Gross Margins	\$ (30)
Other operation and maintenance	33
Depreciation	(21)
Taxes, other than income	(2)
Other Income (Expense) - net	15
Interest Expense	(2)
Income Taxes	(6)
Earnings from Ongoing Operations	(13)
Special Items, after-tax	(5)
Net Income	\$ (18)

- See "Adjusted Gross Margins - Changes in Adjusted Gross Margins" for an explanation of Kentucky Adjusted Gross Margins.
- Lower other operation and maintenance expense in 2020 compared with 2019 primarily due to a \$12 million decrease in administrative and general expenses, a \$9 million decrease in plant operations and maintenance and a \$9 million decrease in distribution maintenance.
- Higher depreciation expense in 2020 compared with 2019 primarily due to a \$14 million increase related to additional assets placed into service, net of retirements, and a \$7 million increase related to higher depreciation rates effective May 1, 2019.
- Higher income taxes in 2020 compared with 2019, primarily due to a deferred income tax benefit recorded in 2019 related to a Kentucky recycling credit of \$17 million, partially offset by higher amortization of excess deferred federal and state income taxes of \$5 million and an increase in income tax credits of \$5 million.

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric. In addition, certain costs are allocated to the Pennsylvania Regulated segment. The Pennsylvania Regulated segment represents 34% of PPL's Net Income for 2020 and 26% of PPL's assets at December 31, 2020.

Net Income and Earnings from Ongoing Operations include the following results:

	2020	2019	Change 2020 vs. 2019
Operating revenues	\$ 2,330	\$ 2,358	\$ (28)
Energy purchases	491	549	(58)
Other operation and maintenance	513	566	(53)
Depreciation	403	386	17
Taxes, other than income	107	112	(5)
Total operating expenses	1,514	1,613	(99)
Other Income (Expense) - net	20	31	(11)
Interest Expense	172	169	3
Income Taxes	167	149	18
Net Income	497	458	39
Less: Special Items	(1)	—	(1)
Earnings from Ongoing Operations	\$ 498	\$ 458	\$ 40

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

	Income Statement Line Item	2020	2019
COVID-19 impact, net of tax of \$0, \$0 (a)	Other operation and maintenance	\$ (1)	\$ —
Total		\$ (1)	\$ —

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

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

	2020 vs. 2019
Pennsylvania Adjusted Gross Margins	\$ 62
Other operation and maintenance	19
Depreciation	(14)
Taxes, other than income	5
Other Income (Expense) - net	(11)
Interest Expense	(3)
Income Taxes	(18)
Earnings from Ongoing Operations	40
Special Items, after-tax	(1)
Net Income	\$ 39

- See "Adjusted Gross Margins - Changes in Adjusted Gross Margins" for an explanation of Pennsylvania Adjusted Gross Margins.

Reconciliation of Earnings from Ongoing Operations

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

	2020				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
Net Income	\$ 686	\$ 418	\$ 497	\$ (132)	\$ 1,469
Less: Special Items (expense) benefit:					
Foreign currency economic hedges, net of tax of \$57	(216)	—	—	—	(216)
Talen litigation costs, net of tax of \$3 (a)	—	—	—	(13)	(13)
COVID-19 impact, net of tax of \$4, \$2, \$0, \$0	(15)	(5)	(1)	(1)	(22)
U.K. tax rate change	(102)	—	—	—	(102)
Strategic corporate initiatives, net of tax of \$0, \$0, \$0, \$3 (b)	(8)	—	—	(11)	(19)
Executive retirement benefits, net of tax of \$2 (c)	—	—	—	(6)	(6)
Total Special Items	(341)	(5)	(1)	(31)	(378)
Earnings from Ongoing Operations	\$ 1,027	\$ 423	\$ 498	\$ (101)	\$ 1,847

	2019				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
Net Income	\$ 977	\$ 436	\$ 458	\$ (125)	\$ 1,746
Less: Special Items (expense) benefit:					
Foreign currency economic hedges, net of tax of \$13	(51)	—	—	—	(51)
Talen litigation costs, net of tax of \$1 (a)	—	—	—	(5)	(5)
Other, net of tax of \$1	(4)	—	—	—	(4)
Total Special Items	(55)	—	—	(5)	(60)
Earnings from Ongoing Operations	\$ 1,032	\$ 436	\$ 458	\$ (120)	\$ 1,806

- (a) Legal expenses related to litigation with a former affiliate, Talen Montana. See Note 14 to the Financial Statements for additional information.
- (b) Costs related to the process to sell the U.K. utility business, announced on August 10, 2020. Similar costs of \$4 million, after-tax, were incurred in 2019, but not treated as a special item.
- (c) Settlement charge from the remeasurement of the projected benefit obligation for the PPL Supplemental Executive Retirement Plan related to a lump-sum payment made to a former PPL executive.

Adjusted Gross Margins

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

- "U.K. Adjusted Gross Margins" is a single financial performance measure of the electricity distribution operations of the U.K. Regulated segment. In calculating this measure, direct costs such as connection charges from National Grid, which owns and manages the electricity transmission network in England and Wales, and Ofgem license fees (recorded in "Other operation and maintenance" on the Statements of Income) are deducted from operating revenues, as they are costs passed

through to customers. As a result, this measure represents the net revenues from the delivery of electricity across WPD's distribution network in the U.K. and directly related activities.

- "Kentucky Adjusted Gross Margins" is a single financial performance measure of the electricity generation, transmission and distribution operations of the Kentucky Regulated segment, as well as the Kentucky Regulated segment's distribution and sale of natural gas. In calculating this measure, fuel, energy purchases and certain variable costs of production (recorded in "Other operation and maintenance" on the Statements of Income) are deducted from operating revenues. In addition, certain other expenses, recorded in "Other operation and maintenance", "Depreciation" and "Taxes, other than income" on the Statements of Income, associated with approved cost recovery mechanisms are offset against the recovery of those expenses, which are included in revenues. These mechanisms allow for direct recovery of these expenses and, in some cases, returns on capital investments and performance incentives. As a result, this measure represents the net revenues from electricity and gas operations.
- "Pennsylvania Adjusted Gross Margins" is a single financial performance measure of the electricity transmission and distribution operations of the Pennsylvania Regulated segment. In calculating this measure, utility revenues and expenses associated with approved recovery mechanisms, including energy provided as a PLR, are offset with minimal impact on earnings. Costs associated with these mechanisms are recorded in "Energy purchases," "Other operation and maintenance," (which are primarily Act 129, Storm Damage and Universal Service program costs), "Depreciation" (which is primarily related to the Act 129 Smart Meter program) and "Taxes, other than income," (which is primarily gross receipts tax) on the Statements of Income. This measure represents the net revenues from the Pennsylvania Regulated segment's electricity delivery operations.

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

Changes in Adjusted Gross Margins

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

	2020	2019	Change 2020 vs. 2019
U.K. Regulated			
U.K. Adjusted Gross Margins	\$ 1,954	\$ 1,998	\$ (44)
Impact of changes in foreign currency exchange rates			13
U.K. Adjusted Gross Margins excluding impact of foreign currency exchange rates			\$ (57)
Kentucky Regulated			
Kentucky Adjusted Gross Margins	\$ 2,081	\$ 2,111	\$ (30)
Pennsylvania Regulated			
Pennsylvania Adjusted Gross Margins			
Distribution	\$ 907	\$ 927	\$ (20)
Transmission	682	600	82
Total Pennsylvania Adjusted Gross Margins	\$ 1,589	\$ 1,527	\$ 62

U.K. Adjusted Gross Margins

U.K. Adjusted Gross Margins, excluding the impact of changes in foreign currency exchange rates, decreased in 2020 compared with 2019 primarily due to \$67 million of lower volumes, of which \$82 million was due to the COVID-19 lockdown restrictions that were effective beginning the latter half of March 2020 and \$11 million from the April 1, 2020 price decrease,

driven by lower true-up mechanisms mainly offset by higher base demand revenue, partially offset by \$24 million from the April 1, 2019 price increase.

Kentucky Adjusted Gross Margins

Kentucky Adjusted Gross Margins decreased in 2020 compared with 2019 due to \$42 million of lower commercial and industrial demand revenue primarily due to impacts of COVID-19, \$39 million of decreased sales volumes primarily due to weather, and a \$17 million decrease due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019, partially offset by \$64 million due to higher retail rates approved by the KPSC effective May 1, 2019, inclusive of the termination of the TCJA bill credit mechanism.

Pennsylvania Adjusted Gross Margins

Distribution

Distribution Adjusted Gross Margins decreased in 2020 compared with 2019. No items were individually significant in comparison to the prior year.

Transmission

Transmission Adjusted Gross Margins increased in 2020 compared with 2019 primarily due to returns on additional transmission capital investments focused on replacing aging infrastructure and improving reliability.

Reconciliation of Adjusted Gross Margins

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

	2020				
	U.K. Adjusted Gross Margins	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	\$ 2,095 (c)	\$ 3,106	\$ 2,331	\$ 75	\$ 7,607
Operating Expenses					
Fuel	—	632	—	—	632
Energy purchases	—	143	491	—	634
Other operation and maintenance	141	91	91	1,621	1,944
Depreciation	—	154	53	1,080	1,287
Taxes, other than income	—	5	107	195	307
Total Operating Expenses	141	1,025	742	2,896	4,804
Total	\$ 1,954	\$ 2,081	\$ 1,589	\$ (2,821)	\$ 2,803
	2019				
	U.K. Adjusted Gross Margins	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	\$ 2,129 (c)	\$ 3,206	\$ 2,358	\$ 76	\$ 7,769
Operating Expenses					
Fuel	—	709	—	—	709
Energy purchases	—	174	549	—	723
Other operation and maintenance	131	92	125	1,637	1,985
Depreciation	—	116	50	1,033	1,199
Taxes, other than income	—	4	107	202	313
Total Operating Expenses	131	1,095	831	2,872	4,929
Total	\$ 1,998	\$ 2,111	\$ 1,527	\$ (2,796)	\$ 2,840

(a) Represents amounts excluded from Adjusted Gross Margins.
 (b) As reported on the Statements of Income.
 (c) 2020 and 2019 exclude \$38 million of ancillary revenues.

2021 Outlook

(All Registrants)

As a result of the initiation of PPL's formal process to sell its U.K. utility business, PPL is not providing future earnings guidance at this time.

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7, and Notes 1, 7 and 14 to the Financial Statements (as applicable) for a discussion of the risks, uncertainties and factors that may impact future earnings.

PPL Electric: Statement of Income Analysis

Net income for the years ended December 31 includes the following results:

	2020	2019	Change 2020 vs. 2019
Operating Revenues	\$ 2,331	\$ 2,358	\$ (27)
Operating Expenses			
Operation			
Energy purchases	491	549	(58)
Other operation and maintenance	513	566	(53)
Depreciation	403	386	17
Taxes, other than income	107	112	(5)
Total Operating Expenses	1,514	1,613	(99)
Other Income (Expense) - net	18	25	(7)
Interest Income from Affiliate	2	6	(4)
Interest Expense	173	170	3
Income Taxes	167	149	18
Net Income	\$ 497	\$ 457	\$ 40

Operating Revenues

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

	2020 vs. 2019
Distribution price (a)	\$ (27)
Distribution volume (b)	(16)
PLR (c)	(57)
Transmission Formula Rate (d)	82
Other	(9)
Total	\$ (27)

- (a) Distribution price variance was primarily due to reconcilable cost recovery mechanisms approved by the PUC.
- (b) The decrease was primarily due to unfavorable weather.
- (c) The decrease was primarily the result of lower energy prices, unfavorable weather and lower usage, partially offset by higher volumes of non-shopping customers.
- (d) The increase was primarily due to returns on additional capital investments.

Energy Purchases

Energy purchases decreased \$58 million in 2020 compared with 2019. This decrease was primarily due to lower PLR prices of \$70 million, partially offset by higher transmission enhancement expenses of \$13 million.

Other Operation and Maintenance

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

	2020 vs. 2019
Act 129	\$ (17)
Storm costs	(11)
Universal service programs	(10)
Vegetation management	(8)
Bad debts	(4)
Contractor-related expenses	(4)
Canceled projects	7
Other	(6)
Total	\$ (53)

LKE: Statement of Income Analysis

Net income for the years ended December 31 includes the following results:

	2020	2019	Change 2020 vs. 2019
Operating Revenues	\$ 3,106	\$ 3,206	\$ (100)
Operating Expenses			
Operation			
Fuel	632	709	(77)
Energy purchases	143	174	(31)
Other operation and maintenance	834	861	(27)
Depreciation	606	547	59
Taxes, other than income	77	74	3
Total Operating Expenses	2,292	2,365	(73)
Other Income (Expense) - net	2	(13)	15
Interest Expense	223	226	(3)
Interest Expense with Affiliate	37	31	6
Income Taxes	106	103	3
Net Income	\$ 450	\$ 468	\$ (18)

Operating Revenues

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

	2020 vs. 2019
Volumes (a)	\$ (95)
Demand (b)	(42)
Fuel and other energy prices (c)	(37)
Municipal supply (d)	(28)
Retail rates (e)	64
ECR (f)	29
Other	9
Total	\$ (100)

- (a) The decrease was primarily due to unfavorable weather.
- (b) The decrease was primarily due to COVID-19.
- (c) The decrease was primarily due to lower recoveries of fuel and energy purchases due to lower commodity costs.
- (d) The decrease was primarily due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.
- (e) The increase was primarily due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.
- (f) The increase was primarily due to higher recoverable depreciation expense as a result of higher depreciation rates effective May 1, 2019.

Fuel

Fuel decreased \$77 million in 2020 compared with 2019 at LKE, primarily due to a \$46 million decrease in volumes driven by weather, a \$27 million decrease in commodity costs and a \$9 million decrease in volumes driven by the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.

Energy Purchases

Energy purchases decreased \$31 million in 2020 compared with 2019, primarily due to lower commodity costs.

Other Operation and Maintenance

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

	2020 vs. 2019	
Administrative and general	\$	(12)
Plant operations and maintenance		(11)
Distribution operations and maintenance		(9)
COVID-19		7
Other		(2)
Total	\$	(27)

Depreciation

Depreciation increased \$59 million in 2020 compared with 2019, primarily due to a \$30 million increase related to additional assets placed into service, net of retirements and a \$26 million increase related to higher depreciation rates effective May 1, 2019.

LG&E: Statement of Income Analysis

Net income for the years ended December 31 includes the following results:

	2020	2019	Change 2020 vs. 2019
Operating Revenues			
Retail and wholesale	\$ 1,435	\$ 1,473	\$ (38)
Electric revenue from affiliate	21	27	(6)
Total Operating Revenues	<u>1,456</u>	<u>1,500</u>	<u>(44)</u>
Operating Expenses			
Operation			
Fuel	246	289	(43)
Energy purchases	125	154	(29)
Energy purchases from affiliates	19	7	12
Other operation and maintenance	373	387	(14)
Depreciation	259	231	28
Taxes, other than income	40	39	1
Total Operating Expenses	<u>1,062</u>	<u>1,107</u>	<u>(45)</u>
Other Income (Expense) - net	(1)	(11)	10
Interest Expense	87	87	—
Income Taxes	62	63	(1)
Net Income	<u>\$ 244</u>	<u>\$ 232</u>	<u>\$ 12</u>

Operating Revenues

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

	2020 vs. 2019
Volumes (a)	\$ (52)
Fuel and other energy prices (b)	(22)
Demand (c)	(18)
Retail rates (d)	27
ECR (e)	13
Other	8
Total	\$ (44)

- (a) The decrease was primarily due to unfavorable weather.
 (b) The decrease was primarily due to lower recoveries of fuel and energy purchases due to lower commodity costs.
 (c) The decrease was primarily due to COVID-19.
 (d) The increase was primarily due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.
 (e) The increase was primarily due to higher recoverable depreciation expense as a result of higher depreciation rates effective May 1, 2019.

Fuel

Fuel decreased \$43 million in 2020 compared with 2019, primarily due to a \$38 million decrease in volumes driven by weather and a \$7 million decrease in commodity costs.

Energy Purchases

Energy purchases decreased \$29 million in 2020 compared with 2019, primarily due to lower commodity costs.

Other Operation and Maintenance

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

	2020 vs. 2019
Plant operations and maintenance	\$ (6)
Distribution operations and maintenance	(5)
Administrative and general	(4)
COVID-19	3
Other	(2)
Total	\$ (14)

Depreciation

Depreciation increased \$28 million in 2020 compared with 2019, due to a \$15 million increase related to additional assets placed into service, net of retirements and a \$13 million increase related to higher depreciation rates effective May 1, 2019.

KU: Statement of Income Analysis

Net income for the years ended December 31 includes the following results:

	2020	2019	Change 2020 vs. 2019
Operating Revenues			
Retail and wholesale	\$ 1,671	\$ 1,733	\$ (62)
Electric revenue from affiliate	19	7	12
Total Operating Revenues	<u>1,690</u>	<u>1,740</u>	<u>(50)</u>
Operating Expenses			
Operation			
Fuel	386	420	(34)
Energy purchases	18	20	(2)
Energy purchases from affiliates	21	27	(6)
Other operation and maintenance	429	438	(9)
Depreciation	346	315	31
Taxes, other than income	37	35	2
Total Operating Expenses	<u>1,237</u>	<u>1,255</u>	<u>(18)</u>
Other Income (Expense) - net	3	(4)	7
Interest Expense	113	109	4
Income Taxes	63	79	(16)
Net Income	<u>\$ 280</u>	<u>\$ 293</u>	<u>\$ (13)</u>

Operating Revenue

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

	2020 vs. 2019
Volumes (a)	\$ (35)
Municipal supply (b)	(28)
Demand (c)	(24)
Fuel and other energy prices (d)	(15)
Retail rates (e)	37
ECR (f)	16
Other	(1)
Total	<u>\$ (50)</u>

- (a) The decrease was primarily due to unfavorable weather.
- (b) The decrease was primarily due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.
- (c) The decrease was primarily due to COVID-19.
- (d) The decrease was primarily due to lower recoveries of fuel due to lower commodity costs.
- (e) The increase was primarily due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.
- (f) The increase was primarily due to higher recoverable depreciation expense as a result of higher depreciation rates effective May 1, 2019.

Fuel

Fuel decreased \$34 million in 2020 compared with 2019, primarily due to a \$20 million decrease in commodity costs, a \$9 million decrease in volumes driven by the termination of eight supply contracts with Kentucky municipalities on April 30, 2019 and an \$8 million decrease in volumes driven by weather.

Depreciation

Depreciation increased \$31 million in 2020 compared with 2019, primarily due to a \$15 million increase related to additional assets placed into service, net of retirements and a \$13 million increase related to higher depreciation rates effective May 1, 2019.

Income Taxes

Income taxes decreased \$16 million in 2020 compared to 2019, primarily due to a \$7 million decrease due to lower pre-tax income, \$4 million due to increased amortization of excess deferred federal and state income taxes and \$4 million due to an increase in income tax credits in 2020. See Note 6 to the Financial Statements for additional information on income taxes.

Financial Condition

The remainder of this Item 7 in this Form 10-K is presented on a combined basis, providing information, as applicable, for all Registrants.

Liquidity and Capital Resources

(All Registrants)

The Registrants' cash flows from operations and access to cost effective bank and capital markets are subject to risks and uncertainties. See "Item 1A. Risk Factors" for a discussion of risks and uncertainties that could affect the Registrants' cash flows.

The Registrants had the following at:

	<u>PPL (a)</u>	<u>PPL Electric</u>	<u>LKE</u>	<u>LG&E</u>	<u>KU</u>
December 31, 2020					
Cash and cash equivalents	\$ 708	\$ 40	\$ 29	\$ 7	\$ 22
Short-term debt	1,662	—	465	262	203
Long-term debt due within one year	1,574	400	674	292	132
Notes payable with affiliates	—	—	251	—	—
December 31, 2019					
Cash and cash equivalents	\$ 815	\$ 262	\$ 27	\$ 15	\$ 12
Short-term debt	1,151	—	388	238	150
Long-term debt due within one year	1,172	—	975	—	500
Notes payable with affiliates	—	—	150	—	—

(a) At December 31, 2020, \$261 million of cash and cash equivalents were denominated in GBP. If these amounts would be remitted as dividends, PPL would not anticipate an incremental U.S. tax cost. See Note 6 to the Financial Statements for additional information on undistributed earnings of WPD.

(All Registrants)

Net cash provided by (used in) operating, investing and financing activities for the years ended December 31 and the changes between periods were as follows:

	<u>PPL</u>	<u>PPL Electric</u>	<u>LKE</u>	<u>LG&E</u>	<u>KU</u>
2020					
Operating activities	\$ 2,746	\$ 884	\$ 1,003	\$ 483	\$ 543
Investing activities	(3,258)	(1,151)	(963)	(456)	(507)
Financing activities	386	43	(38)	(35)	(26)
2019					
Operating activities	\$ 2,427	\$ 913	\$ 938	\$ 492	\$ 553
Investing activities	(3,080)	(1,117)	(1,094)	(482)	(610)
Financing activities	836	199	159	(5)	55

	PPL	PPL Electric	LKE	LG&E	KU
2020 vs. 2019 Change					
Operating activities	\$ 319	\$ (29)	\$ 65	\$ (9)	\$ (10)
Investing activities	(178)	(34)	131	26	103
Financing activities	(450)	(156)	(197)	(30)	(81)

Operating Activities

The components of the change in cash provided by (used in) operating activities were as follows:

	PPL	PPL Electric	LKE	LG&E	KU
2020 vs. 2019					
Change - Cash Provided (Used):					
Net income	\$ (277)	\$ 40	\$ (18)	\$ 12	\$ (13)
Non-cash components	444	25	38	(31)	13
Working capital	132	(50)	42	(6)	(1)
Defined benefit plan funding	(40)	—	(20)	(5)	—
Other operating activities	60	(44)	23	21	(9)
Total	<u>\$ 319</u>	<u>\$ (29)</u>	<u>\$ 65</u>	<u>\$ (9)</u>	<u>\$ (10)</u>

(PPL)

PPL cash provided by operating activities in 2020 decreased \$319 million compared with 2019.

- Net income decreased \$277 million between periods and included an increase in net non-cash charges of \$444 million. The increase in net non-cash charges was primarily due to an increase in depreciation expense (primarily due to additional assets placed into service, net of retirements, increased cost of removal and salvage amortization and higher depreciation rates), an increase in deferred income taxes (due to the cancellation of the U.K. corporation tax rate reduction, book versus tax plant timing differences and Federal net operating losses) and an increase in unrealized gains on derivatives, and other hedging activities, partially offset by a decrease in amortization expense.
- The \$132 million increase in cash from changes in working capital was primarily due to an increase in accounts payable (primarily due to timing of disbursement of payments) and a decrease in regulatory assets and liabilities, net primarily due to the timing of rate recovery mechanisms, partially offset by an increase in accounts receivable (primarily due to timing of receipts).
- The \$60 million increase in cash provided by other operating activities was driven by an increase in other non-current assets (primarily related to non-current regulatory assets) and an increase in other non-current liabilities (primarily related to an increase in non-current regulatory liabilities partially offset by a decrease in accrued retirement obligations).

(PPL Electric)

PPL Electric's cash provided by operating activities in 2020 decreased \$29 million compared with 2019.

- Net income increased \$40 million between the periods and included an increase in non-cash components of \$25 million. The increase in non-cash components was primarily due to an increase in depreciation expense (primarily due to additional assets placed in service, net of retirements and increased cost of removal and salvage amortization) and an increase in other expenses (primarily due to an increase in canceled projects).
- The \$50 million decrease in cash from changes in working capital was primarily due to an increase in accounts receivable (primarily due to timing of receipts), partially offset by a decrease in unbilled revenues (primarily due to reduced prices and volume).
- The \$44 million decrease in cash provided by other operating activities was driven primarily by an increase in non-current assets (primarily related to prepayments).

(LKE)

LKE's cash provided by operating activities in 2020 increased \$65 million compared with 2019.

- Net income decreased \$18 million between the periods and included an increase in non-cash components of \$38 million. The increase in non-cash components was primarily driven by an increase in depreciation expense (primarily due to additional assets placed into service, net of retirements and higher depreciation rates), partially offset by a decrease in deferred income tax expense (primarily due to book versus tax plant timing differences, partially offset by increased benefit from net operating losses).
- The increase in cash from changes in working capital was primarily driven by a decrease in net regulatory assets (primarily due to the timing of rate recovery mechanisms), an increase in taxes payable (primarily due to timing of payments) and an increase in accounts payable (primarily due to timing of payments), partially offset by an increase in unbilled revenue (primarily due to weather).

(LG&E)

LG&E's cash provided by operating activities in 2020 decreased \$9 million compared with 2019.

- Net income increased \$12 million between the periods and included a decrease in non-cash components of \$31 million. The decrease in non-cash components was primarily driven by a decrease in deferred income tax expense (primarily due to book versus tax plant timing differences), partially offset by an increase in depreciation expense (primarily due to additional assets placed into service, net of retirements and higher depreciation rates).
- Cash from changes in working capital was consistent primarily due to a decrease in accounts payable (primarily due to timing of payments) and a decrease in taxes payable (primarily due to timing of payments), partially offset by a decrease in net regulatory assets (primarily due to the timing of rate recovery mechanisms).
- The increase in cash provided by other operating activities was driven primarily by an increase in other liabilities (primarily related to noncurrent regulatory liabilities) and a decrease in ARO expenditures.

(KU)

KU's cash provided by operating activities in 2020 decreased \$10 million compared with 2019.

- Net income decreased \$13 million between the periods and included an increase in non-cash components of \$13 million. The increase in non-cash components was driven by an increase in depreciation expense (primarily due to additional assets placed into service, net of retirements and higher depreciation rates), partially offset by a decrease in deferred income tax expense (primarily due to book versus tax plant timing differences).
- Cash from changes in working capital was consistent primarily due to an increase in unbilled revenue (primarily due to weather), offset by an increase in accounts payable (primarily due to timing of payments).

Investing Activities

(All Registrants)

The components of the change in cash provided by (used in) investing activities were as follows:

2020 vs. 2019	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used):					
Expenditures for PP&E	\$ (166)	\$ (31)	\$ 128	\$ 26	\$ 100
Purchase of investments	55	—	—	—	—
Proceeds from sale of investments	(60)	—	—	—	—
Other investing activities	(7)	(3)	3	—	3
Total	\$ (178)	\$ (34)	\$ 131	\$ 26	\$ 103

For PPL, in 2020 compared with 2019, the increase in expenditures was due to higher project expenditures at WPD and PPL Electric, partially offset by lower project expenditures at LKE, LG&E and KU. The increase in expenditures at WPD was primarily due to an increase in expenditures to enhance system reliability. The increase in expenditures for PPL Electric was

primarily due to timing differences on capital spending projects related to ongoing efforts to improve reliability and replace aging infrastructure. The decrease in expenditures at LKE was primarily due to decreased spending for environmental water projects at LG&E and KU's Trimble County plant, LG&E's Mill Creek plant and KU's Ghent plant, and decreased spending at LG&E and KU's Trimble County landfill, partially offset by spending on gas transmission projects at LG&E and spending on various other projects at LG&E and KU that are not individually significant.

See "Forecasted Uses of Cash" for detail regarding projected capital expenditures for the years 2021 through 2025.

Financing Activities

(All Registrants)

The components of the change in cash provided by (used in) financing activities were as follows:

	PPL	PPL Electric	LKE	LG&E	KU
2020 vs. 2019					
Change - Cash Provided (Used):					
Debt issuance/retirement, net	\$ (170)	\$ (43)	\$ (982)	\$ (199)	\$ (308)
Debt issuance/retirement, affiliate		—	550	—	—
Proceeds from project financing	173	—	—	—	—
Stock issuances/redemptions, net	(1,133)	—	—	—	—
Dividends	(83)	86	—	21	29
Capital contributions/distributions, net	—	(205)	(38)	78	60
Issuance of term loan	300	—	—	—	—
Issuance of commercial paper	73	—	73	41	32
Changes in net short-term debt	405	—	130	24	106
Note payable with affiliate		—	64	—	—
Other financing activities	(15)	6	6	5	—
Total	\$ (450)	\$ (156)	\$ (197)	\$ (30)	\$ (81)

(All Registrants)

In 2020 compared with 2019, cash provided by financing activities decreased primarily as a result of a decrease in cash required to fund capital and general expenditures.

See "Long-term Debt and Equity Securities" below for additional information on current year activity. See "Forecasted Sources of Cash" for a discussion of the Registrants' plans to issue debt and equity securities, as well as a discussion of credit facility capacity available to the Registrants. Also see "Forecasted Uses of Cash" for a discussion of PPL's plans to pay dividends on common securities in the future, as well as the Registrants' maturities of long-term debt.

Long-term Debt and Equity Securities

Long-term debt and equity securities activity for 2020 included:

Cash Flow Impact:	Debt		Net Stock Issuances
	Issuances (a)	Retirements	
PPL	\$ 2,167	\$ 1,172	\$ 34
PPL Electric	250	—	—
LKE	1,048	975	—
LG&E	—	—	—
KU	498	500	—

(a) Issuances are net of pricing discounts, where applicable, and exclude the impact of debt issuance costs. Includes debt issuances with affiliates.

See Note 8 to the Financial Statements for additional long-term debt information.

(PPL)

Equity Securities Activities

See Note 8 to the Financial Statements for additional information.

ATM Program

In February 2018, PPL entered into an equity distribution agreement, pursuant to which PPL may sell, from time to time, up to an aggregate of \$1.0 billion of its common stock through an at-the-market offering program, including a forward sales component. The compensation paid to the selling agents by PPL may be up to 2% of the gross offering proceeds of the shares. There were no issuances under the ATM program for the twelve months ended December 31, 2020 and 2019. PPL issued 42 million shares of common stock and received proceeds of \$119 million for the year ended December 31, 2018. The ATM program expires in February 2021.

Forecasted Sources of Cash

(All Registrants)

The Registrants expect to continue to have adequate liquidity available from operating cash flows, cash and cash equivalents, credit facilities and commercial paper issuances. Additionally, subject to market conditions, the Registrants and their subsidiaries may access the capital markets, and PPL Electric, LG&E and KU anticipate receiving equity contributions from their parent or member in 2021.

Credit Facilities

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. Amounts borrowed under these credit facilities are reflected in "Short-term debt" on the Balance Sheets except for borrowings of \$100 million under PPL Capital Funding's term loan agreement due in March 2022, which are reflected in "Long-term Debt" on the Balance Sheets. At December 31, 2020, the total committed borrowing capacity under credit facilities and the borrowings under these facilities were:

External

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	\$ 1,900	\$ 400	\$ 402	\$ 1,098
PPL Electric Credit Facility	650	—	1	649
LG&E Credit Facilities	500	—	262	238
KU Credit Facilities	400	—	203	197
Total LKE	900	—	465	435
Total U.S. Credit Facilities (a) (b)	\$ 3,450	\$ 400	\$ 868	\$ 2,182
Total U.K. Credit Facilities (b) (c)	£ 1,055	£ 311	£ —	£ 744

(a) The syndicated credit facilities and PPL Capital Funding's bilateral facility, each contain a financial covenant requiring debt to total capitalization not to exceed 70% for PPL Capital Funding, PPL Electric, LKE, LG&E and KU, as calculated in accordance with the facility, and other customary covenants.

The commitments under the domestic credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than the following percentages of the total committed capacity: PPL - 12%, PPL Electric - 6%, LKE - 7%, LG&E - 7% and KU - 7%.

(b) Each company pays customary fees under its respective syndicated credit facility. Borrowings generally bear interest at LIBOR-based rates plus an applicable margin.

(c) The facilities contain financial covenants to maintain an interest coverage ratio of not less than 3.0 times consolidated earnings before income taxes, depreciation and amortization and total net debt not in excess of 85% of its RAV, calculated in accordance with the credit facility.

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The amounts borrowed at December 31, 2020, include USD-denominated borrowings of \$249 million and GBP-denominated borrowings of £124 million, which equated to \$165 million. At December 31, 2020, the USD equivalent of unused capacity under the U.K. committed credit facilities was approximately \$991 million.

The commitments under the U.K.'s credit facilities are provided by a diverse bank group with no one bank providing more than 14% of the total committed capacity.

In addition to the financial covenants noted in the table above, the credit agreements governing the above credit facilities contain various other covenants. Failure to comply with the covenants after applicable grace periods could result in acceleration of repayment of borrowings and/or termination of the agreements. The Registrants monitor compliance with the covenants on a regular basis. At December 31, 2020, the Registrants were in compliance with these covenants. At this time, the Registrants believe that these covenants and other borrowing conditions will not limit access to these funding sources.

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

Intercompany (LKE, LG&E and KU)

	Committed Capacity	Borrowed	Non-affiliate Used Capacity	Unused Capacity
LKE Credit Facility	\$ 375	\$ 251	\$ —	\$ 124
LG&E Money Pool (a)	750	—	262	488
KU Money Pool (a)	650	—	203	447

(a) LG&E and KU participate in an intercompany agreement whereby LKE and/or KU make available to LG&E funds up to \$750 million and LKE and/or LG&E make available to KU funds up to \$650 million, at an interest rate based on a market index of commercial paper issues. However, the FERC has authorized a maximum aggregate short-term debt limit for each utility at \$750 million for LG&E and \$650 million for KU from all covered sources.

See Note 15 to the Financial Statements for further discussion of intercompany credit facilities.

Commercial Paper (All Registrants)

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

	December 31, 2020		
	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Capital Funding	\$ 1,500	\$ 402	\$ 1,098
PPL Electric	650	—	650
LG&E	350	262	88
KU	350	203	147
Total LKE	700	465	235
Total PPL	\$ 2,850	\$ 867	\$ 1,983

Long-term Debt and Equity Securities

(PPL)

PPL and its subsidiaries are authorized to issue, at the discretion of management and subject to market conditions, up to \$4.0 billion of long-term debt and equity securities, the proceeds of which would be used to fund capital expenditures and for general corporate purposes.

(PPL Electric)

PPL Electric is authorized to issue, at the discretion of management and subject to market conditions and regulatory approvals, up to \$650 million of long-term debt securities, the proceeds of which would be used to fund capital expenditures and for general corporate purposes.

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(LKE, LG&E and KU)

LG&E is authorized to issue, at the discretion of management and subject to market conditions and regulatory approvals, up to \$400 million of long-term debt securities, the proceeds of which would be used to repay short-term debt incurred to fund capital expenditures and for general corporate purposes.

KU is authorized to issue, at the discretion of management and subject to market conditions and regulatory approvals, up to \$300 million of long-term debt securities, the proceeds of which would be used to repay short-term debt incurred to fund capital expenditures and for general corporate purposes.

Contributions from Parent/Member (PPL Electric, LKE, LG&E and KU)

From time to time, LKE's member or the parents of PPL Electric, LG&E and KU make capital contributions to subsidiaries. The proceeds from these contributions are used to fund capital expenditures and for other general corporate purposes and, in the case of LKE, to make contributions to its subsidiaries.

Forecasted Uses of Cash

(All Registrants)

In addition to expenditures required for normal operating activities, such as purchased power, payroll, fuel and taxes, the Registrants currently expect to incur future cash outflows for capital expenditures, various contractual obligations, payment of dividends on its common stock, distributions by LKE to its member, and possibly the purchase or redemption of a portion of debt securities.

Capital Expenditures

The table below shows the Registrants' current capital expenditure projections for the years 2021 through 2025. Expenditures for the domestic regulated utilities are expected to be recovered through rates, pending regulatory approval.

	Total	Projected				
		2021 (b)	2022	2023	2024	2025
PPL						
Construction expenditures (a)						
Generating facilities	\$ 811	\$ 239	\$ 104	\$ 119	\$ 171	\$ 178
Distribution facilities	9,629	2,030	1,823	1,826	1,984	1,966
Transmission facilities	2,408	648	523	403	420	414
Environmental	567	201	154	130	63	19
Other	1,276	235	262	288	251	240
Total Capital Expenditures	\$ 14,691	\$ 3,353	\$ 2,866	\$ 2,766	\$ 2,889	\$ 2,817
PPL Electric (a)						
Distribution facilities	\$ 1,802	\$ 437	\$ 409	\$ 315	\$ 327	\$ 314
Transmission facilities	1,738	419	407	292	312	308
Total Capital Expenditures	\$ 3,540	\$ 856	\$ 816	\$ 607	\$ 639	\$ 622
LKE (a)						
Generating facilities	\$ 811	\$ 239	\$ 104	\$ 119	\$ 171	\$ 178
Electricity Distribution facilities	1,145	266	224	223	218	214
Natural Gas Distribution facilities	379	143	52	42	101	41
Transmission facilities	670	229	116	111	108	106
Environmental	567	201	154	130	63	19
Other	687	125	122	155	148	137
Total Capital Expenditures	\$ 4,259	\$ 1,203	\$ 772	\$ 780	\$ 809	\$ 695

	Total	Projected				
		2021 (b)	2022	2023	2024	2025
LG&E (a)						
Generating facilities	\$ 348	\$ 115	\$ 51	\$ 51	\$ 60	\$ 71
Electricity Distribution facilities	532	127	97	102	104	102
Natural Gas Distribution facilities	379	143	52	42	101	41
Transmission facilities	103	44	11	16	12	20
Environmental	193	60	48	47	28	10
Other	320	51	57	77	71	64
Total Capital Expenditures	\$ 1,875	\$ 540	\$ 316	\$ 335	\$ 376	\$ 308
KU (a)						
Generating facilities	\$ 463	\$ 124	\$ 53	\$ 68	\$ 111	\$ 107
Electricity Distribution facilities	613	139	127	121	114	112
Transmission facilities	567	185	105	95	96	86
Environmental	374	141	106	83	35	9
Other	357	73	64	76	74	70
Total Capital Expenditures	\$ 2,374	\$ 662	\$ 455	\$ 443	\$ 430	\$ 384

- (a) Construction expenditures include capitalized interest and AFUDC, which are expected to total approximately \$138 million for PPL, \$92 million for PPL Electric, \$35 million for LKE, \$19 million for LG&E and \$16 million for KU over the five-year period.
- (b) The 2021 total excludes amounts included in accounts payable as of December 31, 2020.

Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. For the years presented, this table includes PPL Electric's asset optimization program to replace aging transmission and distribution assets.

Contractual Obligations

The Registrants have assumed various financial obligations and commitments in the ordinary course of conducting business. At December 31, 2020, estimated contractual cash obligations were as follows:

	Total	2021	2022-2023	2024-2025	After 2026
PPL					
Long-term Debt (a)	\$ 23,249	\$ 1,574	\$ 3,926	\$ 1,833	\$ 15,916
Interest on Long-term Debt (b)	15,016	914	1,689	1,441	10,972
Operating Leases (c)	110	27	40	23	20
Purchase Obligations (d)	2,437	940	877	251	369
Pension Benefit Plan Funding Obligations (e)	452	153	152	147	—
Total Contractual Cash Obligations	\$ 41,264	\$ 3,608	\$ 6,684	\$ 3,695	\$ 27,277
PPL Electric					
Long-term Debt (a)	\$ 4,289	\$ 400	\$ 814	\$ —	\$ 3,075
Interest on Long-term Debt (b)	3,269	162	291	278	2,538
Unconditional Power Purchase Obligations	9	9	—	—	—
Total Contractual Cash Obligations	\$ 7,567	\$ 571	\$ 1,105	\$ 278	\$ 5,613
LKE					
Long-term Debt (a)	\$ 6,116	\$ 674	\$ 13	\$ 550	\$ 4,879
Interest on Long-term Debt (b)	4,006	235	440	439	2,892
Operating Leases (c)	57	17	23	14	3
Coal and Natural Gas Purchase Obligations (f)	1,471	526	757	178	10
Unconditional Power Purchase Obligations (g)	525	34	68	64	359
Construction Obligations (h)	169	145	23	1	—
Other Obligations	184	147	29	8	—
Total Contractual Cash Obligations	\$ 12,528	\$ 1,778	\$ 1,353	\$ 1,254	\$ 8,143

	Total	2021	2022-2023	2024-2025	After 2026
LG&E					
Long-term Debt (a)	\$ 2,024	\$ 292	\$ —	\$ 300	\$ 1,432
Interest on Long-term Debt (b)	1,439	74	142	142	1,081
Operating Leases (c)	22	6	9	6	1
Coal and Natural Gas Purchase Obligations (f)	842	271	466	98	7
Unconditional Power Purchase Obligations (g)	364	23	47	44	250
Construction Obligations (h)	55	50	5	—	—
Other Obligations	42	42	—	—	—
Total Contractual Cash Obligations	<u>\$ 4,788</u>	<u>\$ 758</u>	<u>\$ 669</u>	<u>\$ 590</u>	<u>\$ 2,771</u>
KU					
Long-term Debt (a)	\$ 2,642	\$ 132	\$ 13	\$ 250	\$ 2,247
Interest on Long-term Debt (b)	2,189	103	205	204	1,677
Operating Leases (c)	33	10	14	7	2
Coal and Natural Gas Purchase Obligations (f)	629	255	291	80	3
Unconditional Power Purchase Obligations (g)	161	11	21	20	109
Construction Obligations (h)	74	66	8	—	—
Other Obligations	79	59	13	7	—
Total Contractual Cash Obligations	<u>\$ 5,807</u>	<u>\$ 636</u>	<u>\$ 565</u>	<u>\$ 568</u>	<u>\$ 4,038</u>

- (a) Reflects principal maturities based on stated maturity or earlier put dates. See Note 8 to the Financial Statements for a discussion of variable-rate remarketable bonds issued on behalf of PPL Electric, LG&E and KU. The Registrants do not have any significant finance lease obligations.
- (b) Assumes interest payments through stated maturity or earlier put dates. The payments herein are subject to change, as payments for debt that is or becomes variable-rate debt have been estimated and for PPL, payments denominated in British pounds sterling have been translated to U.S. dollars at a current foreign currency exchange rate.
- (c) See Note 10 to the Financial Statements for additional information.
- (d) The amounts include agreements to purchase goods or services that are enforceable and legally binding and specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Primarily includes, as applicable, the purchase obligations of electricity, coal, natural gas and limestone, as well as certain construction expenditures, which are also included in the Capital Expenditures table presented above.
- (e) The amounts for PPL include WPD's contractual deficit pension funding requirements arising from actuarial valuations performed in March 2019. The U.K. electricity regulator currently allows a recovery of a substantial portion of the contributions relating to the plan deficit. The amounts also include contributions made or committed to be made in 2021 for PPL's U.S. pension plans. Based on the current funded status of these plans, except for WPD's plans, no cash contributions are required. See Note 12 to the Financial Statements for a discussion of expected contributions.
- (f) Represents contracts to purchase coal, natural gas and natural gas transportation. See Note 14 to the Financial Statements for additional information.
- (g) Represents future minimum payments under OVEC power purchase agreements through June 2040. See Note 14 to the Financial Statements for additional information.
- (h) Represents construction commitments, which are also reflected in the Capital Expenditures table presented above.

Dividends/Distributions

(PPL)

PPL views dividends as an integral component of shareowner return and expects to continue to pay dividends in amounts intended to maintain a capitalization structure that supports investment grade credit ratings. In November 2020, PPL declared its quarterly common stock dividend, payable January 4, 2021, at 41.50 cents per share (equivalent to \$1.66 per annum). Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors.

Subject to certain exceptions, PPL may not declare or pay any cash dividend or distribution on its capital stock during any period in which PPL Capital Funding defers interest payments on its 2007 Series A Junior Subordinated Notes due 2067 or 2013 Series B Junior Subordinated Notes due 2073. At December 31, 2020, no interest payments were deferred.

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

From time to time, as determined by their respective Board of Directors, the Registrants pay dividends, distributions or return capital, as applicable, to their respective shareholders or members. Certain of the credit facilities of PPL Electric, LKE, LG&E and KU include minimum debt covenant ratios that could effectively restrict the payment of dividends or distributions.

(All Registrants)

See Note 8 to the Financial Statements for these and other restrictions related to distributions on capital interests for the Registrants and their subsidiaries.

Purchase or Redemption of Debt Securities

The Registrants will continue to evaluate outstanding debt securities and may decide to purchase or redeem these securities in open market or privately negotiated transactions, in exchange transactions or otherwise, depending upon prevailing market conditions, available cash and other factors, and may be commenced or suspended at any time. The amounts involved may be material.

Rating Agency Actions

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

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of the Registrants and their subsidiaries are based on information provided by the Registrants and other sources. The ratings of Moody's and S&P are not a recommendation to buy, sell or hold any securities of the Registrants or their subsidiaries. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities.

The credit ratings of the Registrants and their subsidiaries affect their liquidity, access to capital markets and cost of borrowing under their credit facilities. A downgrade in the Registrants' or their subsidiaries' credit ratings could result in higher borrowing costs and reduced access to capital markets. The Registrants and their subsidiaries have no credit rating triggers that would result in the reduction of access to capital markets or the acceleration of maturity dates of outstanding debt.

The following table sets forth the Registrants' and their subsidiaries' credit ratings for outstanding debt securities or commercial paper programs as of December 31, 2020.

Issuer	Senior Unsecured		Senior Secured		Commercial Paper	
	Moody's	S&P	Moody's	S&P	Moody's	S&P
PPL						
PPL Capital Funding	Baa2	BBB+			P-2	A-2
WPD plc	Baa3	BBB+				
WPD (East Midlands)	Baa1	A-				
WPD (West Midlands)	Baa1	A-				
WPD (South Wales)	Baa1	A-				
WPD (South West)	Baa1	A-				
PPL and PPL Electric						
PPL Electric			A1	A	P-2	A-2
PPL and LKE						
LKE	Baa1	BBB+				
LG&E			A1	A	P-2	A-2
KU			A1	A	P-2	A-2

The rating agencies have taken the following actions related to the Registrants and their subsidiaries.

(PPL)

In April 2020, Moody's and S&P assigned ratings of Baa2 and BBB+ to PPL Capital Funding's \$1 billion 4.125% Senior Notes due 2030. The notes were issued April 1, 2020.

(PPL and PPL Electric)

In September 2020, Moody's and S&P assigned ratings of A1 and A to PPL Electric's \$250 million First Mortgage Bonds, Floating Rate Series, due 2023. The bonds were issued October 1, 2020.

In September 2020, Moody's and S&P assigned ratings of A1 and A to PEDFA's \$90 million Pollution Control Revenue Refunding Bonds, Series 2008, due 2023, previously issued on behalf of PPL Electric. The bonds were remarketed October 1, 2020.

(PPL, LKE and LG&E)

In August 2020, Moody's and S&P assigned ratings of A1 and A to the Louisville/Jefferson County Metro Government, Kentucky's \$23 million 0.90% Pollution Control Revenue Bonds, 2001 Series A, due 2026, previously issued on behalf of LG&E. The bonds were remarketed September 3, 2020.

In August 2020, Moody's and S&P assigned ratings of A1 and A/A-2 to the County of Trimble, Kentucky's \$125 million 1.30% Pollution Control Revenue Refunding Bonds, 2016 Series A, due 2044, previously issued on behalf of LG&E. The bonds were remarketed September 3, 2020.

(PPL, LKE and KU)

In May 2020, Moody's and S&P assigned ratings of A1 and A to KU's \$500 million 3.30% First Mortgage Bonds due 2050. The bonds were issued June 3, 2020.

Ratings Triggers

(PPL)

As discussed in Note 8 to the Financial Statements, certain of WPD's senior unsecured notes may be put by the holders to the issuer for redemption if the long-term credit ratings assigned to the notes are withdrawn by any of the rating agencies (Moody's or S&P) or reduced to a non-investment grade rating of Ba1 or BB+ or lower in connection with a restructuring event. A restructuring event includes the loss of, or a material adverse change to, the distribution licenses under which WPD (East Midlands), WPD (South West), WPD (South Wales) and WPD (West Midlands) operate and would be a trigger event for each company. These notes totaled £5.8 billion (approximately \$7.7 billion) nominal value at December 31, 2020.

(PPL, LKE, LG&E and KU)

Various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, interest rate and foreign currency instruments (for PPL), contain provisions that require the posting of additional collateral, or permit the counterparty to terminate the contract, if PPL's, LKE's, LG&E's or KU's or their subsidiaries' credit rating, as applicable, were to fall below investment grade. See Note 18 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral requirements for PPL, LKE and LG&E for derivative contracts in a net liability position at December 31, 2020.

Guarantees for Subsidiaries *(PPL)*

PPL guarantees certain consolidated affiliate financing arrangements. Some of the guarantees contain financial and other covenants that, if not met, would limit or restrict the consolidated affiliates' access to funds under these financing arrangements, accelerate maturity of such arrangements or limit the consolidated affiliates' ability to enter into certain transactions. At this time, PPL believes that these covenants will not limit access to relevant funding sources. See Note 14 to the Financial Statements for additional information about guarantees.

Off-Balance Sheet Arrangements *(All Registrants)*

The Registrants have entered into certain agreements that may contingently require payment to a guaranteed or indemnified party. See Note 14 to the Financial Statements for a discussion of these agreements.

Risk Management

Market Risk

(All Registrants)

See Notes 1, 17 and 18 to the Financial Statements for information about the Registrants' risk management objectives, valuation techniques and accounting designations.

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

Interest Rate Risk

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

The following interest rate hedges were outstanding at December 31:

	2020				2019			
	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	
PPL								
Cash flow hedges								
Cross-currency swaps (c)	\$ 702	\$ 148	\$ (69)	2028	\$ 702	\$ 156	\$ (71)	
Economic hedges								
Interest rate swaps (d)	64	(24)	—	2033	147	(22)	(1)	
LKE								
Economic hedges								
Interest rate swaps (d)	64	(24)	—	2033	147	(22)	(1)	
LG&E								
Economic hedges								
Interest rate swaps (d)	64	(24)	—	2033	147	(22)	(1)	

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

The Registrants are exposed to a potential increase in interest expense and to changes in the fair value of their debt portfolios. The estimated impact of a 10% adverse movement in interest rates on interest expense at December 31, 2020 and 2019 was insignificant for PPL, PPL Electric, LKE, LG&E and KU. The estimated impact of a 10% adverse movement in interest rates on the fair value of debt at December 31 is shown below.

	10% Adverse Movement in Rates			
	2020		2019	
PPL	\$	582	\$	655
PPL Electric		175		197
LKE		199		198
LG&E		74		84
KU		118		104

Foreign Currency Risk (PPL)

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

The following foreign currency hedges were outstanding at December 31:

	2020				2019			
	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Maturities Ranging Through	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	
Economic hedges (b)	£ 3,880	\$ (137)	\$ (326)	2021	£ 859	\$ 137	\$ (89)	

(a) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability.

(b) To economically hedge the translation of expected earnings and anticipated transactions, including the previously announced potential sale of the U.K. utility business, denominated in GBP.

(All Registrants)

Commodity Price Risk

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

- PPL Electric is required to purchase electricity to fulfill its obligation as a PLR. Potential commodity price risk is insignificant and mitigated through its PUC-approved cost recovery mechanism and full-requirement supply agreements to serve its PLR customers which transfer the risk to energy suppliers.
- LG&E's and KU's rates include certain mechanisms for fuel, fuel-related expenses and energy purchases. In addition, LG&E's rates include a mechanism for natural gas supply expenses. These mechanisms generally provide for timely recovery of market price fluctuations associated with these expenses.

Volumetric Risk

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

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

Defined Benefit Plans - Equity Securities Price Risk

See "Application of Critical Accounting Policies - Defined Benefits" for additional information regarding the effect of equity securities price risk on plan assets.

Credit Risk

(All Registrants)

Credit risk is the risk that the Registrants would incur a loss as a result of nonperformance by counterparties of their contractual obligations. The Registrants maintain credit policies and procedures with respect to counterparty credit (including requirements that counterparties maintain specified credit ratings) and require other assurances in the form of credit support or collateral in certain circumstances in order to limit counterparty credit risk. However, the Registrants, as applicable, have concentrations of suppliers and customers among electric utilities, financial institutions and energy marketing and trading companies. These concentrations may impact the Registrants' overall exposure to credit risk, positively or negatively, as counterparties may be similarly affected by changes in economic, regulatory or other conditions.

(PPL and PPL Electric)

In January 2017, the PUC issued a Final Order approving PPL Electric's default service plan for the period June 2017 through May 2021, which included a total of eight semi-annual solicitations for electricity supply. Additionally, on December 17, 2020, the PUC approved PPL Electric's next default service plan for the period of June 2021 through May 2025, which includes a total of eight solicitations for electricity supply held semiannually in April and October. The new plan also includes eight solicitations for alternative energy credits held semiannually in January and July with the first solicitation being in July 2021 and the final solicitation being in January 2025.

Under the standard Supply Master Agreement (the Agreement) for the competitive solicitation process, PPL Electric requires all suppliers to post collateral if their credit exposure exceeds an established credit limit. In the event a supplier defaults on its obligation, PPL Electric would be required to seek replacement power in the market. All incremental costs incurred by PPL Electric would be recoverable from customers in future rates. At December 31, 2020, most of the successful bidders under all of the solicitations had an investment grade credit rating from S&P and were not required to post collateral under the Agreement. A small portion of bidders were required to post an insignificant amount of collateral under the Agreement. There is no instance under the Agreement in which PPL Electric is required to post collateral to its suppliers.

See Note 18 to the Financial Statements for additional information on credit risk.

Foreign Currency Translation (PPL)

The value of the British pound sterling fluctuates in relation to the U.S. dollar. In 2020, changes in this exchange rate resulted in a foreign currency translation gain of \$267 million, which reflected a \$433 million increase to PP&E and a \$76 million increase to goodwill partially offset by a \$214 million increase to long-term debt and a \$28 million increase to other net liabilities. In 2019, changes in this exchange rate resulted in a foreign currency translation gain of \$106 million, which reflected a \$181 million increase to PP&E, \$34 million increase to goodwill and \$12 million decrease to other net liabilities partially offset by a \$121 million increase to long-term debt. In 2018, changes in this exchange rate resulted in a foreign currency translation loss of \$453 million, which reflected a \$754 million decrease to PP&E and \$150 million decrease to goodwill partially offset by a \$445 million decrease to long-term debt and a decrease of \$6 million to other net liabilities.

(All Registrants)

Related Party Transactions

The Registrants are not aware of any material ownership interests or operating responsibility by senior management in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with the Registrants. See Note 15 to the Financial Statements for additional information on related party transactions for PPL Electric, LKE, LG&E and KU.

Acquisitions, Development and Divestitures

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with, modify or terminate the projects. Any resulting transactions may impact future financial results.

(PPL)

On August 10, 2020, PPL announced that it initiated a formal process to sell its U.K. utility business. There can be no assurance of any specific outcome, including whether the sale process will result in the completion of any potential transaction, the timing or terms thereof, the value or benefits that may be realized or the effect that any potential transaction will have on future financial results. See Note 9 to the Financial Statements for additional information on the potential sale of the U.K. utility business.

(All Registrants)

Environmental Matters

Extensive federal, state and local environmental laws and regulations are applicable to PPL's, PPL Electric's, LKE's, LG&E's and KU's air emissions, water discharges and the management of hazardous and solid waste, as well as other aspects of the Registrants' businesses. The costs of compliance or alleged non-compliance cannot be predicted with certainty but could be significant. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed. Costs may take the form of increased capital expenditures or operating and maintenance expenses, monetary fines, penalties or other restrictions. Many of these environmental law considerations are also applicable to the operations of key suppliers, or customers, such as coal producers and industrial power users, and may impact the costs for their products or their demand for the Registrants' services. Increased capital and operating costs are subject to rate recovery. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

See "Legal Matters" in Note 14 to the Financial Statements for a discussion of the more significant environmental claims. See "Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash - Capital Expenditures" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for information on projected environmental capital expenditures for 2021 through 2025. See Note 20 to the Financial Statements for information related to the impacts of CCRs on AROs. See "Item 1. Business - Environmental Matters" for additional information regarding climate change, NAAQS and other environmental matters.

Sustainability

Increasing attention has been focused on a broad range of corporate activities under the heading of "sustainability", which has resulted in a significant increase in the number of requests from interested parties for information on sustainability topics. These parties range from investor groups focused on environmental, social, governance and other matters to non-investors concerned with a variety of public policy matters. Often the scope of the information sought is very broad and not necessarily relevant to an issuer's business or industry. As a result, a number of private groups have proposed to standardize the subject matter constituting sustainability, either generally or by industry. Those efforts remain ongoing. In addition, certain of these private groups have advocated that the SEC promulgate regulations requiring specific sustainability reporting under the Securities Exchange Act of 1934, as amended (the "'34 Act"), or that issuers voluntarily include certain sustainability disclosure in their '34 Act reports. To date, no new reporting requirements have been adopted or proposed by the SEC.

As has been PPL's practice, to the extent sustainability issues have or may have a material impact on the Registrants' financial condition or results of operation, PPL discloses such matters in accordance with applicable securities law and SEC regulations. With respect to other sustainability topics that PPL deems relevant to investors but that are not required to be reported under applicable securities law and SEC regulation, PPL will continue each spring to publish its annual sustainability report including tracking reductions related to the company's goal to reduce carbon emissions and post that report on its corporate website at www.pplweb.com and on www.pplsustainability.com. Neither the information in such annual sustainability report nor the information at such websites is incorporated in this Form 10-K by reference, and it should not be considered a part of this Form 10-K. In preparing its sustainability report, PPL is guided by the framework established by the Global Reporting Initiative, which identifies environmental, social, governance and other subject matter categories. PPL also participates in efforts by the Edison Electric Institute to provide the appropriate subset of sustainability information that can be applied consistently across

the electric utility industry. Additionally, PPL publicly discloses its corporate political contributions and responds to the CDP climate survey.

Cybersecurity

See "Cybersecurity Management" in "Item 1. Business" and "Item 1A. Risk factors" for a discussion of cybersecurity risks affecting the Registrants and the related strategies for managing these risks.

Competition

See "Competition" under each of PPL's reportable segments in "Item 1. Business - General - Segment Information" and "Item 1A. Risk Factors" for a discussion of competitive factors affecting the Registrants.

New Accounting Guidance

See Note 1 to the Financial Statements for a discussion of new accounting guidance adopted.

Application of Critical Accounting Policies

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following accounting policies are particularly important to an understanding of the reported financial condition or results of operations and require management to make estimates or other judgments of matters that are inherently uncertain. Changes in the estimates or other judgments included within these accounting policies could result in a significant change to the information presented in the Financial Statements (these accounting policies are also discussed in Note 1 to the Financial Statements). Senior management has reviewed with PPL's Audit Committee these critical accounting policies, the following disclosures regarding their application, and the estimates and assumptions regarding them.

Defined Benefits

(All Registrants)

Certain of the Registrants and/or their subsidiaries sponsor or participate in certain qualified funded and non-qualified unfunded defined benefit pension plans and both funded and unfunded other postretirement benefit plans. See Notes 1, 7 and 12 to the Financial Statements for additional information about the plans and the accounting for defined benefits.

A summary of plan sponsors by Registrant and whether a Registrant or its subsidiaries sponsor (S) or participate in and receives allocations (P) from those plans is shown in the table below.

Plan Sponsor	PPL	PPL Electric	LKE	LG&E	KU
PPL Services	S	P			
WPD (a)	S				
LKE			S	P	P

(a) Does not sponsor or participate in other postretirement benefits plans.

Management makes certain assumptions regarding the valuation of benefit obligations and the performance of plan assets. As such, annual net periodic defined benefit costs are recorded in current earnings or regulatory assets and liabilities based on estimated results. Any differences between actual and estimated results are recorded in AOCI or, in the case of PPL Electric, LG&E and KU, regulatory assets and liabilities for amounts that are expected to be recovered through regulated customer rates. These amounts in AOCI or regulatory assets and liabilities are amortized to income over future periods. The significant assumptions are:

- **Discount Rate** - In selecting the discount rates for U.S. defined benefit plans, the plan sponsors start with a cash flow analysis of the expected benefit payment stream for their plans. The plan-specific cash flows are matched against the coupons and expected maturity values of Aa-rated non-callable (or callable with make-whole provisions) bonds that could be purchased for a hypothetical settlement portfolio. The plan sponsors then use the single discount rate derived from matching the discounted benefit payment stream to the market value of the selected bond portfolio.

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In selecting the discount rate for its U.K. pension plans, WPD starts with a cash flow analysis of the expected benefit payment stream for its plans. These plan-specific cash flows are matched against a spot-rate yield curve to determine the assumed discount rate. The spot-rate yield curve uses an iBoxx British pounds sterling denominated corporate bond index as its base. From this base, those bonds with the lowest and highest yields are eliminated to develop an appropriate subset of bonds. WPD uses the single weighted-average discount rate derived from the spot rates to discount the benefit obligation. In addition, the spot rates that match the cash flows associated with the service cost and interest cost are used to discount those components of net periodic defined benefit cost.

- **Expected Return on Plan Assets** - The expected long-term rates of return for pension and other postretirement benefits are based on management's projections using a best-estimate of expected returns, volatilities and correlations for each asset class. Each plan's specific current and expected asset allocations are also considered in developing a reasonable return assumption.
- **Rate of Compensation Increase** - Management projects employees' annual pay increases, which are used to project employees' pension benefits at retirement. In selecting a rate of compensation increase, plan sponsors consider past experience, the potential impact of movements in inflation rates and expectations of ongoing compensation practices.

See Note 12 to the Financial Statements for details of the assumptions selected for pension and other postretirement benefits. A variance in the assumptions could significantly impact accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and AOCI or regulatory assets and liabilities.

The following tables reflect changes in certain assumptions based on the Registrants' primary defined benefit plans. The inverse of this change would have the opposite impact on accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and AOCI or regulatory assets and liabilities. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption.

	Increase (Decrease)				
Actuarial assumption					
Discount Rate					(0.25 %)
Expected Return on Plan Assets					(0.25 %)
Rate of Compensation Increase					0.25 %
	Increase (Decrease)	Increase (Decrease)	(Increase) Decrease	Increase (Decrease)	Increase (Decrease)
Actuarial assumption	Defined Benefit Asset	Defined Benefit Liabilities	AOCI (pre-tax)	Net Regulatory Assets	Defined Benefit Costs
PPL					
Discount rates	\$ (424)	\$ 155	\$ 480	\$ 99	\$ 47
Expected return on plan assets	n/a	n/a	n/a	n/a	32
Rate of compensation increase	(62)	14	68	8	13
PPL Electric					
Discount rates		61	—	61	6
Expected return on plan assets		n/a	—	n/a	4
Rate of compensation increase		4	—	4	1
LKE					
Discount rates	—	68	30	38	9
Expected return on plan assets	n/a	n/a	n/a	n/a	3
Rate of compensation increase	n/a	8	4	4	2
LG&E					
Discount rates	(18)	2	n/a	20	3
Expected return on plan assets	n/a	n/a	n/a	n/a	1
Rate of compensation increase	(2)	—	n/a	2	—

	Increase (Decrease) Defined Benefit Asset	Increase (Decrease) Defined Benefit Liabilities	(Increase) Decrease AOCI (pre-tax)	Increase (Decrease) Net Regulatory Assets	Increase (Decrease) Defined Benefit Costs
Actuarial assumption					
KU					
Discount rates	(16)	2	n/a	18	3
Expected return on plan assets	n/a	n/a	n/a	n/a	1
Rate of compensation increase	(2)	—	n/a	2	—

Income Taxes *(All Registrants)*

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

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

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

See Note 6 to the Financial Statements for income tax disclosures, including the impact of the TCJA and management's conclusion that the undistributed earnings of WPD are considered indefinitely reinvested. Based on the conclusion of indefinite reinvestment, PPL Global has not recorded deferred U.S. federal income taxes associated with the outside book-tax basis difference on its investment in WPD.

Regulatory Assets and Liabilities

(All Registrants)

PPL Electric, LG&E and KU are subject to cost-based rate regulation. As a result, the effects of regulatory actions are required to be reflected in the financial statements. Assets and liabilities are recorded that result from the regulated ratemaking process that may not be recorded under GAAP for non-regulated entities. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in regulated customer rates. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. In certain cases, regulatory liabilities are recorded based on an understanding or agreement with the regulator that rates have been set to recover costs that are expected to be incurred in the future, and the regulated entity is accountable for any amounts charged pursuant to such rates and not yet expended for the intended purpose.

Management continually assesses whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders to the Registrants and other regulated entities, and the status of any pending or potential deregulation legislation. Based on this continual assessment, management believes the existing regulatory assets are probable of recovery. This assessment reflects the current political and regulatory climate at the state and federal levels and is subject to change in the future. If future recovery of costs ceases to be probable, the regulatory asset would be written-off. Additionally, the regulatory agencies can provide flexibility in the manner and timing of recovery of regulatory assets.

See Note 7 to the Financial Statements for regulatory assets and regulatory liabilities recorded at December 31, 2020 and 2019, as well as additional information on those regulatory assets and liabilities. All regulatory assets are either currently being

recovered under specific rate orders, represent amounts that are expected to be recovered in future rates or benefit future periods based upon established regulatory practices.

(PPL)

WPD's operations are regulated by Ofgem. Ofgem has adopted a price control regulatory framework focused on outputs and performance in contrast to traditional U.S. utility ratemaking that operates under a cost recovery model. Because the regulatory model is incentive-based, WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP for entities subject to cost-based rate regulation and does not record regulatory assets and liabilities. See "General - Regulation" in Note 1 to the Financial Statements for additional information.

Price Risk Management (PPL)

See "Financial Condition - Risk Management" above.

Asset Impairment (Excluding Investments)

Goodwill Impairment (PPL, LKE, LG&E and KU)

Goodwill is tested for impairment at the reporting unit level. PPL has determined its reporting units to be primarily at the same level as its reportable segments. LKE, LG&E and KU are individually single operating and reportable segments. A goodwill impairment test is performed annually or more frequently if events or changes in circumstances indicate that the carrying amount of the reporting unit may be greater than the reporting unit's fair value. Additionally, goodwill is tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

Effective January 1, 2020, the Registrants adopted accounting guidance that simplifies the test for goodwill impairment by eliminating the second step of the quantitative test. Under the new guidance, the fair value of a reporting unit will be compared with the carrying value and an impairment charge will be recognized if the carrying amount exceeds the fair value of the reporting unit.

PPL, LKE, LG&E and KU may elect either to initially make a qualitative evaluation about the likelihood of an impairment of goodwill or to bypass the qualitative evaluation and test goodwill for impairment using a quantitative test. See "Long-Lived and Intangible Assets - Asset Impairment (Excluding Investments)" in Note 1 to the Financial Statements for further discussion of goodwill impairment tests. See Note 19 to the Financial Statements for information on goodwill balances at December 31, 2020.

During the three months ended March 31, 2020, PPL, LKE, LG&E and KU considered whether the economic events associated with COVID-19, which resulted in PPL's shares experiencing volatility and a decrease in market value, would more likely than not reduce the fair value of the Registrants' reporting units below their carrying amounts. Based on our assessment, a quantitative impairment test was not required for the LKE, LG&E and KU reporting units, but was required for the U.K. Regulated segment reporting unit, the allocated goodwill of which was \$2.5 billion at March 31, 2020. The test did not indicate impairment of the reporting unit.

Management used both discounted cash flows and market multiples, including implied RAV premiums, which required significant assumptions, to estimate the fair value of the reporting units. Significant assumptions used in the discounted cash flows include discount and growth rates, the finalization of RIIO-ED2, and projected operating and capital cash flows. Projected operating and capital cash flows are based on internal business plans, which assume the occurrence of certain future events. Significant assumptions used in the market multiples include sector market performance and comparable transactions.

A high degree of judgment is required to develop estimates related to fair value conclusions. A decrease in the forecasted cash flows of 10%, an increase in the discount rate of 10%, or a 10% decrease in the market multiples would not have resulted in an impairment of goodwill for the U.K. Regulated segment reporting unit as of March 31, 2020.

In the fourth quarter of 2020, PPL, for its U.K. Regulated and Kentucky Regulated segments, and individually for LKE, LG&E and KU, elected to perform qualitative step zero evaluations for their annual goodwill impairment tests as of October 1, 2020. PPL further updated the qualitative step zero evaluation for the U.K. Regulated segment as of December 31, 2020. Based on these evaluations, management concluded it was not more likely than not that the fair value of these reporting units was less than their carrying values. As such, quantitative impairment tests were not performed.

Impairment of Long-lived Assets (PPL, LKE, LG&E and KU)

Impairment analyses are performed for long-lived assets that are subject to depreciation or amortization whenever events or changes in circumstances indicate that a long-lived asset's carrying amount may not be recoverable. For these long-lived assets classified as held and used, such events or changes in circumstances are:

- a significant decrease in the market price of an asset;
- a significant adverse change in the extent or manner in which an asset is being used or in its physical condition;
- a significant adverse change in legal factors or in the business climate;
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of an asset;
- a current period operating or cash flow loss combined with a history of losses or a forecast that demonstrates continuing losses; or
- a current expectation that, more likely than not, an asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

For a long-lived asset classified as held and used, an impairment is recognized when the carrying amount of the asset is not recoverable and exceeds its fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the asset is impaired, an impairment loss is recorded to adjust the asset's carrying amount to its estimated fair value. Management must make significant judgments to estimate future cash flows, including the useful lives of the assets, the amount of revenue, the amount of capital and operations and maintenance spending and management's intended use of the assets. Alternate courses of action are considered to recover the carrying amount of a long-lived asset, and estimated cash flows from the "most likely" alternative are used to assess impairment whenever one alternative is clearly the most likely outcome. If no alternative is clearly the most likely, then a probability-weighted approach is used taking into consideration estimated cash flows from the alternatives. For assets tested for impairment as of the balance sheet date, the estimates of future cash flows used in that test consider the likelihood of possible outcomes that existed at the balance sheet date, including an assessment of the likelihood of a future sale of the assets. That assessment is not revised based on events that occur after the balance sheet date. Changes in assumptions and estimates could result in materially different results than those identified and recorded in the financial statements.

Initiation of Formal Process to Sell U.K. Utility Business (PPL)

As discussed in Note 9 to the Financial Statements, on August 10, 2020, PPL announced that it initiated a formal process to sell its U.K. utility business. As a result of the potential sale, PPL assessed the recoverability of the assets of its U.K. utility business. PPL prepared probability-weighted undiscounted cash flow estimates as of December 31, 2020 and September 30, 2020 that considered the likelihood of the possible outcomes of the sale process, including the possibility of not selling the U.K. utility business. The resulting cash flow analyses exceeded the carrying value of the assets of the U.K. utility business. A change in the possible outcomes of the sale process could result in the carrying value of the assets of the U.K. utility business not being recoverable, which could result in an impairment in future periods. The recoverability test was performed assuming estimates of selling price, expected forecasted cash flows from the operations of the U.K. utility business (which included significant assumptions made by management to estimate projected operating and capital cash flows, RAV and the finalization of RIIO-ED2) and weighted average probability of sale. A decrease in the expected selling price of 10%, a decrease in the forecasted cash flows from the operations of the U.K. utility business of 10%, or a change in the probability of a sale occurring of 10% would not have resulted in the carrying value of the assets of the U.K. utility business not being recoverable.

Asset Retirement Obligations (PPL, LKE, LG&E and KU)

ARO liabilities are required to be recognized for legal obligations associated with the retirement of long-lived assets. Initial obligations are measured at estimated fair value. An ARO must be recognized when incurred if the fair value of the ARO can be reasonably estimated. An equivalent amount is recorded as an increase in the value of the capitalized asset and amortized to expense over the asset's useful life.

In determining AROs, management must make significant judgments and estimates to calculate fair value. Fair value is developed using an expected present value technique based on assumptions of market participants that consider estimated retirement costs in current period dollars, inflated to the anticipated retirement date and discounted back to the date the ARO was incurred. Changes in assumptions and estimates included within the calculations of the fair value of AROs could result in significantly different results than those identified and recorded in the financial statements. Estimated ARO costs and settlement dates, which affect the carrying value of the ARO and the related capitalized asset, are reviewed periodically to ensure that any

material changes are incorporated into the ARO estimate. Any change to the capitalized asset is generally amortized over the remaining life of the associated long-lived asset.

See "Long-Lived and Intangible Assets - Asset Retirement Obligations" in Note 1, Note 7 and Note 20 to the Financial Statements for additional information on AROs.

At December 31, 2020, the total recorded balances and information on the most significant recorded AROs were as follows.

	Most Significant AROs				
	Total ARO Recorded	Amount Recorded	% of Total	Description	
PPL	\$ 250	\$ 147	59	Ponds, landfills and natural gas mains	
LKE	182	147	81	Ponds, landfills and natural gas mains	
LG&E	67	49	73	Ponds, landfills and natural gas mains	
KU	115	98	85	Ponds and landfills	

The most significant assumptions surrounding AROs are the forecasted retirement costs (including settlement dates and the timing of cash flows), discount and inflation rates. At December 31, 2020, a 10% increase to retirement cost would increase these ARO liabilities by \$32 million. A 0.25% decrease in the discount rate would increase these ARO liabilities by \$3 million and a 0.25% increase in the inflation rate would increase these ARO liabilities by \$3 million. There would be no significant change to the annual depreciation expense of the ARO asset or the annual accretion expense of the ARO liability as a result of these changes in assumptions.

Revenue Recognition - Unbilled Revenues (LKE, LG&E and KU)

Revenues related to the sale of energy are recorded when service is rendered or when energy is delivered to customers. Because customers are billed on cycles which vary based on the timing of actual meter reads taken throughout the month, estimates are recorded for unbilled revenues at the end of each reporting period. For LG&E and KU, such unbilled revenue amounts reflect estimates of deliveries to customers since the date of the last reading of their meters. The unbilled revenue estimates reflect consideration of factors including daily load models, estimated usage for each customer class, the effect of current and different rate schedules, the meter read schedule, the billing schedule, actual weather data, and, where applicable, the impact of weather normalization or other regulatory provisions of rate structures. See "Unbilled revenues" on the Registrants' Balance Sheets for balances at December 31, 2020 and 2019.

Other Information (All Registrants)

PPL's Audit Committee has approved the independent auditor to provide audit and audit-related services, tax services and other services permitted by Sarbanes-Oxley and SEC rules. The audit and audit-related services include services in connection with statutory and regulatory filings, reviews of offering documents and registration statements, and internal control reviews.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Reference is made to "Risk Management" for the Registrants in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations."

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareowners and the Board of Directors of PPL Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of PPL Corporation and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 18, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Regulatory Assets and Liabilities – Impact of Rate-Regulation on Various Account Balances and Disclosures – Refer to Notes 1 and 7 to the Financial Statements

Critical Audit Matter Description

As discussed in Note 1 to the financial statements, PPL Corporation owns and operates three cost-based rate-regulated utilities in the United States (U.S.) for which rates are set by the Federal Energy Regulatory Commission (FERC), the Kentucky Public Service Commission (KPSC), the Virginia State Corporation Commission (VSCC) and the Pennsylvania Public Utility Commission (PUC) to enable the regulated utilities to recover the costs of providing electric or gas service, as applicable, and to provide a reasonable return to shareholders. Base rates are generally established based on a future test period. As a result, the financial statements are subject to the accounting for certain types of regulation as prescribed by accounting principles generally accepted in the United States of America and reflect the effects of regulatory actions. Regulatory assets are recognized for the effect of transactions or events where future recovery of underlying costs is probable in regulated customer rates. The effect of such accounting is to defer certain or qualifying costs that would otherwise currently be charged to expense. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates.

The accounting for regulatory assets and regulatory liabilities is based on specific ratemaking decisions or precedent for each transaction or event as prescribed by the FERC, KPSC, VSCC and PUC. The accounting for the economics of rate regulation also impacts other financial statement line items, including regulated utility plant, operating revenues, depreciation, and income taxes and impacts multiple note disclosures. As of December 31, 2020, PPL Corporation had a recorded regulatory assets balance of \$1,361 million and regulatory liabilities balance of \$2,609 million.

PPL Corporation's U.S. regulated utilities' rates are subject to cost-based rate-setting processes and annual earnings oversight. Rates are established based on an analysis of the costs incurred and the regulated utility's capital structure and must be approved by one or more federal or state regulatory commissions, including the FERC, KPSC, VSCC and PUC. Regulatory decisions can have an impact on the recovery of costs, the rate earned on invested capital, and the timing and amount of assets to be recovered by rates. The FERC, KPSC, VSCC and PUC regulation of rates is premised on the full recovery of prudently incurred costs and an adequate return on capital investments. Decisions to be made by the FERC, KPSC, VSCC and PUC in the future will impact the accounting for regulated operations, including decisions about the amount of allowable costs and return on invested capital included in rates and any refunds that may be required. While PPL Corporation's U.S. utilities have indicated that they expect to recover costs from customers through regulated rates, there is a risk that the FERC, KPSC, VSCC or PUC will not approve full recovery of such costs or approve recovery on a timely basis in future regulatory decisions.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management in continually assessing whether the regulatory assets are probable of future recovery by considering factors, such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders and the status of any pending legislation. Auditing these judgments required specialized knowledge of accounting for rate regulation and the rate-setting process due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the FERC, KPSC, VSCC and PUC included the following, among others:

- We tested the effectiveness of management's internal controls over evaluating the likelihood of recovery in future rates of costs deferred as regulatory assets. We tested the effectiveness of management's controls over the recognition of amounts as regulated utility plant, regulatory assets or liabilities, operating revenues, depreciation expense, income tax expense, and note disclosures. We tested the effectiveness of management's internal controls over the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We obtained and read relevant regulatory orders issued by the FERC, KPSC, VSCC and PUC for PPL Corporation's U.S. regulated utilities and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by interveners, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- We inquired of management about regulated utility plant that may be abandoned. We inspected minutes of the Board of Directors, regulatory orders and other filings with the FERC, KPSC, VSCC and PUC to identify any evidence that may contradict management's assertion regarding probability of an abandonment.
- We evaluated PPL Corporation's disclosures related to the impacts of rate-regulation, including the balances recorded and regulatory developments.

Impairment of Long-lived Assets – Recoverability of U.K. Utility Business - Refer to Notes 1 and 9 to the Financial Statements

Critical Audit Matter Description

As discussed in Note 9 to the financial statements, on August 10, 2020, PPL announced that it initiated a formal process to sell its U.K. utility business. As a result of the potential sale, PPL assessed the recoverability of the long-lived assets of the U.K. utility business as of September 30, 2020 and December 31, 2020.

To test recoverability of long-lived assets of the U.K. utility business, PPL Corporation prepared probability-weighted undiscounted cash flow estimates that assumed estimates of selling price, expected forecasted cash flows from the operations of the U.K. utility business (which included significant assumptions made by management to estimate projected operating and capital cash flows, regulatory asset value (RAV) and the finalization of RIIO-ED2) and weighted average probability of sale. The resulting cash flow analyses exceeded the carrying value of the assets of the U.K. utility business.

We identified PPL Corporation's impairment evaluation of long-lived assets of the U.K. utility business as a critical audit matter because of significant judgments made by management to estimate selling price, expected forecasted cash flows from the operations of the U.K. utility business and weighted average probability of sale. The significant judgments and assumptions made by management to estimate probabilities and future cash flows, include management's intended use of the assets, estimates of selling price, RAV, the finalization of RIIO-ED2, and projected operating and capital cash flows. A high degree of auditor judgment and an increased effort was required when performing audit procedures to evaluate the reasonableness of management's estimates and judgments related to each of these assumptions.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the significant judgments and assumptions made by management to estimate selling price, expected forecasted cash flows from the operations of the U.K. utility business and weighted average probability of sale included the following, among others:

- We tested the effectiveness of management's internal controls over their long-lived asset recoverability test, including the significant judgments and assumptions made by management in determining management's intended use of the assets, estimates of selling price, RAV, the finalization of RIIO-ED2 and projected operating and capital cash flows.
- We evaluated the reasonableness of management's projected operating and capital cash flows by:
 - Comparing current year forecasts to prior year forecasts to understand if any significant changes occurred and why they are appropriate.
 - Comparing information included in communications to the Board of Directors.
 - Comparing information from the Office of Gas and Electricity Markets (Ofgem), including total expenditures assumptions in RIIO-ED2.
 - Comparing information included in PPL Corporation's press releases as well as in analyst and industry reports for PPL Corporation.
- We evaluated the reasonableness of the RAV by:
 - Comparing information to the Ofgem Price Control Finance Model.
 - Recalculating projected RAV and understanding changes in the RAV for each period.
- We evaluated management's assumptions related to values assigned to each probability-weighted outcome.
- We evaluated estimates of selling price by evaluating sector market performance and comparable market transactions.
- We evaluated the related disclosures for consistency with our understanding.

Goodwill – U.K. Regulated Segment Reporting Unit – Refer to Notes 1 and 19 to the Financial Statements

Critical Audit Matter Description

PPL Corporation's balance sheet includes \$3,274 million of goodwill as of December 31, 2020, of which \$2,559 million was allocated to the U.K. Regulated segment reporting unit. The fair value of the U.K. Regulated segment reporting unit exceeded the carrying value as of the measurement date and, therefore, no impairment was recognized. PPL Corporation identified a triggering event during the quarter ended March 31, 2020 and performed a quantitative impairment test associated with the U.K. Regulated segment reporting unit. Additionally, PPL Corporation performed its annual impairment test of goodwill as of October 1, 2020 for the U.K. Regulated segment reporting unit and elected to perform a qualitative step zero evaluation. PPL updated the qualitative step zero evaluation for the U.K. Regulated segment reporting unit as of December 31, 2020.

We identified goodwill for the U.K. Regulated segment reporting unit as a critical audit matter because of the significant judgments made by management to estimate the fair value of the U.K. Regulated segment reporting unit. The significant judgments and assumptions made by management to estimate the fair value include RAV premiums, discount and growth rates, projected operating and capital cash flows, market multiples and the evaluation of changes to these assumptions that could affect the fair value of the U.K. Regulated segment reporting unit. A high degree of auditor judgment and an increased effort was required when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the RAV premiums, discount and growth rates, projected operating and capital cash flows and market multiples used by management to estimate the fair value of the U.K. Regulated segment reporting unit and the evaluation of changes to these assumptions and triggering events that could affect the fair value of the U.K. Regulated segment reporting unit included the following, among others:

- We tested the effectiveness of management's internal controls over their goodwill impairment evaluations, including those over the significant assumptions used in management's quantitative impairment test and qualitative step zero evaluations.

- We evaluated the reasonableness of management's projected operating and capital cash flows by:
 - Performing a retrospective review of current year results compared to the projections used in the most recent quantitative impairment test.
 - Comparing current year forecasts to prior year forecasts to understand if any significant changes occurred and why they are appropriate.
 - Comparing information included in communications to the Board of Directors.
 - Comparing information from Ofgem, including total expenditures assumptions in RIIO-ED2.
 - Comparing information included in PPL Corporation's press releases as well as in analyst and industry reports for PPL Corporation.

- We evaluated the reasonableness of the (1) valuation methodology, (2) RAV premiums, (3) discount and growth rates and (4) market multiples by:
 - Evaluating historical data used in developing the assumptions to assess whether the data is comparable and consistent with data of the period under audit.
 - Performing a sensitivity analysis to assess whether there are any changes in the key drivers of the fair value since the prior year.
 - Evaluating sector market performance and comparable market transactions.

- We evaluated the Company's qualitative step zero evaluations, including consideration of macroeconomic factors that could change RAV premiums, discount and growth rates, and projected operating and capital cash flows.
- We evaluated the impact of internal and external factors from the October 1, 2020 annual measurement date to December 31, 2020.
- We evaluated the related disclosures for consistency with our understanding.

Income Taxes – Valuation Allowances – Estimates of future taxable income and management's determination of whether it is more likely than not that deferred tax assets will be realized – Refer to Note 1 and 6 to the Financial Statements

Critical Audit Matter Description

Deferred income taxes reflect the net future tax effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their basis for income tax purposes and the tax effects of net operating losses and tax credit carryforwards. Net deferred tax assets have been recognized based on management's estimates of future taxable income for the U.S. and the U.K. PPL Corporation files tax returns in multiple jurisdictions with complex tax laws and regulations. Valuation allowances have been established for the amounts that, more likely than not, will not be realized. PPL Corporation has \$906 million of valuation allowances recorded on \$1,455 million of deferred tax assets related to federal, state and foreign loss and credit carryforwards as of December 31, 2020.

Management considers a number of factors in assessing the realization of a deferred tax asset associated with net operating losses and tax credit carryforwards, including the reversal of temporary differences, future taxable income and ongoing prudent and feasible tax-planning strategies. Management also considers the uncertainty posed by political risk and the effect of this uncertainty on the various factors that management takes into account in evaluating the need for valuation allowances. The amount of deferred tax assets ultimately realized may differ materially from the estimates utilized in the computation of valuation allowances and may materially impact the financial statements in the future.

We identified management's estimation of the valuation allowances associated with loss and credit carryforwards as a critical audit matter because the need for valuation allowances to reduce deferred tax assets requires significant management judgment. A high degree of auditor judgment and an increased extent of effort, including the need to involve our income tax specialists, was required when performing audit procedures to evaluate the reasonableness of management's estimates of future taxable income and the determination of whether it is more likely than not that the deferred tax assets will be realized.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to estimated future taxable income and the determination of whether it is more likely than not that the deferred tax assets will be realized included the following, among others:

- We tested the effectiveness of management's internal controls over the valuation allowance for income taxes, including management's internal controls over the estimates of future taxable income and the determination of whether it is more likely than not that the deferred tax assets will be realized.
- We evaluated the reasonableness of the methods, assumptions, and judgments used by management to determine whether a valuation allowance was necessary.
- With the assistance of our income tax specialists, we evaluated whether the sources of management's estimated taxable income were of the appropriate character and sufficient to utilize the deferred tax assets under the relevant tax laws.
- We evaluated management's ability to accurately estimate taxable income by comparing actual results to management's historical estimates and evaluating whether there have been any changes that would affect management's ability to continue accurately estimating taxable income.
- We tested the reasonableness of management's estimates of future taxable income by comparing the estimates to:
 - Internal budgets.

- Historical taxable income, as adjusted for nonrecurring items.
 - Internal communications to management and the Board of Directors.
 - Forecasted information included in PPL Corporation's press releases as well as in analyst and industry reports for PPL Corporation.
-
- We evaluated the related disclosures for consistency with our understanding.

/s/ Deloitte & Touche LLP

Parsippany, New Jersey
February 18, 2021

We have served as the Company's auditor since 2015.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareowners and the Board of Directors of PPL Corporation

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of PPL Corporation and subsidiaries (the “Company”) as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated February 18, 2021, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting at Item 9A. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Parsippany, New Jersey
February 18, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareowner and the Board of Directors of PPL Electric Utilities Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of PPL Electric Utilities Corporation and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

Critical Audit Matter Description

Regulatory Assets and Liabilities – Impact of Rate-Regulation on Various Account Balances and Disclosures – Refer to Notes 1 and 7 to the consolidated financial statements

As discussed in Note 1 to the financial statements, PPL Electric Utilities Corporation (PPL Electric) is a cost-based rate-regulated utility for which rates are set by the Federal Energy Regulatory Commission (FERC) and the Pennsylvania Public Utility Commission (PUC) to enable the regulated utility to recover the costs of providing electric service and to provide a reasonable return to shareholders. Base rates are generally established based on a future test period. As a result, the consolidated financial statements are subject to the accounting for certain types of regulation as prescribed by generally accepted accounting principles and reflect the effects of regulatory actions. Regulatory assets are recognized for the effect of transactions or events where future recovery of underlying costs is probable in regulated customer rates. The effect of such accounting is to defer certain or qualifying costs that would otherwise currently be charged to expense. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. The accounting for regulatory assets and regulatory liabilities is based on specific ratemaking decisions or precedent for each transaction or event as prescribed by the FERC and PUC. The accounting for the economics of rate-regulation also impacts other financial statement

line items, including regulated utility plant, operating revenues, depreciation, and income taxes, and impacts multiple note disclosures. As of December 31, 2020, PPL Electric had a recorded consolidated regulatory assets balance of \$581 million and regulatory liabilities balance of \$646 million.

PPL Electric's U.S. regulated utility's rates are subject to cost-based rate-setting processes and annual earnings oversight. Rates are established based on an analysis of the costs incurred and the regulated utility's capital structure and must be approved by one or more federal or state regulatory commissions, including the FERC and PUC. Regulatory decisions can have an impact on the recovery of costs, the rate earned on invested capital and the timing and amount of assets to be recovered by rates. The FERC and PUC regulation of rates is premised on the full recovery of prudently incurred costs and an adequate return on capital investments. Decisions to be made by the FERC and PUC in the future will impact the accounting for regulated operations, including decisions about the amount of allowable costs and return on invested capital included in rates and any refunds that may be required. While PPL Electric has indicated that it expects to recover costs from customers through regulated rates, there is a risk that the FERC or PUC will not approve full recovery of such costs or approve recovery on a timely basis in future regulatory decisions. We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management in continually assessing whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders, and the status of any pending legislation. Auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the FERC and PUC, among others:

- We tested the effectiveness of management's internal controls over evaluating the likelihood of recovery in future rates of costs deferred as regulatory assets. We tested the effectiveness of management's controls over the initial recognition of amounts as regulated utility plant, regulatory assets or liabilities, operating revenues, depreciation expense, income tax expense, and note disclosures and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We obtained and read relevant regulatory orders issued by the FERC and PUC for PPL Electric and other public utilities in Pennsylvania, regulatory statutes, interpretations, procedural memorandums, filings made by interveners, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- We inquired of management about regulated utility plant that may be abandoned. We inspected minutes of the Board of Directors and regulatory orders and other filings with the FERC and PUC to identify any evidence that may contradict management's assertion regarding probability of an abandonment.
- We evaluated PPL Electric's disclosures related to the impacts of rate-regulation, including the balances recorded and regulatory developments.

Regulatory Liabilities – Challenge to PPL Electric Transmission Formula Rate Return on Equity – Refer to Note 7 to the consolidated financial statements

Critical Audit Matter Description

As discussed in Note 7 to the financial statements, on May 21, 2020, PP&L Industrial Customer Alliance (PPLICA) filed a complaint with the FERC alleging that PPL Electric's base return on equity (ROE) of 11.18% used to determine PPL Electric's formula transmission rate is unjust and unreasonable, and proposing an alternative ROE of 8.0% based on its interpretation of FERC Opinion No. 569. However, also on May 21, 2020, the FERC issued Opinion No. 569-A in response to numerous requests for rehearing of Opinion No. 569, which revised the method for analyzing base ROE. On June 10, 2020, PPLICA filed a Motion to Supplement the May 21, 2020 complaint in which PPLICA continued to allege that PPL Electric's base ROE is unjust and unreasonable, but revised its analysis of PPL Electric's base ROE to reflect the guidance provided in Opinion No. 569-A. The amended complaint proposed an updated alternative ROE of 8.5% and also requested that the FERC preserve the original refund effective date as established by the filing of the original complaint on May 21, 2020.

On July 10, 2020, PPL Electric filed its Answer and supporting Testimony to the PPLICA filings arguing that the FERC should deny the original and amended complaints as they are without merit and fail to demonstrate the existing base ROE is unjust and unreasonable. On October 15, 2020, the FERC issued an order which established hearing and settlement procedures.

PPL Electric believes its ROE is just and reasonable and that it has meritorious defenses against the original and amended complaints. At this time, PPL Electric cannot predict the outcome of this matter or the range of possible losses, if any, that may be incurred.

We identified the analysis of accounting and disclosures associated with this complaint as a critical audit matter due to the significant judgments made by management in evaluating whether a potential refund to customers exists. A high degree of auditor judgment and an increased effort, including the involvement of individuals with specialized knowledge of accounting for rate regulation and the rate-setting process, was required.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's judgments regarding the ROE challenge included the following, among others:

- We tested the effectiveness of management's internal controls over the evaluation of the complaint and the related accounting and disclosure considerations. We tested the effectiveness of management's internal controls over the review of the work of management's specialist used in calculating a range of return on equity that the Company believes is just and reasonable used in the Company's response filed with the FERC.
- We obtained and read relevant regulatory orders issued by the FERC for other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by interveners, and other publicly available information to assess the reasonableness of management's estimated refund to customers in comparison to settlements reached between the FERC, other intervenors and other companies in the power and utilities industry.
- We requested and received written responses from internal counsel and external legal firms representing PPL Electric and evaluated the legal conclusions for consistency with those used in management's accounting judgments and disclosures.
- We tested the assumptions and the source data used in the calculation of the range of return on equity that the Company believes is just and reasonable utilized in the Company's accounting evaluation.
- We evaluated PPL Electric's disclosures for consistency with our understanding.

/s/ Deloitte & Touche LLP

Parsippany, New Jersey
February 18, 2021

We have served as the Company's auditor since 2015.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Sole Member and the Board of Directors of LG&E and KU Energy LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of LG&E and KU Energy LLC and Subsidiaries (the “Company”) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Regulatory Assets and Liabilities – Impact of Rate-Regulation on Various Account Balances and Disclosures – Refer to Notes 1 and 7 to the consolidated financial statements

Critical Audit Matter Description

As discussed in Note 1 to the financial statements, LG&E and KU Energy LLC (LKE) is a utility holding company with cost-based rate-regulated utility operations for which rates are set by the Kentucky Public Service Commission (KPSC), the Virginia State Corporation Commission (VSCC) and the Federal Energy Regulatory Commission (FERC), to enable Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Company (KU) to recover the costs of providing electric or gas services, as applicable, and to provide a reasonable return to shareholders. Base rates are generally established based on a future test period. As a result, the financial statements are subject to the accounting for certain types of regulation as prescribed by generally accepted accounting principles and reflect the effects of regulatory actions. Regulatory assets are recognized for the effect of transactions or events where future recovery of underlying costs is probable in regulated customer rates. The effect of such accounting is to defer certain or qualifying costs that would otherwise currently be charged to expense. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. The accounting for regulatory assets and regulatory liabilities is based on specific ratemaking decisions or precedent for each

transaction or event as prescribed by the KPSC, VSCC and FERC. The accounting for the economics of rate-regulation also impacts other financial statement line items, including regulated utility plant, operating revenues, depreciation, and income taxes, and impacts multiple note disclosures. As of December 31, 2020, LKE had a recorded consolidated regulatory assets balance of \$780 million and regulatory liabilities balance of \$1,963 million.

LKE's regulated utilities' rates are subject to cost-based rate-setting processes and annual earnings oversight. Rates are established based on an analysis of the costs incurred and the regulated utility's capital structure and must be approved by one or more federal or state regulatory commissions, including the KPSC, VSCC and FERC. Regulatory decisions can have an impact on the recovery of costs, the rate earned on invested capital and the timing and amount of assets to be recovered by rates. The KPSC, VSCC and FERC regulation of rates is premised on the full recovery of prudently incurred costs and an adequate return on capital investments. Decisions to be made by the KPSC, VSCC and FERC in the future will impact the accounting for regulated operations, including decisions about the amount of allowable costs and return on invested capital included in rates and any refunds that may be required. While LKE has indicated it expects to recover costs from customers through regulated rates, there is a risk that the KPSC, VSCC or FERC will not approve full recovery of such costs or approve recovery on a timely basis in future regulatory decisions.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management in continually assessing whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders, and the status of any pending legislation. Auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the KPSC, VSCC, or FERC included the following, among others:

- We tested the effectiveness of management's internal controls over evaluating the likelihood of recovery in future rates of costs deferred as regulatory assets. We tested the effectiveness of management's controls over the initial recognition of amounts as regulated utility plant, regulatory assets or liabilities, operating revenues, depreciation expense, income tax expense, note disclosures and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We obtained and read relevant regulatory orders issued by the KPSC, VSCC and FERC for LG&E and KU and other public utilities in Kentucky and Virginia, regulatory statutes, interpretations, procedural memorandums, filings made by interveners, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- We inquired of management about regulated utility plant that may be abandoned. We inspected minutes of the Board of Directors and regulatory orders and other filings with the Commission to identify any evidence that may contradict management's assertion regarding probability of an abandonment.
- We evaluated LKE's disclosures related to the impacts of rate-regulation, including the balances recorded and regulatory developments.

/s/ Deloitte & Touche LLP

Louisville, Kentucky
February 18, 2021

We have served as the Company's auditor since 2015.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder and the Board of Directors of Louisville Gas and Electric Company

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Louisville Gas and Electric Company (the “Company”) as of December 31, 2020 and 2019, the related statements of income, equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Regulatory Assets and Liabilities – Impact of Rate-Regulation on Various Account Balances and Disclosures – Refer to Notes 1 and 7 to the financial statements

Critical Audit Matter Description

As discussed in Note 1 to the financial statements, Louisville Gas and Electric Company (LG&E) is a cost-based rate-regulated utility for which rates are set by the Kentucky Public Service Commission (KPSC) and the Federal Energy Regulatory Commission (FERC), to enable the regulated utility to recover the costs of providing electric or gas services, as applicable, and to provide a reasonable return to shareholders. Base rates are generally established based on a future test period. As a result, the financial statements are subject to the accounting for certain types of regulation as prescribed by generally accepted accounting principles and reflect the effects of regulatory actions. Regulatory assets are recognized for the effect of transactions or events where future recovery of underlying costs is probable in regulated customer rates. The effect of such accounting is to defer certain or qualifying costs that would otherwise currently be charged to expense. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. The accounting for regulatory assets and regulatory liabilities is based on specific ratemaking decisions or precedent for each transaction or event as prescribed by the KPSC and FERC. The accounting for the economics of rate-regulation also impacts other financial statement line items, including regulated utility plant, operating revenues, depreciation, and income taxes, and impacts

multiple note disclosures. As of December 31, 2020, LG&E had a recorded regulatory assets balance of \$374 million and regulatory liabilities balance of \$882 million.

LG&E's regulated utility's rates are subject to cost-based rate-setting processes and annual earnings oversight. Rates are established based on an analysis of the costs incurred and the regulated utility's capital structure and must be approved by one or more federal or state regulatory commissions, including the KPSC and FERC. Regulatory decisions can have an impact on the recovery of costs, the rate earned on invested capital and the timing and amount of assets to be recovered by rates. The KPSC and FERC regulation of rates is premised on the full recovery of prudently incurred costs and an adequate return on capital investments. Decisions to be made by the KPSC and FERC in the future will impact the accounting for regulated operations, including decisions about the amount of allowable costs and return on invested capital included in rates and any refunds that may be required. While LG&E has indicated it expects to recover costs from customers through regulated rates, there is a risk that the KPSC or FERC will not approve full recovery of such costs or approve recovery on a timely basis in future regulatory decisions.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management in continually assessing whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders, and the status of any pending legislation. Auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the KPSC or FERC included the following, among others:

- We tested the effectiveness of management's internal controls over evaluating the likelihood of recovery in future rates of costs deferred as regulatory assets. We tested the effectiveness of management's controls over the initial recognition of amounts as regulated utility plant, regulatory assets or liabilities, operating revenues, depreciation expense, and income tax expense, note disclosures and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We obtained and read relevant regulatory orders issued by the KPSC and FERC for LG&E and other public utilities in Kentucky, regulatory statutes, interpretations, procedural memorandums, filings made by interveners, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- We inquired of management about regulated utility plant that may be abandoned. We inspected minutes of the Board of Directors and regulatory orders and other filings with the Commission to identify any evidence that may contradict management's assertion regarding probability of an abandonment.
- We evaluated LG&E's disclosures related to the impacts of rate-regulation, including the balances recorded and regulatory developments.

/s/ Deloitte & Touche LLP

Louisville, Kentucky
February 18, 2021

We have served as the Company's auditor since 2015.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder and the Board of Directors of Kentucky Utilities Company

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Kentucky Utilities Company (the “Company”) as of December 31, 2020 and 2019, the related statements of income, equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Regulatory Assets and Liabilities – Impact of Rate-Regulation on Various Account Balances and Disclosures – Refer to Notes 1 and 7 to the financial statements

Critical Audit Matter Description

As discussed in Note 1 to the financial statements, Kentucky Utilities Company (KU) is a cost-based rate-regulated utility for which rates are set by the Kentucky Public Service Commission (KPSC), the Virginia State Corporation Commission (VSCC) and the Federal Energy Regulatory Commission (FERC), to enable the regulated utility to recover the costs of providing electric or gas services, as applicable, and to provide a reasonable return to shareholders. Base rates are generally established based on a future test period. As a result, the financial statements are subject to the accounting for certain types of regulation as prescribed by generally accepted accounting principles and reflect the effects of regulatory actions. Regulatory assets are recognized for the effect of transactions or events where future recovery of underlying costs is probable in regulated customer rates. The effect of such accounting is to defer certain or qualifying costs that would otherwise currently be charged to expense. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. The accounting for regulatory assets and regulatory liabilities is based on specific ratemaking decisions or precedent for each transaction or event as prescribed by the KPSC, VSCC and FERC. The accounting for the economics of rate-regulation also

impacts other financial statement line items, including regulated utility plant, operating revenues, depreciation, and income taxes, and impacts multiple note disclosures. As of December 31, 2020, KU had a recorded regulatory assets balance of \$406 million and regulatory liabilities balance of \$1,081 million.

KU's regulated utility's rates are subject to cost-based rate-setting processes and annual earnings oversight. Rates are established based on an analysis of the costs incurred and the regulated utility's capital structure and must be approved by one or more federal or state regulatory commissions, including the KPSC, VSCC and FERC. Regulatory decisions can have an impact on the recovery of costs, the rate earned on invested capital and the timing and amount of assets to be recovered by rates. The KPSC, VSCC and FERC regulation of rates is premised on the full recovery of prudently incurred costs and an adequate return on capital investments. Decisions to be made by the KPSC, VSCC and FERC in the future will impact the accounting for regulated operations, including decisions about the amount of allowable costs and return on invested capital included in rates and any refunds that may be required. While KU has indicated it expects to recover costs from customers through regulated rates, there is a risk that the KPSC, VSCC or FERC will not approve full recovery of such costs or approve recovery on a timely basis in future regulatory decisions.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management in continually assessing whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders, and the status of any pending legislation. Auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the KPSC, VSCC, or FERC included the following, among others:

- We tested the effectiveness of management's internal controls over evaluating the likelihood of recovery in future rates of costs deferred as regulatory assets. We tested the effectiveness of management's controls over the initial recognition of amounts as regulated utility plant, regulatory assets or liabilities, operating revenues, depreciation expense, and income tax expense, note disclosures and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We obtained and read relevant regulatory orders issued by the KPSC, VSCC and FERC for KU and other public utilities in Kentucky and Virginia, regulatory statutes, interpretations, procedural memorandums, filings made by interveners, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- We inquired of management about regulated utility plant that may be abandoned. We inspected minutes of the Board of Directors and regulatory orders and other filings with the Commission to identify any evidence that may contradict management's assertion regarding probability of an abandonment.
- We evaluated KU's disclosures related to the impacts of rate-regulation, including the balances recorded and regulatory developments.

/s/ Deloitte & Touche LLP

Louisville, Kentucky
February 18, 2021

We have served as the Company's auditor since 2015.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
PPL Corporation and Subsidiaries**

(Millions of Dollars, except share data)

	2020	2019	2018
Operating Revenues	\$ 7,607	\$ 7,769	\$ 7,785
Operating Expenses			
Operation			
Fuel	632	709	799
Energy purchases	634	723	745
Other operation and maintenance	1,944	1,985	1,983
Depreciation	1,287	1,199	1,094
Taxes, other than income	307	313	312
Total Operating Expenses	<u>4,804</u>	<u>4,929</u>	<u>4,933</u>
Operating Income	2,803	2,840	2,852
Other Income (Expense) - net	169	309	396
Interest Expense	<u>1,001</u>	<u>994</u>	<u>963</u>
Income Before Income Taxes	1,971	2,155	2,285
Income Taxes	<u>502</u>	<u>409</u>	<u>458</u>
Net Income	<u>\$ 1,469</u>	<u>\$ 1,746</u>	<u>\$ 1,827</u>
Earnings Per Share of Common Stock:			
Net Income Available to PPL Common Shareowners:			
Basic	\$ 1.91	\$ 2.39	\$ 2.59
Diluted	\$ 1.91	\$ 2.37	\$ 2.58
Weighted-Average Shares of Common Stock Outstanding (in thousands)			
Basic	768,590	728,512	704,439
Diluted	769,384	736,754	708,619

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,**

PPL Corporation and Subsidiaries

(Millions of Dollars)

	2020	2019	2018
Net income	\$ 1,469	\$ 1,746	\$ 1,827
Other comprehensive income (loss):			
Amounts arising during the period - gains (losses), net of tax (expense) benefit:			
Foreign currency translation adjustments, net of tax of \$0, \$0, (\$2)	267	108	(444)
Qualifying derivatives, net of tax of \$5, 2, (\$9)	(19)	(11)	36
Defined benefit plans:			
Prior service costs, net of tax of \$0, \$0, \$3	(1)	(1)	(11)
Net actuarial gain (loss), net of tax of \$74, \$119, \$44	(341)	(592)	(187)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):			
Qualifying derivatives, net of tax of (\$8), \$(5), \$6	24	13	(29)
Defined benefit plans:			
Prior service costs, net of tax of (\$1), \$(1), \$0	3	2	2
Net actuarial (gain) loss, net of tax of (\$51), \$(22), (\$36)	205	87	142
Total other comprehensive income (loss)	138	(394)	(491)
Comprehensive income	\$ 1,607	\$ 1,352	\$ 1,336

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
PPL Corporation and Subsidiaries
(Millions of Dollars)

	2020	2019	2018
Cash Flows from Operating Activities			
Net income	\$ 1,469	\$ 1,746	\$ 1,827
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	1,287	1,199	1,094
Amortization	72	81	78
Defined benefit plans - (income)	(201)	(263)	(192)
Deferred income taxes and investment tax credits	402	309	355
Unrealized (gains) losses on derivatives, and other hedging activities	280	73	(186)
Stock compensation expense	29	36	26
Other	(12)	(22)	(3)
Change in current assets and current liabilities			
Accounts receivable	(82)	4	28
Accounts payable	10	(77)	78
Unbilled revenues	10	(5)	41
Fuel, materials and supplies	(17)	(26)	17
Regulatory assets and liabilities, net	(63)	(88)	13
Other current liabilities	(23)	(73)	(22)
Other	(1)	(33)	(2)
Other operating activities			
Defined benefit plans - funding	(390)	(350)	(361)
Proceeds from transfer of excess benefit plan funds	—	—	65
Other assets	(59)	(100)	(75)
Other liabilities	35	16	40
Net cash provided by operating activities	2,746	2,427	2,821
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	(3,249)	(3,083)	(3,238)
Purchase of investments	—	(55)	(65)
Proceeds from the sale of investments	9	69	6
Other investing activities	(18)	(11)	(64)
Net cash used in investing activities	(3,258)	(3,080)	(3,361)
Cash Flows from Financing Activities			
Issuance of long-term debt	2,167	1,465	1,059
Retirement of long-term debt	(1,172)	(300)	(277)
Proceeds from project financing	173	—	—
Issuance of common stock	34	1,167	698
Payment of common stock dividends	(1,275)	(1,192)	(1,133)
Issuance of term loan	300	—	—
Issuance of commercial paper	73	—	—
Net increase (decrease) in short-term debt	127	(278)	363
Other financing activities	(41)	(26)	(20)
Net cash provided by financing activities	386	836	690
Effect of Exchange Rates on Cash, Cash Equivalents and Restricted Cash	17	10	(18)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(109)	193	132
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	836	643	511
Cash, Cash Equivalents and Restricted Cash at End of Period	\$ 727	\$ 836	\$ 643
Supplemental Disclosures of Cash Flow Information			
Cash paid during the period for:			
Interest - net of amount capitalized	\$ 939	\$ 905	\$ 910
Income taxes - net	\$ 95	\$ 93	\$ 127
Significant non-cash transactions:			
Accrued expenditures for property, plant and equipment at December 31,	\$ 319	\$ 340	\$ 345
Accrued expenditures for intangible assets at December 31,	\$ 85	\$ 79	\$ 64

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

**CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Corporation and Subsidiaries**

(Millions of Dollars, shares in thousands)

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 708	\$ 815
Accounts receivable (less reserve: 2020, \$75; 2019, \$58)		
Customer	790	687
Other	91	105
Unbilled revenues	498	504
Fuel, materials and supplies	361	332
Prepayments	96	79
Price risk management assets	94	147
Other current assets	130	98
Total Current Assets	2,768	2,767
Property, Plant and Equipment		
Regulated utility plant	45,887	42,709
Less: accumulated depreciation - regulated utility plant	8,894	8,055
Regulated utility plant, net	36,993	34,654
Non-regulated property, plant and equipment	498	357
Less: accumulated depreciation - non-regulated property, plant and equipment	102	109
Non-regulated property, plant and equipment, net	396	248
Construction work in progress	1,503	1,580
Property, Plant and Equipment, net	38,892	36,482
Other Noncurrent Assets		
Regulatory assets	1,262	1,492
Goodwill	3,274	3,198
Other intangibles	764	742
Pension benefit asset	706	464
Price risk management assets	52	149
Other noncurrent assets	398	386
Total Other Noncurrent Assets	6,456	6,431
Total Assets	\$ 48,116	\$ 45,680

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

**CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Corporation and Subsidiaries**

(Millions of Dollars, shares in thousands)

	2020	2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 1,662	\$ 1,151
Long-term debt due within one year	1,574	1,172
Accounts payable	965	956
Taxes	91	99
Interest	303	294
Dividends	319	317
Customer deposits	300	261
Regulatory liabilities	79	115
Other current liabilities	684	535
Total Current Liabilities	<u>5,977</u>	<u>4,900</u>
Long-term Debt	<u>21,553</u>	<u>20,721</u>
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	3,568	3,088
Investment tax credits	122	124
Accrued pension obligations	200	587
Asset retirement obligations	200	212
Regulatory liabilities	2,530	2,572
Other deferred credits and noncurrent liabilities	593	485
Total Deferred Credits and Other Noncurrent Liabilities	<u>7,213</u>	<u>7,068</u>
Commitments and Contingent Liabilities (Notes 7 and 14)		
Equity		
Common stock - \$0.01 par value (a)	8	8
Additional paid-in capital	12,270	12,214
Earnings reinvested	5,315	5,127
Accumulated other comprehensive loss	(4,220)	(4,358)
Total Equity	<u>13,373</u>	<u>12,991</u>
Total Liabilities and Equity	<u>\$ 48,116</u>	<u>\$ 45,680</u>

(a) 1,560,000 shares authorized; 768,907 and 767,233 shares issued and outstanding at December 31, 2020 and December 31, 2019.

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

CONSOLIDATED STATEMENTS OF EQUITY

PPL Corporation and Subsidiaries

(Millions of Dollars)

	PPL Shareowners					Total
	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	
December 31, 2017	693,398	\$ 7	\$ 10,305	\$ 3,871	\$ (3,422)	\$ 10,761
Common stock issued	26,925		718			718
Stock-based compensation			(2)			(2)
Net income				1,827		1,827
Dividends and dividend equivalents (b)				(1,156)		(1,156)
Other comprehensive income (loss)					(491)	(491)
Adoption of reclassification of certain tax effects from AOCI guidance cumulative effect adjustment				51	(51)	—
December 31, 2018	720,323	\$ 7	\$ 11,021	\$ 4,593	\$ (3,964)	\$ 11,657
Common stock issued	46,910	1	1,184			1,185
Stock-based compensation			9			9
Net income				1,746		1,746
Dividends and dividend equivalents (b)				(1,212)		(1,212)
Other comprehensive income (loss)					(394)	(394)
December 31, 2019	767,233	\$ 8	\$ 12,214	\$ 5,127	\$ (4,358)	\$ 12,991
Common stock issued	1,674		51			51
Stock-based compensation			5			5
Net income				1,469		1,469
Dividends and dividend equivalents (b)				(1,279)		(1,279)
Other comprehensive income (loss)					138	138
Adoption of financial instrument credit losses guidance cumulative effect adjustment (Note 1)				(2)		(2)
December 31, 2020	768,907	\$ 8	\$ 12,270	\$ 5,315	\$ (4,220)	\$ 13,373

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

(b) Dividends declared per share of common stock at December 31, 2020, 2019 and 2018 were: \$1.66, \$1.65 and \$1.64.

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

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**CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
PPL Electric Utilities Corporation and Subsidiaries***(Millions of Dollars)*

	2020	2019	2018
Operating Revenues	\$ 2,331	\$ 2,358	\$ 2,277
Operating Expenses			
Operation			
Energy purchases	491	549	544
Other operation and maintenance	513	566	578
Depreciation	403	386	352
Taxes, other than income	107	112	109
Total Operating Expenses	1,514	1,613	1,583
Operating Income	817	745	694
Other Income (Expense) - net	18	25	23
Interest Income from Affiliate	2	6	8
Interest Expense	173	170	159
Income Before Income Taxes	664	606	566
Income Taxes	167	149	136
Net Income (a)	\$ 497	\$ 457	\$ 430

(a) Net income equals comprehensive income.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
PPL Electric Utilities Corporation and Subsidiaries
(Millions of Dollars)

	2020	2019	2018
Cash Flows from Operating Activities			
Net income	\$ 497	\$ 457	\$ 430
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	403	386	352
Amortization	26	24	22
Deferred income taxes and investment tax credits	83	90	125
Other	(6)	(19)	(1)
Change in current assets and current liabilities			
Accounts receivable	(47)	33	47
Accounts payable	21	5	10
Unbilled revenues	13	(14)	7
Materials and supplies	(18)	(8)	9
Regulatory assets and liabilities	(40)	(43)	(19)
Other	(9)	(3)	6
Other operating activities			
Defined benefit plans - funding	(21)	(21)	(28)
Other assets	(28)	15	(37)
Other liabilities	10	11	55
Net cash provided by operating activities	<u>884</u>	<u>913</u>	<u>978</u>
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	(1,145)	(1,114)	(1,192)
Expenditures for intangible assets	(9)	(7)	(4)
Other investing activities	3	4	3
Net cash used in investing activities	<u>(1,151)</u>	<u>(1,117)</u>	<u>(1,193)</u>
Cash Flows from Financing Activities			
Issuance of long-term debt	250	393	398
Retirement of long-term debt	—	(100)	—
Contributions from PPL	940	400	429
Payment of common stock dividends to parent	(400)	(486)	(390)
Return of capital to parent	(745)	—	—
Other financing activities	(2)	(8)	(4)
Net cash provided by financing activities	<u>43</u>	<u>199</u>	<u>433</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(224)	(5)	218
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	<u>264</u>	<u>269</u>	<u>51</u>
Cash, Cash Equivalents and Restricted Cash at End of Period	<u>\$ 40</u>	<u>\$ 264</u>	<u>\$ 269</u>
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	\$ 158	\$ 154	\$ 144
Income taxes - net	\$ 67	\$ 32	\$ (20)
Significant non-cash transactions:			
Accrued expenditures for property, plant and equipment at December 31,	\$ 156	\$ 180	\$ 158

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

**CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Electric Utilities Corporation and Subsidiaries**

(Millions of Dollars, shares in thousands)

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 40	\$ 262
Accounts receivable (less reserve: 2020, \$41; 2019, \$28)		
Customer	311	258
Other	17	22
Accounts receivable from affiliates	10	11
Unbilled revenues (less reserve: 2020, \$2; 2019, \$0)	121	134
Materials and supplies	59	33
Prepayments	9	6
Regulatory assets	40	26
Other current assets	13	9
Total Current Assets	620	761
Property, Plant and Equipment		
Regulated utility plant	13,514	12,589
Less: accumulated depreciation - regulated utility plant	3,297	3,078
Regulated utility plant, net	10,217	9,511
Construction work in progress	592	597
Property, Plant and Equipment, net	10,809	10,108
Other Noncurrent Assets		
Regulatory assets	541	726
Intangibles	268	263
Other noncurrent assets	86	43
Total Other Noncurrent Assets	895	1,032
Total Assets	\$ 12,324	\$ 11,901

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

**CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Electric Utilities Corporation and Subsidiaries**

(Millions of Dollars, shares in thousands)

	2020	2019
Liabilities and Equity		
Current Liabilities		
Long-term debt due within one year	\$ 400	\$ —
Accounts payable	428	438
Accounts payable to affiliates	39	32
Taxes	17	13
Interest	39	41
Regulatory liabilities	68	96
Other current liabilities	105	93
Total Current Liabilities	<u>1,096</u>	<u>713</u>
Long-term Debt	<u>3,836</u>	<u>3,985</u>
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,559	1,447
Accrued pension obligations	8	179
Regulatory liabilities	578	599
Other deferred credits and noncurrent liabilities	123	146
Total Deferred Credits and Other Noncurrent Liabilities	<u>2,268</u>	<u>2,371</u>
Commitments and Contingent Liabilities (Notes 7 and 14)		
Equity		
Common stock - no par value (a)	364	364
Additional paid-in capital	3,753	3,558
Earnings reinvested	1,007	910
Total Equity	<u>5,124</u>	<u>4,832</u>
Total Liabilities and Equity	<u>\$ 12,324</u>	<u>\$ 11,901</u>

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at December 31, 2020 and December 31, 2019.

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

CONSOLIDATED STATEMENTS OF EQUITY
PPL Electric Utilities Corporation and Subsidiaries

(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2017	66,368	\$ 364	\$ 2,729	\$ 899	\$ 3,992
Net income				430	430
Capital contributions from parent			429		429
Dividends declared on common stock				(390)	(390)
December 31, 2018	66,368	\$ 364	\$ 3,158	\$ 939	\$ 4,461
Net income				457	457
Capital contributions from parent			400		400
Dividends declared on common stock				(486)	(486)
December 31, 2019	66,368	\$ 364	\$ 3,558	\$ 910	\$ 4,832
Net income				497	497
Capital contributions from parent			940		940
Return of capital to parent			(745)		(745)
Dividends declared on common stock				(400)	(400)
December 31, 2020	66,368	\$ 364	\$ 3,753	\$ 1,007	\$ 5,124

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

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

**CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries***(Millions of Dollars)*

	2020	2019	2018
Operating Revenues	\$ 3,106	\$ 3,206	\$ 3,214
Operating Expenses			
Operation			
Fuel	632	709	799
Energy purchases	143	174	201
Other operation and maintenance	834	861	848
Depreciation	606	547	475
Taxes, other than income	77	74	70
Total Operating Expenses	<u>2,292</u>	<u>2,365</u>	<u>2,393</u>
Operating Income	814	841	821
Other Income (Expense) - net	2	(13)	(16)
Interest Expense	223	226	206
Interest Expense with Affiliate	<u>37</u>	<u>31</u>	<u>25</u>
Income Before Income Taxes	556	571	574
Income Taxes	<u>106</u>	<u>103</u>	<u>129</u>
Net Income	<u>\$ 450</u>	<u>\$ 468</u>	<u>\$ 445</u>

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries**

(Millions of Dollars)

	2020	2019	2018
Net income	\$ 450	\$ 468	\$ 445
Other comprehensive income (loss):			
Amounts arising during the period - gains (losses), net of tax (expense) benefit:			
Defined benefit plans:			
Prior service costs, net of tax of \$0, \$0, \$0	(1)	(1)	—
Net actuarial gain (loss), net of tax of \$2, \$2, (\$2)	(7)	(6)	7
Reclassifications to net income - (gains) losses, net of tax expense (benefit):			
Defined benefit plans:			
Prior service costs, net of tax of \$0, \$0, \$0	2	1	2
Net actuarial (gain) loss, net of tax of (\$4), (\$1), (\$3)	13	2	8
Total other comprehensive income (loss)	7	(4)	17
Comprehensive income	\$ 457	\$ 464	\$ 462

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries**
(Millions of Dollars)

	2020	2019	2018
Cash Flows from Operating Activities			
Net income	\$ 450	\$ 468	\$ 445
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	606	547	475
Amortization	19	27	18
Defined benefit plans - expense	15	11	17
Deferred income taxes and investment tax credits	64	82	94
Other	(2)	(3)	(4)
Change in current assets and current liabilities			
Accounts receivable	(17)	(16)	1
Accounts payable	(11)	(26)	39
Accounts payable to affiliates	5	2	2
Unbilled revenues	(12)	5	34
Fuel, materials and supplies	10	—	7
Regulatory assets and liabilities, net	(26)	(45)	32
Taxes payable	13	(5)	(3)
Other	(13)	(8)	(24)
Other operating activities			
Defined benefit plans - funding	(54)	(34)	(131)
Expenditures for asset retirement obligations	(84)	(89)	(72)
Other assets	(5)	(3)	(24)
Other liabilities	45	25	9
Net cash provided by operating activities	<u>1,003</u>	<u>938</u>	<u>915</u>
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	(966)	(1,094)	(1,117)
Other investing activities	3	—	1
Net cash used in investing activities	<u>(963)</u>	<u>(1,094)</u>	<u>(1,116)</u>
Cash Flows from Financing Activities			
Net increase (decrease) in notes payable with affiliates	101	37	(112)
Issuance of long-term note with affiliate	550	—	250
Issuance of long-term debt	498	705	118
Retirement of long-term debt	(975)	(200)	(27)
Acquisition of outstanding bonds	—	(40)	—
Remarketing of reacquired bonds	—	40	—
Distributions to member	(283)	(308)	(302)
Contributions from member	—	63	—
Issuance of commercial paper	73	—	—
Net increase (decrease) in short-term debt	4	(126)	270
Other financing activities	(6)	(12)	(2)
Net cash provided by (used in) financing activities	<u>(38)</u>	<u>159</u>	<u>195</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>2</u>	<u>3</u>	<u>(6)</u>
Cash and Cash Equivalents at Beginning of Period	27	24	30
Cash and Cash Equivalents at End of Period	<u>\$ 29</u>	<u>\$ 27</u>	<u>\$ 24</u>
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	\$ 248	\$ 237	\$ 218
Income taxes - net	\$ 38	\$ 29	\$ 46
Significant non-cash transactions:			
Accrued expenditures for property, plant and equipment at December 31,	\$ 100	\$ 113	\$ 150

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

**CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries**

(Millions of Dollars)

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 29	\$ 27
Accounts receivable (less reserve: 2020, \$30; 2019, \$28)		
Customer	283	260
Other	69	71
Unbilled revenues (less reserve: 2020, \$2; 2019, \$0)	176	164
Fuel, materials and supplies	242	250
Prepayments	30	30
Regulatory assets	59	41
Other current assets	4	2
Total Current Assets	892	845
Property, Plant and Equipment		
Regulated utility plant	15,557	14,646
Less: accumulated depreciation - regulated utility plant	2,717	2,356
Regulated utility plant, net	12,840	12,290
Construction work in progress	640	794
Property, Plant and Equipment, net	13,480	13,084
Other Noncurrent Assets		
Regulatory assets	721	766
Goodwill	996	996
Other intangibles	61	69
Other noncurrent assets	127	171
Total Other Noncurrent Assets	1,905	2,002
Total Assets	\$ 16,277	\$ 15,931

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

**CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries**

(Millions of Dollars)

	2020	2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 465	\$ 388
Long-term debt due within one year	674	975
Notes payable with affiliates	251	150
Accounts payable	294	316
Accounts payable to affiliates	16	11
Customer deposits	64	62
Taxes	71	58
Price risk management liabilities	2	4
Regulatory liabilities	11	19
Interest	37	40
Asset retirement obligations	50	70
Other current liabilities	162	153
Total Current Liabilities	2,097	2,246
Long-term Debt		
Long-term debt	4,200	4,377
Long-term debt to affiliate	1,200	650
Total Long-term Debt	5,400	5,027
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,175	1,069
Investment tax credits	121	124
Price risk management liabilities	21	17
Accrued pension obligations	112	233
Asset retirement obligations	132	145
Regulatory liabilities	1,952	1,973
Other deferred credits and noncurrent liabilities	151	155
Total Deferred Credits and Other Noncurrent Liabilities	3,664	3,716
Commitments and Contingent Liabilities (Notes 7 and 14)		
Member's equity	5,116	4,942
Total Liabilities and Equity	\$ 16,277	\$ 15,931

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

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

		Member's Equity
December 31, 2017	\$	4,563
Net income		445
Distributions to member		(302)
Other comprehensive income (loss)		17
December 31, 2018	\$	<u>4,723</u>
Net income	\$	468
Contributions from member		63
Distributions to member		(308)
Other comprehensive income (loss)		(4)
December 31, 2019	\$	<u>4,942</u>
Net income	\$	450
Distributions to member		(283)
Other comprehensive income (loss)		7
December 31, 2020	\$	<u>5,116</u>

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

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**STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
Louisville Gas and Electric Company**

(Millions of Dollars)

	2020	2019	2018
Operating Revenues			
Retail and wholesale	\$ 1,435	\$ 1,473	\$ 1,467
Electric revenue from affiliate	21	27	29
Total Operating Revenues	1,456	1,500	1,496
Operating Expenses			
Operation			
Fuel	246	289	308
Energy purchases	125	154	183
Energy purchases from affiliate	19	7	13
Other operation and maintenance	373	387	376
Depreciation	259	231	195
Taxes, other than income	40	39	36
Total Operating Expenses	1,062	1,107	1,111
Operating Income	394	393	385
Other Income (Expense) – net	(1)	(11)	(12)
Interest Expense	87	87	76
Income Before Income Taxes	306	295	297
Income Taxes	62	63	64
Net Income (a)	\$ 244	\$ 232	\$ 233

(a) Net income equals comprehensive income.

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

**STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
Louisville Gas and Electric Company**
(Millions of Dollars)

	2020	2019	2018
Cash Flows from Operating Activities			
Net income	\$ 244	\$ 232	\$ 233
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	259	231	195
Amortization	9	15	14
Defined benefit plans - expense	3	3	3
Deferred income taxes and investment tax credits	3	56	60
Change in current assets and current liabilities			
Accounts receivable	(3)	(9)	4
Accounts receivable from affiliates	4	6	—
Accounts payable	(18)	(10)	10
Accounts payable to affiliates	(5)	5	1
Unbilled revenues	(3)	1	14
Fuel, materials and supplies	4	5	4
Regulatory assets and liabilities, net	—	(19)	5
Taxes payable	(1)	7	1
Other	(3)	(5)	(10)
Other operating activities			
Defined benefit plans - funding	(11)	(6)	(61)
Expenditures for asset retirement obligations	(20)	(30)	(22)
Other assets	(2)	(1)	(12)
Other liabilities	23	11	4
Net cash provided by operating activities	<u>483</u>	<u>492</u>	<u>443</u>
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	(456)	(482)	(554)
Net cash used in investing activities	<u>(456)</u>	<u>(482)</u>	<u>(554)</u>
Cash Flows from Financing Activities			
Issuance of long-term debt	—	399	100
Retirement of long-term debt	—	(200)	—
Acquisition of outstanding bonds	—	(40)	—
Remarketing of reacquired bonds	—	40	—
Payment of common stock dividends to parent	(161)	(182)	(156)
Contributions from parent	103	25	83
Issuance of commercial paper	41	—	—
Net increase (decrease) in short-term debt	(17)	(41)	80
Other financing activities	(1)	(6)	(1)
Net cash provided by (used in) financing activities	<u>(35)</u>	<u>(5)</u>	<u>106</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(8)	5	(5)
Cash and Cash Equivalents at Beginning of Period	15	10	15
Cash and Cash Equivalents at End of Period	<u>\$ 7</u>	<u>\$ 15</u>	<u>\$ 10</u>
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	\$ 82	\$ 77	\$ 71
Income taxes - net	\$ 63	\$ 2	\$ 7
Significant non-cash transactions:			
Accrued expenditures for property, plant and equipment at December 31,	\$ 60	\$ 59	\$ 61

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

BALANCE SHEETS AT DECEMBER 31,
Louisville Gas and Electric Company

(Millions of Dollars, shares in thousands)

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 7	\$ 15
Accounts receivable (less reserve: 2020, \$2; 2019, \$1)		
Customer	127	121
Other	35	41
Unbilled revenues (less reserve: 2020, \$1; 2019, \$0)	79	76
Accounts receivable from affiliates	16	18
Fuel, materials and supplies	119	122
Prepayments	14	14
Regulatory assets	23	25
Other current assets	1	1
Total Current Assets	421	433
Property, Plant and Equipment		
Regulated utility plant	6,735	6,372
Less: accumulated depreciation - regulated utility plant	1,020	846
Regulated utility plant, net	5,715	5,526
Construction work in progress	320	297
Property, Plant and Equipment, net	6,035	5,823
Other Noncurrent Assets		
Regulatory assets	351	380
Goodwill	389	389
Other intangibles	35	41
Other noncurrent assets	114	67
Total Other Noncurrent Assets	889	877
Total Assets	\$ 7,345	\$ 7,133

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

BALANCE SHEETS AT DECEMBER 31,
Louisville Gas and Electric Company

(Millions of Dollars, shares in thousands)

	2020	2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 262	\$ 238
Long-term debt due within one year	292	—
Accounts payable	153	172
Accounts payable to affiliates	31	31
Customer deposits	32	31
Taxes	32	33
Price risk management liabilities	2	4
Regulatory liabilities	—	2
Interest	15	15
Asset retirement obligations	10	24
Other current liabilities	50	47
Total Current Liabilities	879	597
Long-term Debt		
	1,715	2,005
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	716	697
Investment tax credits	33	34
Price risk management liabilities	21	17
Asset retirement obligations	57	49
Regulatory liabilities	882	883
Other deferred credits and noncurrent liabilities	94	89
Total Deferred Credits and Other Noncurrent Liabilities	1,803	1,769
Commitments and Contingent Liabilities (Notes 7 and 14)		
Equity		
Common stock - no par value (a)	424	424
Additional paid-in capital	1,923	1,820
Earnings reinvested	601	518
Total Equity	2,948	2,762
Total Liabilities and Equity	\$ 7,345	\$ 7,133

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at December 31, 2020 and December 31, 2019.

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

STATEMENTS OF EQUITY
Louisville Gas and Electric Company*(Millions of Dollars)*

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2017	21,294	\$ 424	\$ 1,712	\$ 391	\$ 2,527
Net income				233	233
Capital contributions from LKE			83		83
Cash dividends declared on common stock				(156)	(156)
December 31, 2018	<u>21,294</u>	<u>\$ 424</u>	<u>\$ 1,795</u>	<u>\$ 468</u>	<u>\$ 2,687</u>
Net income				232	232
Capital contributions from LKE			25		25
Cash dividends declared on common stock				(182)	(182)
December 31, 2019	<u>21,294</u>	<u>\$ 424</u>	<u>\$ 1,820</u>	<u>\$ 518</u>	<u>\$ 2,762</u>
Net income				244	244
Capital contributions from LKE			103		103
Cash dividends declared on common stock				(161)	(161)
December 31, 2020	<u>21,294</u>	<u>\$ 424</u>	<u>\$ 1,923</u>	<u>\$ 601</u>	<u>\$ 2,948</u>

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

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

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STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,**Kentucky Utilities Company***(Millions of Dollars)*

	2020	2019	2018
Operating Revenues			
Retail and wholesale	\$ 1,671	\$ 1,733	\$ 1,747
Electric revenue from affiliate	19	7	13
Total Operating Revenues	<u>1,690</u>	<u>1,740</u>	<u>1,760</u>
Operating Expenses			
Operation			
Fuel	386	420	491
Energy purchases	18	20	18
Energy purchases from affiliate	21	27	29
Other operation and maintenance	429	438	441
Depreciation	346	315	279
Taxes, other than income	37	35	34
Total Operating Expenses	<u>1,237</u>	<u>1,255</u>	<u>1,292</u>
Operating Income	453	485	468
Other Income (Expense) – net	3	(4)	(6)
Interest Expense	<u>113</u>	<u>109</u>	<u>100</u>
Income Before Income Taxes	343	372	362
Income Taxes	<u>63</u>	<u>79</u>	<u>76</u>
Net Income (a)	<u>\$ 280</u>	<u>\$ 293</u>	<u>\$ 286</u>

(a) Net income equals comprehensive income.

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

**STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
Kentucky Utilities Company**
(Millions of Dollars)

	2020	2019	2018
Cash Flows from Operating Activities			
Net income	\$ 280	\$ 293	\$ 286
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	346	315	279
Amortization	8	10	3
Defined benefit plans - expense	—	(1)	—
Deferred income taxes and investment tax credits	20	39	48
Other	(1)	(3)	(4)
Change in current assets and current liabilities			
Accounts receivable	(13)	(3)	(4)
Accounts receivable from affiliates	(1)	—	—
Accounts payable	9	(15)	29
Accounts payable to affiliates	(16)	(2)	(3)
Unbilled revenues	(9)	4	20
Fuel, materials and supplies	6	(6)	3
Regulatory assets and liabilities, net	(26)	(26)	27
Taxes payable	2	2	5
Other	(5)	(6)	(3)
Other operating activities			
Defined benefit plans - funding	(3)	(3)	(54)
Expenditures for asset retirement obligations	(64)	(59)	(50)
Other assets	(2)	(2)	(12)
Other liabilities	12	16	11
Net cash provided by operating activities	<u>543</u>	<u>553</u>	<u>581</u>
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	(510)	(610)	(562)
Other investing activities	3	—	1
Net cash used in investing activities	<u>(507)</u>	<u>(610)</u>	<u>(561)</u>
Cash Flows from Financing Activities			
Issuance of long-term debt	498	306	18
Retirement of long-term debt	(500)	—	(27)
Payment of common stock dividends to parent	(200)	(229)	(246)
Contributions from parent	128	68	45
Issuance of commercial paper	32	—	—
Net increase (decrease) in short-term debt	21	(85)	190
Other financing activities	(5)	(5)	(1)
Net cash provided by (used in) financing activities	<u>(26)</u>	<u>55</u>	<u>(21)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>10</u>	<u>(2)</u>	<u>(1)</u>
Cash and Cash Equivalents at Beginning of Period	12	14	15
Cash and Cash Equivalents at End of Period	<u>\$ 22</u>	<u>\$ 12</u>	<u>\$ 14</u>
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	\$ 109	\$ 101	\$ 95
Income taxes - net	\$ 44	\$ 39	\$ 25
Significant non-cash transactions:			
Accrued expenditures for property, plant and equipment at December 31,	\$ 40	\$ 54	\$ 88

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

BALANCE SHEETS AT DECEMBER 31,
Kentucky Utilities Company

(Millions of Dollars, shares in thousands)

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 22	\$ 12
Accounts receivable (less reserve: 2020, \$1; 2019, \$1)		
Customer	156	139
Other	30	27
Unbilled revenues (less reserve: 2020, \$1; 2019, \$0)	97	88
Accounts receivable from affiliates	1	—
Fuel, materials and supplies	123	128
Prepayments	15	14
Regulatory assets	36	16
Other current assets	1	1
Total Current Assets	481	425
Property, Plant and Equipment		
Regulated utility plant	8,808	8,262
Less: accumulated depreciation - regulated utility plant	1,690	1,507
Regulated utility plant, net	7,118	6,755
Construction work in progress	321	496
Property, Plant and Equipment, net	7,439	7,251
Other Noncurrent Assets		
Regulatory assets	370	386
Goodwill	607	607
Other intangibles	26	28
Other noncurrent assets	149	128
Total Other Noncurrent Assets	1,152	1,149
Total Assets	\$ 9,072	\$ 8,825

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

**BALANCE SHEETS AT DECEMBER 31,
Kentucky Utilities Company**

(Millions of Dollars, shares in thousands)

	2020	2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 203	\$ 150
Long-term debt due within one year	132	500
Accounts payable	121	121
Accounts payable to affiliates	43	52
Customer deposits	32	31
Taxes	29	26
Regulatory liabilities	11	17
Interest	19	20
Asset retirement obligations	40	46
Other current liabilities	59	51
Total Current Liabilities	689	1,014
Long-term Debt	2,486	2,123
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	835	792
Investment tax credits	88	90
Asset retirement obligations	75	96
Regulatory liabilities	1,070	1,090
Other deferred credits and noncurrent liabilities	47	46
Total Deferred Credits and Other Noncurrent Liabilities	2,115	2,114
Commitments and Contingent Liabilities (Notes 7 and 14)		
Equity		
Common stock - no par value (a)	308	308
Additional paid-in capital	2,857	2,729
Earnings reinvested	617	537
Total Equity	3,782	3,574
Total Liabilities and Equity	\$ 9,072	\$ 8,825

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at December 31, 2020 and December 31, 2019.

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

STATEMENTS OF EQUITY

Kentucky Utilities Company

(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive income (loss)	Total
December 31, 2017	37,818	\$ 308	\$ 2,616	\$ 433	\$ —	\$ 3,357
Net income				286		286
Capital contributions from LKE			45			45
Cash dividends declared on common stock				(246)		(246)
December 31, 2018	37,818	\$ 308	\$ 2,661	\$ 473	\$ —	\$ 3,442
Net income				293		293
Capital contributions from LKE			68			68
Cash dividends declared on common stock				(229)		(229)
December 31, 2019	37,818	\$ 308	\$ 2,729	\$ 537	\$ —	\$ 3,574
Net income				280		280
Capital contributions from LKE			128			128
Cash dividends declared on common stock				(200)		(200)
December 31, 2020	37,818	\$ 308	\$ 2,857	\$ 617	\$ —	\$ 3,782

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

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

COMBINED NOTES TO FINANCIAL STATEMENTS

Index to Combined Notes to Consolidated Financial Statements

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

	Registrant				
	PPL	PPL Electric	LKE	LG&E	KU
1. Summary of Significant Accounting Policies	x	x	x	x	x
2. Segment and Related Information	x	x	x	x	x
3. Revenue from Contracts with Customers	x	x	x	x	x
4. Preferred Securities	x	x		x	x
5. Earnings Per Share	x				
6. Income and Other Taxes	x	x	x	x	x
7. Utility Rate Regulation	x	x	x	x	x
8. Financing Activities	x	x	x	x	x
9. Acquisitions, Development and Divestitures	x				
10. Leases	x	x	x	x	x
11. Stock-Based Compensation	x	x	x		
12. Retirement and Postemployment Benefits	x	x	x	x	x
13. Jointly Owned Facilities	x		x	x	x
14. Commitments and Contingencies	x	x	x	x	x
15. Related Party Transactions		x	x	x	x
16. Other Income (Expense) - net	x	x			
17. Fair Value Measurements	x	x	x	x	x
18. Derivative Instruments and Hedging Activities	x	x	x	x	x
19. Goodwill and Other Intangible Assets	x	x	x	x	x
20. Asset Retirement Obligations	x	x	x	x	x
21. Accumulated Other Comprehensive Income (Loss)	x		x		

1. Summary of Significant Accounting Policies

(All Registrants)

General

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

Business and Consolidation

(PPL)

PPL is a utility holding company that, through its regulated subsidiaries, is primarily engaged in: 1) the distribution of electricity in the U.K.; 2) the generation, transmission, distribution and sale of electricity and the distribution and sale of natural gas, primarily in Kentucky; and 3) the transmission, distribution and sale of electricity in Pennsylvania. Headquartered in Allentown, PA, PPL's principal subsidiaries are PPL Global, LKE (including its principal subsidiaries, LG&E and KU) and PPL Electric. PPL's corporate level financing subsidiary is PPL Capital Funding.

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WPD, a subsidiary of PPL Global, through wholly owned subsidiaries, operates distribution networks providing electricity service in the U.K. WPD serves end-users in South Wales and southwest and central England. Its principal subsidiaries are WPD (South Wales), WPD (South West), WPD (East Midlands) and WPD (West Midlands).

PPL consolidates WPD on a one-month lag. Material 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.

(PPL and PPL Electric)

PPL Electric is a cost-based rate-regulated utility subsidiary of PPL. PPL Electric's principal business is the transmission and distribution of electricity to serve retail customers in its franchised territory in eastern and central Pennsylvania and the regulated supply of electricity to retail customers in that territory as a PLR.

(PPL, LKE, LG&E and KU)

LKE is a utility holding company with cost-based rate-regulated utility operations through its subsidiaries, LG&E and KU. LG&E and KU are engaged in the generation, transmission, distribution and sale of electricity. LG&E also engages in the distribution and sale of natural gas. LG&E and KU maintain their separate identities and serve customers in Kentucky under their respective names. KU also serves customers in Virginia under the Old Dominion Power name.

(All Registrants)

The financial statements of the Registrants include each company's own accounts as well as the accounts of all entities in which the company has a controlling financial interest. Entities for which a controlling financial interest is not demonstrated through voting interests are evaluated based on accounting guidance for Variable Interest Entities (VIEs). The Registrants consolidate a VIE when they are determined to have a controlling interest in the VIE and, as a result, are the primary beneficiary of the entity. Amounts consolidated under the VIE guidance are not material to the Registrants. Investments in entities in which a company has the ability to exercise significant influence but does not have a controlling financial interest are accounted for under the equity method. All other investments are carried at cost or fair value. All significant intercompany transactions have been eliminated.

The financial statements of PPL, LKE, LG&E and KU include their share of any undivided interests in jointly owned facilities, as well as their share of the related operating costs of those facilities. See Note 13 for additional information.

Regulation

(PPL)

WPD operates in an incentive-based regulatory structure under distribution licenses granted by Ofgem. Electricity distribution revenues are set by Ofgem for a given time period through price control reviews that are not directly based on cost recovery. The price control formula that governs WPD's allowed revenue is designed to provide economic incentives to minimize operating, capital and financing costs. As a result, WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP and does not record regulatory assets and liabilities.

(All Registrants)

PPL Electric, LG&E and KU are cost-based rate-regulated utilities for which rates are set by regulators to enable PPL Electric, LG&E and KU to recover the costs of providing electric or gas service, as applicable, and to provide a reasonable return to shareholders. Base rates are generally established based on a future test period. As a result, the financial statements are subject to the accounting for certain types of regulation as prescribed by GAAP and reflect the effects of regulatory actions. Regulatory assets are recognized for the effect of transactions or events where future recovery of underlying costs is probable in regulated customer rates. The effect of such accounting is to defer certain or qualifying costs that would otherwise currently be charged to expense. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. In certain cases, regulatory liabilities are recorded based on an understanding or agreement with the regulator that rates have been set to recover expected future costs, and the regulated entity is accountable for any amounts charged pursuant to such rates and not yet expended for the intended purpose. The accounting for regulatory assets and regulatory liabilities is based on specific ratemaking decisions or precedent for each transaction or event as prescribed by the FERC or the applicable state regulatory commissions. See Note 7 for additional details regarding regulatory matters.

Accounting Records

The system of accounts for domestic regulated entities is maintained in accordance with the Uniform System of Accounts prescribed by the FERC and adopted by the applicable state regulatory commissions.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Loss Accruals

Potential losses are accrued when (1) information is available that indicates it is "probable" that a loss has been incurred, given the likelihood of uncertain future events and (2) the amount of loss can be reasonably estimated. Accounting guidance defines "probable" as cases in which "the future event or events are likely to occur." The Registrants continuously assess potential loss contingencies for environmental remediation, litigation claims, regulatory penalties and other events. Loss accruals for environmental remediation are discounted when appropriate.

The accrual of contingencies that might result in gains is not recorded, unless realization is assured.

Earnings Per Share (PPL)

EPS is computed using the two-class method, which is an earnings allocation method for computing EPS that treats a participating security as having rights to earnings that would otherwise have been available to common shareowners. Share-based payment awards that provide recipients a non-forfeitable right to dividends or dividend equivalents are considered participating securities.

Price Risk Management

(All Registrants)

Interest rate contracts are used to hedge exposure to changes in the fair value of debt instruments and to hedge exposure to variability in expected cash flows associated with existing floating-rate debt instruments or forecasted fixed-rate issuances of debt. Foreign currency exchange contracts are used to hedge foreign currency exposures, primarily associated with PPL's investments in U.K. subsidiaries. Similar derivatives may receive different accounting treatment, depending on management's intended use and documentation.

Certain contracts may not meet the definition of a derivative because they lack a notional amount or a net settlement provision. In cases where there is no net settlement provision, markets are periodically assessed to determine whether market mechanisms have evolved to facilitate net settlement. Certain derivative contracts may be excluded from the requirements of derivative accounting treatment because NPNS has been elected. These contracts are accounted for using accrual accounting. Contracts that have been classified as derivative contracts are reflected on the balance sheets at fair value. The portion of derivative positions that deliver within a year are included in "Current Assets" and "Current Liabilities," while the portion of derivative positions that deliver beyond a year are recorded in "Other Noncurrent Assets" and "Deferred Credits and Other Noncurrent Liabilities."

Cash inflows and outflows related to derivative instruments are included as a component of operating, investing or financing activities on the Statements of Cash Flows, depending on the classification of the hedged items.

PPL and its subsidiaries have elected not to offset net derivative positions against the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) under master netting arrangements.

(PPL)

Processes exist that allow for subsequent review and validation of contract information as it relates to interest rate and foreign currency derivatives. The accounting department provides the treasury department with guidelines on appropriate accounting

classifications for various contract types and strategies. Examples of accounting guidelines provided to the treasury department staff include, but are not limited to:

- Transactions to lock in an interest rate prior to a debt issuance can be designated as cash flow hedges, to the extent the forecasted debt issuances remain probable of occurring.
- Cross-currency transactions to hedge interest and principal repayments can be designated as cash flow hedges.
- Transactions to hedge fluctuations in the fair value of existing debt can be designated as fair value hedges.
- Transactions to hedge the value of a net investment of foreign operations can be designated as net investment hedges.
- Derivative transactions that do not qualify for cash flow or net investment hedge treatment are marked to fair value through earnings. These transactions generally include foreign currency forwards and options to hedge GBP-denominated earnings translation risk associated with PPL's U.K. subsidiaries that report their financial statements in GBP. As such, these transactions reduce earnings volatility due solely to changes in foreign currency exchange rates. PPL also hedges anticipated transactions, including the previously announced potential sale of its U.K utility business and net investments.

(All Registrants)

- Derivative transactions may be marked to fair value through regulatory assets/liabilities at PPL Electric, LG&E and KU, if approved by the appropriate regulatory body. These transactions generally include the effect of interest rate swaps that are included in customer rates.

(PPL and PPL Electric)

To meet its obligation as a PLR to its customers, PPL Electric has entered into certain contracts that meet the definition of a derivative. However, NPNS has been elected for these contracts.

See Notes 17 and 18 for additional information on derivatives.

Revenue

(All Registrants)

Operating revenues are primarily recorded based on energy deliveries through the end of each calendar month. Unbilled retail revenues result because customers' bills are rendered throughout the month, rather than bills being rendered at the end of the month. For LKE, LG&E and KU, unbilled revenues for a month are calculated by multiplying an estimate of unbilled kWh by the estimated average cents per kWh. Any difference between estimated and actual revenues is adjusted the following month when the previous unbilled estimate is reversed and actual billings occur. For PPL Electric, unbilled revenues for a month are calculated by multiplying the actual unbilled volumes by the price per tariff.

PPL Electric's, LG&E's and KU's base rates are determined based on cost of service. Some regulators have also authorized the use of additional alternative revenue programs, which enable PPL Electric, LG&E and KU to adjust future rates based on past activities or completed events. Revenues from alternative revenue programs are recognized when the specific events permitting future billings have occurred. Revenues from alternative revenue programs are required to be presented separately from revenues from contracts with customers. These amounts are, however, presented as revenues from contracts with customers, with an offsetting adjustment to alternative revenue program revenue, when they are billed to customers in future periods. See Note 3 for additional information.

(PPL)

WPD is currently operating under the eight-year price control period of RIIO-ED1, which commenced for electric distribution companies on April 1, 2015. Ofgem has adopted a price control mechanism that establishes the amount of base demand revenue WPD can earn, subject to certain true-ups, and provides for increased or reduced revenues based on incentives or penalties for performance relative to pre-established targets. WPD's allowed revenue primarily includes base demand revenue (adjusted for inflation using RPI), performance incentive revenues/penalties and adjustments for over or under-recovery from prior periods.

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As the regulatory model is incentive based rather than a cost recovery model, WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP. Therefore, the accounting treatment of adjustments to base demand revenue and/or allowed revenue is evaluated based on revenue recognition accounting guidance.

Unlike prior price control reviews, base demand revenue under RIIO-ED1 is adjusted during the price control period. The most significant of those adjustments are:

- **Inflation True-Up** - The base demand revenue for the RIIO-ED1 period was set based on 2012/13 prices. Therefore, an inflation factor as determined by forecasted RPI, provided by HM Treasury, is applied to base demand revenue. Forecasted RPI is trued up to actuals and affects future base demand revenue two regulatory years later. This revenue change is called the "TRU" adjustment.
- **Annual Iteration Process (AIP)** - The RIIO-ED1 price control period also includes an AIP. This allows future base demand revenues agreed with Ofgem as part of the price control review, to be updated during the price control period for financial adjustments including tax, pensions, cost of debt, legacy price control adjustments from preceding price control periods and adjustments relating to actual and allowed total expenditure, together with the Totex Incentive Mechanism (TIM). Under the TIM, WPD's DNOs are able to retain 70% of any amounts not spent against the RIIO-ED1 plan and bear 70% of any over-spends. The AIP calculates an incremental change to base demand revenue, known as the "MOD" adjustment.

As both MOD and TRU are changes to future base demand revenues as determined by Ofgem, these adjustments are recognized as a component of revenues in future years in which service is provided and revenues are collected or returned to customers.

In addition to base demand revenue, certain other items are added or subtracted to arrive at allowed revenue. The most significant of these are:

- **Incentives** - Ofgem has established incentives to provide opportunities for DNO's to enhance overall returns by improving network efficiency, reliability and customer service. These incentives can result in an increase or reduction in revenues based on incentives or penalties for actual performance against pre-established targets based on past performance. The annual incentives and penalties are reflected in customers' rates on a two-year lag from the time they are earned and/or assessed. Incentive revenues and penalties are included in revenues when they are billed to customers.
- **Correction Factor** - During the current price control period, WPD sets its tariffs to recover allowed revenue. However, in any fiscal period, WPD's revenue could be negatively affected if its tariffs and the volume delivered do not fully recover the revenue allowed for a particular period. Conversely, WPD could also over-recover revenue. Over and under-recoveries are subtracted from or added to allowed revenue in future years when billed to customers, known as the "Correction Factor" or "K-factor." Over and under-recovered amounts arising for the period are refunded/recovered on a two year lag.

Financing Receivables

(All Registrants)

Accounts receivable are reported on the Balance Sheets at the gross outstanding amount adjusted for an allowance for doubtful accounts. Financing receivables include accounts receivable, with the exception of those items within accounts receivable that are not subject to the credit loss model.

Current Expected Credit Losses

Financing receivable collectibility is evaluated using a combination of factors, including past due status based on contractual terms, trends in write-offs and the age of the receivable. Specific events, such as bankruptcies, are also considered when applicable. Adjustments to the allowance for doubtful accounts are made when necessary based on the results of analysis, the aging of receivables and historical and industry trends. The Registrants periodically evaluate the impact of observable external factors on the collectibility of the financing receivables to determine if adjustments to the allowance for doubtful accounts should be made based on current conditions or reasonable and supportable forecasts. Accounts receivable are written off in the period in which the receivable is deemed uncollectible.

(PPL and PPL Electric)

PPL Electric has identified one class of financing receivables, "accounts receivable-customer", which includes financing receivables for all billed and unbilled sales with residential and non-residential customers. All other financing receivables are

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classified as other. Within the credit loss model for the residential customer accounts receivables, customers are disaggregated based on their projected propensity to pay, which is derived from historical trends and the current activity of the individual customer accounts. Conversely, the non-residential customer accounts receivables are not further segmented due to the varying nature of the individual customers, which lack readily identifiable risk characteristics for disaggregation.

(PPL, LKE, LG&E and KU)

LKE, LG&E and KU have identified one class of financing receivables, “accounts receivable-customer”, which includes financing receivables for all billed and unbilled sales with customers. All other financing receivables are classified as other.

(All Registrants)

The changes in the allowance for doubtful accounts are included in the following table. Amounts relate to “accounts receivable-customer” except as noted.

	Balance at Beginning of Period		Additions		Deductions (b)	Balance at End of Period				
			Charged to Income	Charged to Other Accounts						
PPL										
2020 (a)	\$	60 (a)	\$	31	\$	—	\$	16	\$	75 (c) (d)
2019		56		37		3		38		58
2018		51		41		3		39		56
PPL Electric										
2020	\$	30 (a)	\$	19	\$	—	\$	8	\$	41 (c)
2019		27		26		—		25		28
2018		24		29		—		26		27
LKE										
2020	\$	28	\$	9	\$	—	\$	5	\$	32 (d)
2019		27		8		3		10		28
2018		25		10		3		11		27
LG&E										
2020	\$	1	\$	4	\$	—	\$	2	\$	3
2019		1		2		2		4		1
2018		1		4		1		5		1
KU										
2020	\$	1	\$	4	\$	—	\$	3	\$	2
2019		2		4		1		6		1
2018		1		5		2		6		2

(a) Adjusted for \$2 million cumulative-effect adjustment upon adoption of current expected credit loss guidance.

(b) Primarily related to uncollectible accounts written off.

(c) Includes \$3 million related to other receivables.

(d) Includes \$27 million related to other receivables.

Cash

(All Registrants)

Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

*(PPL and PPL Electric)***Restricted Cash and Cash Equivalents**

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

Reconciliation of Cash, Cash Equivalents and Restricted Cash

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

	PPL		PPL Electric	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 708	\$ 815	\$ 40	\$ 262
Restricted cash - current	1	3	—	2
Restricted cash - noncurrent (a)	18	18	—	—
Total Cash, Cash Equivalents and Restricted Cash	\$ 727	\$ 836	\$ 40	\$ 264

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

*(All Registrants)***Fair Value Measurements**

The Registrants value certain financial and nonfinancial assets and liabilities at fair value. Generally, the most significant fair value measurements relate to price risk management assets and liabilities, investments in securities in defined benefit plans, and cash and cash equivalents. PPL and its subsidiaries use, as appropriate, a market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models) and/or a cost approach (generally, replacement cost) to measure the fair value of an asset or liability. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk.

The Registrants classify fair value measurements within one of three levels in the fair value hierarchy. The level assigned to a fair value measurement is based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are as follows:

- **Level 1** - quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- **Level 2** - inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for substantially the full term of the asset or liability.
- **Level 3** - unobservable inputs that management believes are predicated on the assumptions market participants would use to measure the asset or liability at fair value.

Assessing the significance of a particular input requires judgment that considers factors specific to the asset or liability. As such, the Registrants' assessment of the significance of a particular input may affect how the assets and liabilities are classified within the fair value hierarchy.

Investments

(All Registrants)

Generally, the original maturity date of an investment and management's intent and ability to sell an investment prior to its original maturity determine the classification of investments as either short-term or long-term. Investments that would otherwise be classified as short-term, but are restricted as to withdrawal or use for other than current operations or are clearly designated for expenditure in the acquisition or construction of noncurrent assets or for the liquidation of long-term debts, are classified as long-term.

Short-term Investments

Short-term investments generally include certain deposits as well as securities that are considered highly liquid or provide for periodic reset of interest rates. Investments with original maturities greater than three months and less than a year, as well as investments with original maturities of greater than a year that management has the ability and intent to sell within a year, are included in "Other current assets" on the Balance Sheets.

Long-Lived and Intangible Assets

Property, Plant and Equipment

(All Registrants)

PP&E is recorded at original cost, unless impaired. PP&E acquired in business combinations is recorded at fair value at the time of acquisition. If impaired, the asset is written down to fair value at that time, which becomes the new cost basis of the asset. Original cost for constructed assets includes material, labor, contractor costs, certain overheads and financing costs, where applicable. Included in PP&E are capitalized costs of software projects that were developed or obtained for internal use. The cost of repairs and minor replacements are charged to expense as incurred. The Registrants record costs associated with planned major maintenance projects in the period in which work is performed and costs are incurred.

AFUDC is capitalized at PPL Electric as part of the construction costs for cost-based rate-regulated projects for which a return on such costs is recovered after the project is placed in service. The debt component of AFUDC is credited to "Interest Expense" and the equity component is credited to "Other Income (Expense) - net" on the Statements of Income. LG&E and KU generally do not record AFUDC as a return is provided on construction work in progress.

(PPL)

PPL capitalizes interest costs as part of construction costs. Capitalized interest, including the debt component of AFUDC for PPL, was \$9 million in 2020, \$10 million in 2019 and \$15 million 2018.

(PPL Electric)

PPL Electric capitalizes interest costs as part of construction costs. Capitalized interest, including the debt component of AFUDC for PPL Electric was \$7 million in 2020, \$8 million in 2019 and \$7 million in 2018.

Depreciation

(All Registrants)

Depreciation is recorded over the estimated useful lives of property using various methods including the straight-line, composite and group methods. When a component of PP&E that was depreciated under the composite or group method is retired, the original cost is charged to accumulated depreciation. When all or a significant portion of an operating unit that was depreciated under the composite or group method is retired or sold, the property and the related accumulated depreciation account is reduced and any gain or loss is included in income, unless otherwise required by regulators. LG&E and KU accrue costs of removal net of estimated salvage value through depreciation, which is included in the calculation of customer rates over the assets' depreciable lives in accordance with regulatory practices. Cost of removal amounts accrued through depreciation rates are accumulated as a regulatory liability until the removal costs are incurred. For LKE, LG&E and KU, all ARO depreciation expenses are reclassified to a regulatory asset. See "Asset Retirement Obligations" below and Note 7 for additional information. PPL Electric records net costs of removal when incurred as a regulatory asset. The regulatory asset is subsequently

amortized through depreciation over a five-year period, which is recoverable in customer rates in accordance with regulatory practices.

Following are the weighted-average annual rates of depreciation, for regulated utility plant, for the years ended December 31:

	2020	2019	2018
PPL	2.81 %	2.84 %	2.77 %
PPL Electric	2.99 %	3.05 %	3.01 %
LKE	4.00 %	3.96 %	3.69 %
LG&E	4.00 %	3.87 %	3.63 %
KU	4.00 %	4.02 %	3.74 %

(All Registrants)

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price paid over the fair value of the identifiable net assets acquired in a business combination.

Other acquired intangible assets are initially measured based on their fair value. Intangibles that have finite useful lives are amortized over their useful lives based upon the pattern in which the economic benefits of the intangible assets are consumed or otherwise used. Costs incurred to obtain an initial license and renew or extend terms of licenses are capitalized as intangible assets.

When determining the useful life of an intangible asset, including intangible assets that are renewed or extended, PPL and its subsidiaries consider:

- the expected use of the asset;
- the expected useful life of other assets to which the useful life of the intangible asset may relate;
- legal, regulatory, or contractual provisions that may limit the useful life;
- the company's historical experience as evidence of its ability to support renewal or extension;
- the effects of obsolescence, demand, competition, and other economic factors; and,
- the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

Asset Impairment (Excluding Investments)

The Registrants review long-lived assets that are subject to depreciation or amortization, including finite-lived intangibles, for impairment when events or circumstances indicate carrying amounts may not be recoverable.

A long-lived asset classified as held and used is impaired when the carrying amount of the asset exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If impaired, the asset's carrying value is written down to its fair value.

A long-lived asset classified as held for sale is impaired when the carrying amount of the asset (disposal group) exceeds its fair value less cost to sell. If impaired, the asset's (disposal group's) carrying value is written down to its fair value less cost to sell.

PPL, LKE, LG&E and KU review goodwill for impairment at the reporting unit level annually or more frequently when events or circumstances indicate that the carrying amount of a reporting unit may be greater than the unit's fair value. Additionally, goodwill must be tested for impairment in circumstances when a portion of goodwill has been allocated to a business to be disposed. PPL's, LKE's, LG&E's and KU's reporting units are primarily at the operating segment level.

PPL, LKE, LG&E and KU may elect either to initially make a qualitative evaluation about the likelihood of an impairment of goodwill or to bypass the qualitative evaluation and test goodwill for impairment using a quantitative test. If the qualitative evaluation (referred to as "step zero") is elected and the assessment results in a determination that it is not more likely than not that the fair value of a reporting unit is less than the carrying amount, the quantitative impairment test is not necessary. However, the quantitative impairment test is required if management concludes it is more likely than not that the fair value of a reporting unit is less than the carrying amount based on the step zero assessment. If the carrying amount of the reporting unit, including goodwill, exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

In the first quarter of 2020, PPL, LKE, LG&E and KU considered whether the economic events associated with COVID-19, which resulted in PPL's shares experiencing volatility and a decrease in market value, would more likely than not reduce the fair value of the Registrants' reporting units below their carrying amounts. Based on the assessment, a quantitative impairment test was not required for the LKE, LG&E and KU reporting units, but was required for the U.K. Regulated segment reporting unit, the allocated goodwill of which was \$2.5 billion at March 31, 2020. The test did not indicate impairment of the reporting unit.

In the fourth quarter of 2020, PPL (for its U.K. Regulated and Kentucky Regulated segments), and individually, LKE, LG&E and KU elected to perform qualitative step zero evaluations for their annual goodwill impairment tests, as of October 1, 2020. Based on these evaluations, management concluded it was not more likely than not that the fair value of these reporting units was less than their carrying values. As such, quantitative impairment tests were not performed.

(PPL, LKE, LG&E and KU)

Asset Retirement Obligations

PPL and its subsidiaries record liabilities to reflect various legal obligations associated with the retirement of long-lived assets. Initially, this obligation is measured at fair value and offset with an increase in the value of the capitalized asset, which is depreciated over the asset's useful life. Until the obligation is settled, the liability is increased through the recognition of accretion expense classified within "Other operation and maintenance" on the Statements of Income to reflect changes in the obligation due to the passage of time. For LKE, LG&E and KU, all ARO accretion and depreciation expenses are reclassified as a regulatory asset. ARO regulatory assets associated with certain CCR projects are amortized to expense in accordance with regulatory approvals. For other AROs, at the time of retirement, the related ARO regulatory asset is offset against the associated cost of removal regulatory liability, PP&E and ARO liability.

Estimated ARO costs and settlement dates, which affect the carrying value of the ARO and the related capitalized asset, are reviewed periodically to ensure that any material changes are incorporated into the latest estimate of the ARO. Any change to the capitalized asset, positive or negative, is generally amortized over the remaining life of the associated long-lived asset. See Note 7 and Note 20 for additional information on AROs.

Compensation and Benefits

Defined Benefits *(All Registrants)*

Certain PPL subsidiaries sponsor various defined benefit pension and other postretirement plans. An asset or liability is recorded to recognize the funded status of all defined benefit plans with an offsetting entry to AOCI or, for LG&E, KU and PPL Electric, to regulatory assets or liabilities. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets.

The expected return on plan assets is determined based on a market-related value of plan assets, which is calculated by rolling forward the prior year market-related value with contributions, disbursements and long-term expected return on investments. One-fifth of the difference between the actual value and the expected value is added (or subtracted if negative) to the expected value to determine the new market-related value.

PPL uses an accelerated amortization method for the recognition of gains and losses for its defined benefit pension plans. Under the accelerated method, actuarial gains and losses in excess of 30% of the plan's projected benefit obligation are amortized on a straight-line basis over one-half of the required amortization period. Actuarial gains and losses in excess of 10% of the greater of the plan's projected benefit obligation or the market-related value of plan assets and less than 30% of the plan's projected benefit obligation are amortized on a straight-line basis over the full required amortization period.

See Note 7 for a discussion of the regulatory treatment of defined benefit costs and Note 12 for a discussion of defined benefits.

Stock-Based Compensation *(PPL, PPL Electric and LKE)*

PPL has several stock-based compensation plans for purposes of granting stock options, restricted stock, restricted stock units and performance units to certain employees as well as stock units and restricted stock units to directors. PPL grants most stock-based awards in the first quarter of each year. PPL and its subsidiaries recognize compensation expense for stock-based awards based on the fair value method. Forfeitures of awards are recognized when they occur. See Note 11 for a discussion of stock-

based compensation. All awards are recorded as equity or a liability on the Balance Sheets. Stock-based compensation is primarily included in "Other operation and maintenance" on the Statements of Income. Stock-based compensation expense for PPL Electric and LKE includes an allocation of PPL Services' expense.

Taxes

Income Taxes

(All Registrants)

PPL and its domestic subsidiaries file a consolidated U.S. federal income tax return.

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

The Registrants use a two-step process to evaluate tax positions. The first step requires an entity to determine whether, based on the technical merits supporting a particular tax position, it is more likely than not (greater than a 50% chance) that the tax position will be sustained. This determination assumes that the relevant taxing authority will examine the tax position and is aware of all the relevant facts surrounding the tax position. The second step requires an entity to recognize in its financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The benefit recognized is measured at the largest amount of benefit that has a likelihood of realization upon settlement that exceeds 50%. Unrecognized tax benefits are classified as current to the extent management expects to settle the uncertain tax position by payment or receipt of cash within one year of the reporting date. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements of the Registrants in future periods. At December 31, 2020, no significant changes in unrecognized tax benefits were projected over the next 12 months.

Deferred income taxes reflect the net future tax effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their basis for income tax purposes, as well as the tax effects of net operating losses and tax credit carryforwards.

The Registrants record valuation allowances to reduce deferred income tax assets to the amounts that are more-likely-than-not to be realized. The need for valuation allowances requires significant management judgment. If the Registrants determine that they are able to realize deferred tax assets in the future in excess of recorded net deferred tax assets, adjustments to the valuation allowances increase income by reducing tax expense in the period that such determination is made. Likewise, if the Registrants determine that they are not able to realize all or part of net deferred tax assets in the future, adjustments to the valuation allowances would decrease income by increasing tax expense in the period that such determination is made. The amount of deferred tax assets ultimately realized may differ materially from the estimates utilized in the computation of valuation allowances and may materially impact the financial statements in the future.

The Registrants defer investment tax credits when the credits are generated and amortize the deferred amounts over the average lives of the related assets.

The Registrants recognize tax-related interest and penalties in "Income Taxes" on their Statements of Income.

The Registrants use the portfolio approach method of accounting for deferred taxes related to pre-tax OCI transactions. The portfolio approach involves a strict period-by-period cumulative incremental allocation of income taxes to the change in income and losses reflected in OCI. Under this approach, the net cumulative tax effect is ignored. The net change in unrealized gains and losses recorded in AOCI under this approach would be eliminated only on the date the investment portfolio is classified as held for sale or is liquidated.

See Note 6 for additional discussion regarding income taxes, including the impact of the TCJA and management's conclusion that the undistributed earnings of WPD are considered indefinitely reinvested.

The provision for PPL's, PPL Electric's, LKE's, LG&E's and KU's deferred income taxes related to regulatory assets and liabilities is based upon the ratemaking principles reflected in rates established by relevant regulators. The difference in the provision for deferred income taxes for regulatory assets and liabilities and the amount that otherwise would be recorded under GAAP is deferred and included on the Balance Sheets in noncurrent "Regulatory assets" or "Regulatory liabilities."

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

The income tax provision for PPL Electric, LG&E and KU is calculated in accordance with an intercompany tax sharing agreement, which provides that taxable income be calculated as if PPL Electric, LG&E, KU and any domestic subsidiaries each filed a separate return. Tax benefits are not shared between companies. The entity that generates a tax benefit is the entity that is entitled to the tax benefit. The effect of PPL filing a consolidated tax return is taken into account in the settlement of current taxes and the recognition of deferred taxes.

At December 31, the following intercompany tax receivables (payables) were recorded:

	2020	2019
PPL Electric	\$ (9)	\$ 3
LKE	(12)	(8)
LG&E	(1)	(4)
KU	(5)	(6)

Taxes, Other Than Income *(All Registrants)*

The Registrants present sales taxes in "Other current liabilities" and PPL presents value-added taxes in "Taxes" on the Balance Sheets. These taxes are not reflected on the Statements of Income. See Note 6 for details on taxes included in "Taxes, other than income" on the Statements of Income.

Other

(All Registrants)

Leases

The Registrants evaluate whether arrangements entered into contain leases for accounting purposes. See Note 10 for additional information.

Fuel, Materials and Supplies

Fuel, natural gas stored underground and materials and supplies are valued using the average cost method. Fuel costs for electricity generation are charged to expense as used. For LG&E, natural gas supply costs are charged to expense as delivered to the distribution system. See Note 7 for further discussion of the fuel adjustment clauses and gas supply clause.

"Fuel, materials and supplies" on the Balance Sheets consisted of the following at December 31:

	2020				
	PPL	PPL Electric	LKE	LG&E	KU
Fuel	\$ 95	\$ —	\$ 95	\$ 38	\$ 57
Natural gas stored underground	30	—	30	30	—
Materials and supplies	236	59	117	51	66
Total	\$ 361	\$ 59	\$ 242	\$ 119	\$ 123

	2019				
	PPL	PPL Electric	LKE	LG&E	KU
Fuel	\$ 106	\$ —	\$ 106	\$ 43	\$ 63
Natural gas stored underground	35	—	35	35	—
Materials and supplies	191	33	109	44	65
Total	\$ 332	\$ 33	\$ 250	\$ 122	\$ 128

Guarantees *(All Registrants)*

Generally, the initial measurement of a guarantee liability is the fair value of the guarantee at its inception. However, there are certain guarantees excluded from the scope of accounting guidance and other guarantees that are not subject to the initial

recognition and measurement provisions of accounting guidance that only require disclosure. See Note 14 for further discussion of recorded and unrecorded guarantees.

Treasury Stock (PPL)

PPL restores all shares of common stock acquired to authorized but unissued shares of common stock upon acquisition.

Foreign Currency Translation and Transactions (PPL)

WPD's functional currency is the GBP, which is the local currency in the U.K. As such, assets and liabilities are translated to U.S. dollars at the exchange rates on the date of consolidation and related revenues and expenses are generally translated at average exchange rates prevailing during the period included in PPL's results of operations. Adjustments resulting from foreign currency translation are recorded in AOCI.

Gains or losses relating to foreign currency transactions are recognized in "Other Income (Expense) - net" on the Statements of Income. See Note 16 for additional information.

New Accounting Guidance Adopted

(All Registrants)

Accounting for Financial Instrument Credit Losses

Effective January 1, 2020, the Registrants adopted accounting guidance, using a modified retrospective approach, that requires the use of a current expected credit loss (CECL) model for the measurement of credit losses on financial instruments within the scope of the guidance, which includes accounts receivable. The CECL model requires an entity to measure credit losses using historical information, current information and reasonable and supportable forecasts of future events, rather than the incurred loss impairment model required under previous GAAP. The adoption of this guidance did not have a material impact on the Registrants.

Accounting for Implementation Costs in a Cloud Computing Service Arrangement

Effective January 1, 2020, the Registrants prospectively adopted accounting guidance that requires a customer in a cloud computing hosting arrangement that is a service contract to capitalize implementation costs consistent with internal-use software guidance for non-service arrangements. The guidance requires these capitalized implementation costs to be amortized over the term of the hosting arrangement to the statement of income line item where the service arrangement costs are recorded. The guidance also prescribes the financial statement classification of the capitalized implementation costs and cash flows associated with the arrangement. The adoption of this guidance did not have a material impact on the Registrants.

(PPL, LKE, LG&E and KU)

Simplifying the Test for Goodwill Impairment

Effective January 1, 2020, the Registrants adopted accounting guidance that simplifies the test for goodwill impairment by eliminating the second step of the quantitative test. The second step of the quantitative test required a calculation of the implied fair value of goodwill, which was determined in the same manner as the amount of goodwill in a business combination. Under the new guidance, the fair value of a reporting unit will be compared with the carrying value and an impairment charge will be recognized if the carrying amount exceeds the fair value of the reporting unit. The adoption of this guidance did not have a material impact on the Registrants.

2. Segment and Related Information

(PPL)

PPL is organized into three segments: U.K. Regulated, Kentucky Regulated and Pennsylvania Regulated. PPL's segments are segmented by geographic location.

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The U.K. Regulated segment consists of PPL Global, which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from GBP into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs, and certain acquisition-related financing costs.

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations conducted by LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain acquisition-related financing costs are allocated to the Kentucky Regulated segment.

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric. In addition, certain costs are allocated to the Pennsylvania Regulated segment.

"Corporate and Other" primarily includes financing costs incurred at the corporate level that have not been allocated or assigned to the segments, certain other unallocated costs, as well as the financial results of Safari Energy, which is presented to reconcile segment information to PPL's consolidated results.

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

	2020	2019	2018
Operating Revenues from external customers (a)			
U.K. Regulated	\$ 2,133	\$ 2,167	\$ 2,268
Kentucky Regulated	3,106	3,206	3,214
Pennsylvania Regulated	2,330	2,358	2,277
Corporate and Other	38	38	26
Total	\$ 7,607	\$ 7,769	\$ 7,785
Depreciation			
U.K. Regulated	\$ 265	\$ 250	\$ 247
Kentucky Regulated	606	547	475
Pennsylvania Regulated	403	386	352
Corporate and Other	13	16	20
Total	\$ 1,287	\$ 1,199	\$ 1,094
Amortization (b)			
U.K. Regulated	\$ 16	\$ 25	\$ 34
Kentucky Regulated	19	27	18
Pennsylvania Regulated	26	24	22
Corporate and Other	11	5	4
Total	\$ 72	\$ 81	\$ 78
Unrealized (gains) losses on derivatives and other hedging activities (c)			
U.K. Regulated	\$ 271	\$ 62	\$ (190)
Kentucky Regulated	5	6	6
Corporate and Other	4	5	(2)
Total	\$ 280	\$ 73	\$ (186)
Interest Expense			
U.K. Regulated	\$ 400	\$ 405	\$ 413
Kentucky Regulated	300	298	274
Pennsylvania Regulated	172	169	159
Corporate and Other	129	122	117
Total	\$ 1,001	\$ 994	\$ 963
Income Before Income Taxes			
U.K. Regulated	\$ 958	\$ 1,169	\$ 1,339
Kentucky Regulated	516	530	531
Pennsylvania Regulated	664	607	567
Corporate and Other	(167)	(151)	(152)
Total	\$ 1,971	\$ 2,155	\$ 2,285

	2020	2019	2018
Income Taxes (d)			
U.K. Regulated	\$ 272	\$ 192	\$ 225
Kentucky Regulated	98	94	120
Pennsylvania Regulated	167	149	136
Corporate and Other	(35)	(26)	(23)
Total	\$ 502	\$ 409	\$ 458
Deferred income taxes and investment tax credits (e)			
U.K. Regulated	\$ 233	\$ 140	\$ 118
Kentucky Regulated	64	82	94
Pennsylvania Regulated	82	90	125
Corporate and Other	23	(3)	18
Total	\$ 402	\$ 309	\$ 355
Net Income			
U.K. Regulated	\$ 686	\$ 977	\$ 1,114
Kentucky Regulated	418	436	411
Pennsylvania Regulated	497	458	431
Corporate and Other	(132)	(125)	(129)
Total	\$ 1,469	\$ 1,746	\$ 1,827

- (a) See Note 1 and Note 3 for additional information on Operating Revenues.
 (b) Represents non-cash expense items that include amortization of operating lease right-of-use assets, regulatory assets, debt discounts and premiums and debt issuance costs.
 (c) Includes unrealized gains and losses from economic activity. See Note 18 for additional information.
 (d) Represents both current and deferred income taxes, including investment tax credits. See Note 6 for additional information on the impact of the TCJA in 2018.
 (e) Represents a non-cash expense item that is also included in "Income Taxes."

Cash Flow data for the segments and reconciliation to PPL's consolidated results for the years ended December 31 are as follows:

	2020	2019	2018
Expenditures for long-lived assets			
U.K. Regulated	\$ 995	\$ 857	\$ 954
Kentucky Regulated	966	1,097	1,117
Pennsylvania Regulated	1,154	1,121	1,196
Corporate and Other	158	32	1
Total	\$ 3,273	\$ 3,107	\$ 3,268

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

	As of December 31,	
	2020	2019
Total Assets		
U.K. Regulated (a)	\$ 19,094	\$ 17,622
Kentucky Regulated	15,943	15,597
Pennsylvania Regulated	12,347	11,918
Corporate and Other (b)	732	543
Total	\$ 48,116	\$ 45,680

- (a) Includes \$14.4 billion and \$13.2 billion of net PP&E as of December 31, 2020 and December 31, 2019. WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP.
 (b) Primarily consists of unallocated items, including cash, PP&E, goodwill, the elimination of inter-segment transactions as well as the assets of Safari Energy.

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Geographic data for the years ended December 31 are as follows:

	2020	2019	2018
Revenues from external customers			
U.K.	\$ 2,133	\$ 2,167	\$ 2,268
U.S.	5,474	5,602	5,517
Total	\$ 7,607	\$ 7,769	\$ 7,785
		As of December 31,	
		2020	2019
Long-Lived Assets			
U.K.		\$ 14,805	\$ 13,618
U.S.		24,851	23,607
Total		\$ 39,656	\$ 37,225

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

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

3. Revenue from Contracts with Customers

(All Registrants)

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

(PPL)

U.K. Regulated Segment Revenue

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

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

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

(PPL and PPL Electric)

Pennsylvania Regulated Segment Revenue

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

Distribution Revenue

PPL Electric provides distribution services to residential, commercial, industrial, municipal and governmental end users of energy. PPL Electric satisfies its performance obligation to its distribution customers and revenue is recognized over-time as electricity is delivered and simultaneously consumed by the customer. The amount of revenue recognized is the volume of electricity delivered during the period multiplied by the price per tariff, plus a monthly fixed charge. This method of recognition fairly presents PPL Electric's transfer of electric service to the customer as the calculation is based on actual volumes, and the

price per tariff and the monthly fixed charge are set by the PUC. Customers are typically billed monthly and outstanding amounts are normally due within 21 days of the date of the bill.

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

Transmission Revenue

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

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

(PPL, LKE, LG&E and KU)

Kentucky Regulated Segment Revenue

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

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

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

(All Registrants)

The following table reconciles "Operating Revenues" included in each Registrant's Statement of Income with revenues generated from contracts with customers for the years ended December 31:

	2020				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	\$ 7,607	\$ 2,331	\$ 3,106	\$ 1,456	\$ 1,690
Revenues derived from:					
Alternative revenue programs (b)	(24)	(12)	(12)	(8)	(4)
Other (c)	(27)	(3)	(17)	(7)	(10)
Revenues from Contracts with Customers	\$ 7,556	\$ 2,316	\$ 3,077	\$ 1,441	\$ 1,676
	2019				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	\$ 7,769	\$ 2,358	\$ 3,206	\$ 1,500	\$ 1,740
Revenues derived from:					
Alternative revenue programs (b)	(30)	(6)	(24)	(10)	(14)
Other (c)	(38)	(10)	(21)	(9)	(12)
Revenues from Contracts with Customers	\$ 7,701	\$ 2,342	\$ 3,161	\$ 1,481	\$ 1,714
	2018				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	\$ 7,785	\$ 2,277	\$ 3,214	\$ 1,496	\$ 1,760
Revenues derived from:					
Alternative revenue programs (b)	32	(6)	38	12	26
Other (c)	(38)	(12)	(17)	(5)	(12)
Revenues from Contracts with Customers	\$ 7,779	\$ 2,259	\$ 3,235	\$ 1,503	\$ 1,774

- (a) For the years ended December 31, 2020 and 2019, PPL includes \$2.1 billion and \$2.2 billion of revenues from external customers reported by the U.K. Regulated segment. PPL Electric and LKE represent revenues from external customers reported by the Pennsylvania Regulated and Kentucky Regulated segments. See Note 2 for additional information.
- (b) Alternative revenue programs include the transmission formula rate for PPL Electric, the ECR and DSM programs for LG&E and KU, the GLT program for LG&E, and the generation formula rate for KU. This line item shows the over/under collection of these rate mechanisms with over-collections of revenue shown as positive amounts in the table above and under-collections shown as negative amounts.
- (c) Represents additional revenues outside the scope of revenues from contracts with customers such as leases and other miscellaneous revenues.

The following table shows revenues from contracts with customers disaggregated by customer class for the years ended December 31:

	2020				
	PPL (d)	PPL Electric (d)	LKE	LG&E	KU
Licensed energy suppliers (a)	\$ 1,990	\$ —	\$ —	\$ —	\$ —
Residential	2,585	1,238	1,347	676	671
Commercial	1,185	314	871	444	427
Industrial	582	44	538	173	365
Other (b)	484	50	261	114	147
Wholesale - municipal	20	—	20	—	20
Wholesale - other (c)	40	—	40	34	46
Transmission	670	670	—	—	—
Revenues from Contracts with Customers	\$ 7,556	\$ 2,316	\$ 3,077	\$ 1,441	\$ 1,676

	2019				
	PPL (d)	PPL Electric (d)	LKE	LG&E	KU
Licensed energy suppliers (a)	\$ 2,032	\$ —	\$ —	\$ —	\$ —
Residential	2,610	1,288	1,322	668	654
Commercial	1,257	349	908	466	442
Industrial	621	59	562	180	382
Other (b)	495	52	277	121	156
Wholesale - municipal	43	—	43	—	43
Wholesale - other (c)	49	—	49	46	37
Transmission	594	594	—	—	—
Revenues from Contracts with Customers	\$ 7,701	\$ 2,342	\$ 3,161	\$ 1,481	\$ 1,714

	2018				
	PPL	PPL Electric	LKE	LG&E	KU
Licensed energy suppliers (a)	\$ 2,127	\$ —	\$ —	\$ —	\$ —
Residential	2,704	1,379	1,325	666	659
Commercial	1,233	368	865	455	410
Industrial	624	54	570	180	390
Other (b)	489	53	278	129	149
Wholesale - municipal	118	—	118	—	118
Wholesale - other (c)	79	—	79	73	48
Transmission	405	405	—	—	—
Revenues from Contracts with Customers	\$ 7,779	\$ 2,259	\$ 3,235	\$ 1,503	\$ 1,774

- (a) Represents customers of WPD.
(b) Primarily includes revenues from pole attachments, street lighting, other public authorities and other non-core businesses.
(c) Includes wholesale power and transmission revenues. LG&E and KU amounts include intercompany power sales and transmission revenues, which are eliminated upon consolidation at LKE.
(d) In 2020 and 2019, management deemed it appropriate to present the revenue offset associated with network integration transmission service (NITS) as distribution revenue rather than transmission revenue.

As discussed in Note 2, PPL segments its business by geographic location. Revenues from external customers for each segment/geographic location are reconciled to revenues from contracts with customers in the footnotes to the tables above. PPL Electric's revenues from contracts with customers are further disaggregated by distribution and transmission as indicated in the above tables.

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

The following table shows the accounts receivable and unbilled revenues balances that were impaired for the year ended December 31:

	2020	2019	2018
PPL	\$ 29	\$ 27	\$ 34
PPL Electric	17	21	24
LKE	8	6	9
LG&E	4	2	4
KU	4	4	5

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

	PPL	PPL Electric	LKE	LG&E	KU
Contract liabilities as of December 31, 2020	\$ 48	\$ 23	\$ 11	\$ 5	\$ 6
Contract liabilities as of December 31, 2019	44	21	9	5	4
Revenue recognized during the year ended December 31, 2020 that was included in the contract liability balance at December 31, 2019	29	9	9	5	4
Contract liabilities as of December 31, 2019	\$ 44	\$ 21	\$ 9	\$ 5	\$ 4
Contract liabilities as of December 31, 2018	42	23	9	5	4
Revenue recognized during the year ended December 31, 2019 that was included in the contract liability balance at December 31, 2018	32	11	9	5	4
Contract liabilities as of December 31, 2018	\$ 42	\$ 23	\$ 9	\$ 5	\$ 4
Contract liabilities as of December 31, 2017	29	19	8	4	4
Revenue recognized during the year ended December 31, 2018 that was included in the contract liability balance at December 31, 2017	21	8	8	4	4

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

At December 31, 2020, PPL had \$46 million of performance obligations attributable to Corporate and Other that have not been satisfied. Of this amount, PPL expects to recognize approximately \$46 million within the next 12 months.

4. Preferred Securities

(PPL)

PPL is authorized to issue up to 10 million shares of preferred stock. No PPL preferred stock was issued or outstanding in 2020, 2019 or 2018.

(PPL Electric)

PPL Electric is authorized to issue up to 20,629,936 shares of preferred stock. No PPL Electric preferred stock was issued or outstanding in 2020, 2019 or 2018.

(LG&E)

LG&E is authorized to issue up to 1,720,000 shares of preferred stock at a \$25 par value and 6,750,000 shares of preferred stock without par value. LG&E had no preferred stock issued or outstanding in 2020, 2019 or 2018.

(KU)

KU is authorized to issue up to 5,300,000 shares of preferred stock and 2,000,000 shares of preference stock without par value. KU had no preferred or preference stock issued or outstanding in 2020, 2019 or 2018.

5. Earnings Per Share

(PPL)

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

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In 2019 and 2018, these securities also included the PPL common stock forward sale agreements, which were partially settled in 2018 with the remaining shares settled in 2019. The forward sale agreements were dilutive under the Treasury Stock Method to the extent the average stock price of PPL's common shares exceeded the forward sale price prescribed in the agreements.

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

	2020	2019	2018
Income (Numerator)			
Net income	\$ 1,469	\$ 1,746	\$ 1,827
Less amounts allocated to participating securities	1	1	2
Net income available to PPL common shareowners - Basic and Diluted	<u>\$ 1,468</u>	<u>\$ 1,745</u>	<u>\$ 1,825</u>
Shares of Common Stock (Denominator)			
Weighted-average shares - Basic EPS	768,590	728,512	704,439
Add incremental non-participating securities:			
Share-based payment awards (a)	794	1,101	445
Forward sale agreements	—	7,141	3,735
Weighted-average shares - Diluted EPS	<u>769,384</u>	<u>736,754</u>	<u>708,619</u>
Basic EPS			
Net Income available to PPL common shareowners	<u>\$ 1.91</u>	<u>\$ 2.39</u>	<u>\$ 2.59</u>
Diluted EPS			
Net Income available to PPL common shareowners	<u>\$ 1.91</u>	<u>\$ 2.37</u>	<u>\$ 2.58</u>

(a) The Treasury Stock Method was applied to non-participating share-based payment awards.

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

	2020
Stock-based compensation plans (a)	731
DRIP	943

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

See Note 8 for additional information on common stock issued under the ATM Program.

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

	2020	2019	2018
Stock-based compensation awards	452	8	183

6. Income and Other Taxes

(PPL)

"Income Before Income Taxes" included the following:

	2020	2019	2018
Domestic income	\$ 902	\$ 964	\$ 1,127
Foreign income	1,069	1,191	1,158
Total	<u>\$ 1,971</u>	<u>\$ 2,155</u>	<u>\$ 2,285</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their basis for income tax purposes and the tax effects of net operating loss and tax credit

carryforwards. The provision for PPL's deferred income taxes for regulated assets and liabilities is based upon the ratemaking principles of the applicable jurisdiction. See Notes 1 and 7 for additional information.

Net deferred tax assets have been recognized based on management's estimates of future taxable income for the U.S. and the U.K.

Significant components of PPL's deferred income tax assets and liabilities were as follows:

	2020	2019
Deferred Tax Assets		
Deferred investment tax credits	\$ 30	\$ 31
Regulatory liabilities	68	75
Income taxes due to customers	444	462
Accrued pension and postretirement costs	106	211
Federal loss carryforwards	234	324
State loss carryforwards	448	432
Federal and state tax credit carryforwards	401	402
Foreign capital loss carryforwards	370	320
Foreign - other	6	8
Contributions in aid of construction	115	112
Domestic - other	136	99
Valuation allowances	(906)	(834)
Total deferred tax assets	1,452	1,642
Deferred Tax Liabilities		
Domestic plant - net	3,700	3,546
Regulatory assets	195	262
Foreign plant - net	911	765
Foreign - pensions	127	72
Domestic - other	70	61
Total deferred tax liabilities	5,003	4,706
Net deferred tax liability	\$ 3,551	\$ 3,064

State deferred taxes are determined by entity and by jurisdiction. As a result, \$17 million and \$24 million of net deferred tax assets are shown as "Other noncurrent assets" on the Balance Sheets for 2020 and 2019.

At December 31, 2020, PPL had the following loss and tax credit carryforwards, related deferred tax assets and valuation allowances recorded against the deferred tax assets:

	Gross	Deferred Tax Asset	Valuation Allowance	Expiration
Loss and other carryforwards				
Federal net operating losses	\$ 1,111	\$ 234	\$ —	2035-2037
State net operating losses	6,032	448	(419)	2021-2040
Foreign capital losses (a)	1,945	370	(370)	Indefinite
Federal - Other	13	2	—	Indefinite
State - Other	2	—	—	Indefinite
Credit carryforwards				
Federal investment tax credit		134	—	2025-2040
Federal foreign tax credits (b)		218	(113)	2024-2027
Federal - other		32	(4)	2021-2040
State Recycling Credit		16	—	2028
State - other		1	—	Indefinite

(a) In 2020, the U.K. Finance Act 2020 cancelled the tax rate reduction from 19% to 17%. The primary impact of the cancellation of the corporation tax rate reduction was an increase in deferred tax liabilities and a corresponding deferred tax expense of \$106 million.

(b) Includes \$62 million of foreign tax credits carried forward from 2016 and \$156 million of additional foreign tax credits from 2017 related to the taxable deemed dividend associated with the TCJA.

Valuation allowances have been established for the amount that, more likely than not, will not be realized. The changes in deferred tax valuation allowances were as follows:

	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Income	Charged to Other Accounts		
2020	\$ 834	\$ 69 (a)	\$ 7	\$ 4	\$ 906
2019	808	31	—	5	834
2018	838	26	—	56 (b)	808

- (a) The cancellation of the reduction of the U.K. statutory income tax rate in 2020 resulted in a \$38 million increase in deferred tax assets and corresponding valuation allowances. See "Reconciliation of Income Tax Expense" below for additional information on the impact of the U.K. Finance Act 2020. In addition, deferred tax assets and corresponding valuation allowances were increased in 2020 by approximately \$11 million due to the effect of foreign currency exchange rates.
- (b) Decrease in the valuation allowance of approximately \$35 million due to the change in the total foreign tax credits available after finalization of the deemed dividend calculation required by the TCJA in 2017. In addition, the deferred tax assets and corresponding valuation allowances were reduced in 2018 by approximately \$19 million due to the effect of foreign currency exchange rates.

A U.S. based company with foreign subsidiaries may be required to record deferred taxes associated with the reversal of differences in the outside book-tax basis of those subsidiaries. The primary component of such outside basis differences is ordinarily accumulated unremitted earnings. PPL Global does not record deferred U.S. income taxes associated with the accumulated unremitted earnings of WPD, as management has determined that such earnings are indefinitely reinvested. Current year distributions from WPD to the U.S. are sourced from a portion of the current year's earnings of the WPD group. There have been no material changes to the facts underlying PPL's assertion that historically reinvested earnings of WPD as well as some portion of current year earnings will continue to be indefinitely reinvested. WPD's long-term working capital forecasts and capital expenditure projections for the foreseeable future require reinvestment of WPD's undistributed earnings. Additionally, U.S. long-term working capital forecasts and capital expenditure projections for the foreseeable future do not require or contemplate annual distributions from WPD in excess of some portion of WPD's future annual earnings. The cumulative undistributed earnings are included in "Earnings reinvested" on the Balance Sheets. The amount considered indefinitely reinvested at December 31, 2020 was \$8.0 billion. It is not practicable to estimate the amount of additional taxes that could be payable on these foreign earnings in the event of repatriation to the U.S., but it could be material. PPL will reassess the indefinite reinvestment of these earnings if and when the U.K. utility business meets the criteria to be classified as held for sale.

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were as follows:

	2020	2019	2018
Income Tax Expense (Benefit)			
Current - Federal	\$ (9)	\$ (10)	\$ (19)
Current - State	24	19	17
Current - Foreign	85	91	104
Total Current Expense (Benefit)	100	100	102
Deferred - Federal	123	139	203
Deferred - State	94	76	100
Deferred - Foreign (a)	215	123	107
Total Deferred Expense (Benefit), excluding operating loss carryforwards	432	338	410
Amortization of investment tax credit	(3)	(3)	(3)
Tax expense (benefit) of operating loss carryforwards			
Deferred - Federal	6	7	(20)
Deferred - State	(33)	(33)	(31)
Total Tax Expense (Benefit) of Operating Loss Carryforwards	(27)	(26)	(51)
Total income tax expense (benefit)	\$ 502	\$ 409	\$ 458
Total income tax expense (benefit) - Federal	\$ 117	\$ 133	\$ 161
Total income tax expense (benefit) - State	85	62	86
Total income tax expense (benefit) - Foreign	300	214	211
Total income tax expense (benefit)	\$ 502	\$ 409	\$ 458

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- (a) In 2020, the U.K. Finance Act 2020 cancelled the tax rate reduction from 19% to 17%. The primary impact of the cancellation of the corporation tax rate reduction was an increase in deferred tax liabilities and a corresponding deferred tax expense of \$106 million.

In the table above, the following income tax expense (benefit) are excluded from income taxes:

	2020	2019	2018
Other comprehensive income	\$ (19)	\$ (93)	\$ (6)
Total	<u>\$ (19)</u>	<u>\$ (93)</u>	<u>\$ (6)</u>
	2020	2019	2018
Reconciliation of Income Tax Expense (Benefit)			
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	\$ 414	\$ 453	\$ 480
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	48	45	40
Valuation allowance adjustments (a)	26	22	21
Impact of lower U.K. income tax rates	(26)	(25)	(25)
U.S. income tax on foreign earnings - net of foreign tax credit	11	2	3
Federal and state income tax return adjustments	(9)	1	—
Impact of the U.K. Finance Acts on deferred tax balances (b)	101	(14)	(13)
Depreciation and other items not normalized	(5)	(10)	(11)
Amortization of excess deferred federal and state income taxes	(43)	(40)	(37)
Interest benefit on U.K. financing activities	(12)	(12)	(17)
Deferred tax impact of Kentucky tax reform (c)	—	—	9
Kentucky recycling credit, net of federal income tax expense (d)	—	(18)	—
Other	(3)	5	8
Total increase (decrease)	<u>88</u>	<u>(44)</u>	<u>(22)</u>
Total income tax expense (benefit)	<u>\$ 502</u>	<u>\$ 409</u>	<u>\$ 458</u>
Effective income tax rate	25.5%	19.0%	20.0%

- (a) In 2020, 2019 and 2018, PPL recorded deferred income tax expense of \$24 million, \$25 million and \$24 million for valuation allowances primarily related to increased Pennsylvania net operating loss carryforwards expected to be unutilized.
- (b) In 2018 and 2019, PPL reduced its net deferred tax liabilities as a result of the U.K. Finance Act 2016 that was enacted in September 2016 and reduced the U.K. statutory income tax rate effective April, 2020 to 17%. In 2020, the U.K. Finance Act 2020 cancelled the tax rate reduction to 17%. The primary impact of the cancellation of the corporation tax rate reduction was an increase in deferred tax liabilities and a corresponding deferred tax expense of \$106 million.
- (c) In 2018, PPL recorded deferred income tax expense, primarily associated with LKE's non-regulated entities, due to the Kentucky corporate income tax rate reduction from 6% to 5%, as enacted by HB 487, effective January 1, 2018.
- (d) In 2019, LKE recorded a deferred income tax benefit associated with two projects placed into service that prepare a generation waste material for reuse and, as a result, qualify for a Kentucky recycling credit. The applicable credit provides tax benefits for a portion of the equipment costs for major recycling projects in Kentucky.

	2020	2019	2018
Taxes, other than income			
State gross receipts	\$ 100	\$ 107	\$ 103
Foreign property	127	127	134
Domestic - other	80	79	75
Total	<u>\$ 307</u>	<u>\$ 313</u>	<u>\$ 312</u>

(PPL Electric)

The provision for PPL Electric's deferred income taxes for regulated assets and liabilities is based upon the ratemaking principles reflected in rates established by the PUC and the FERC. The difference in the provision for deferred income taxes for regulated assets and liabilities and the amount that otherwise would be recorded under GAAP is deferred and included in "Regulatory assets" or "Regulatory liabilities" on the Balance Sheets.

Significant components of PPL Electric's deferred income tax assets and liabilities were as follows:

	2020	2019
Deferred Tax Assets		
Accrued pension and postretirement costs	\$ 25	\$ 81
Contributions in aid of construction	91	88
Regulatory liabilities	24	31
Income taxes due to customers	162	170
State loss carryforwards	—	6
Federal loss carryforwards	52	78
Other	29	23
Total deferred tax assets	<u>383</u>	<u>477</u>
Deferred Tax Liabilities		
Electric utility plant - net	1,826	1,761
Regulatory assets	86	139
Other	30	24
Total deferred tax liabilities	<u>1,942</u>	<u>1,924</u>
Net deferred tax liability	<u>\$ 1,559</u>	<u>\$ 1,447</u>

PPL Electric expects to have adequate levels of taxable income to realize its recorded deferred income tax assets.

At December 31, 2020, PPL Electric had the following loss and tax credit carryforwards and related deferred tax assets:

	Gross	Deferred Tax Asset	Expiration
Loss carryforwards			
Federal net operating losses	\$ 248	\$ 52	2035-2037
Credit carryforwards			
Federal - other		5	2031-2040

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were as follows:

	2020	2019	2018
Income Tax Expense (Benefit)			
Current - Federal	\$ 61	\$ 44	\$ 2
Current - State	23	15	9
Total Current Expense (Benefit)	<u>84</u>	<u>59</u>	<u>11</u>
Deferred - Federal	45	51	96
Deferred - State	38	39	37
Total Deferred Expense (Benefit), excluding operating loss carryforwards	<u>83</u>	<u>90</u>	<u>133</u>
Tax expense (benefit) of operating loss carryforwards			
Deferred - Federal	—	—	(8)
Total Tax Expense (Benefit) of Operating Loss Carryforwards	<u>—</u>	<u>—</u>	<u>(8)</u>
Total income tax expense (benefit)	<u>\$ 167</u>	<u>\$ 149</u>	<u>\$ 136</u>
Total income tax expense (benefit) - Federal	\$ 106	\$ 95	\$ 90
Total income tax expense (benefit) - State	61	54	46
Total income tax expense (benefit)	<u>\$ 167</u>	<u>\$ 149</u>	<u>\$ 136</u>

	2020	2019	2018
Reconciliation of Income Tax Expense (Benefit)			
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	\$ 139	\$ 127	\$ 119
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	52	47	43
Federal and state income tax return adjustments	(4)	1	—
Depreciation and other items not normalized	(5)	(10)	(11)
Amortization of excess deferred federal income taxes (a)	(16)	(18)	(17)
Other	1	2	2
Total increase (decrease)	28	22	17
Total income tax expense (benefit)	\$ 167	\$ 149	\$ 136
Effective income tax rate	25.2%	24.6%	24.0%

(a) In 2020, 2019 and 2018, PPL Electric recorded lower income tax expense for the amortization of excess deferred taxes that primarily resulted from the U.S. federal corporate income tax rate reduction from 35% to 21% enacted by the TCJA. This amortization represents each year's refund amount, prior to a tax gross-up, to be paid to customers for previously collected deferred taxes at higher income tax rates.

	2020	2019	2018
Taxes, other than income			
State gross receipts	\$ 100	\$ 107	\$ 103
Property and other	7	5	6
Total	\$ 107	\$ 112	\$ 109

(LKE)

The provision for LKE's deferred income taxes for regulated assets and liabilities is based upon the ratemaking principles reflected in rates established by the KPSC, VSCC and the FERC. The difference in the provision for deferred income taxes for regulated assets and liabilities and the amount that otherwise would be recorded under GAAP is deferred and included in "Regulatory assets" or "Regulatory liabilities" on the Balance Sheets.

Significant components of LKE's deferred income tax assets and liabilities were as follows:

	2020	2019
Deferred Tax Assets		
Federal loss carryforwards	\$ 107	\$ 140
State loss carryforwards	28	31
Federal tax credit carryforwards	159	162
Contributions in aid of construction	23	23
Regulatory liabilities	43	44
Accrued pension and postretirement costs	57	71
State tax credit carryforwards	17	19
Income taxes due to customers	282	292
Deferred investment tax credits	30	31
Lease liabilities	13	14
Valuation allowances	(4)	(6)
Other	29	28
Total deferred tax assets	784	849
Deferred Tax Liabilities		
Plant - net	1,831	1,778
Regulatory assets	109	122
Lease right-of-use assets	11	12
Other	8	6
Total deferred tax liabilities	1,959	1,918
Net deferred tax liability	\$ 1,175	\$ 1,069

At December 31, 2020, LKE had the following loss and tax credit carryforwards, related deferred tax assets, and valuation allowances recorded against the deferred tax assets:

	Gross	Deferred Tax Asset	Valuation Allowance	Expiration
Loss carryforwards				
Federal net operating losses	\$ 511	\$ 107	\$ —	2035 - 2037
Federal charitable contributions	1	—	—	2024
State net operating losses	710	28	—	2029 - 2038
Credit carryforwards				
Federal investment tax credit		134	—	2025 - 2028, 2036 - 2040
Federal - other		25	(4)	2021-2040
State - recycling credit		16	—	2028
State - other		1	—	Indefinite

Changes in deferred tax valuation allowances were:

	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
2020	\$ 6	\$ —	\$ 2 (a)	\$ 4
2019	8	3	5 (a)	6
2018	8	—	—	8

(a) Tax credits expiring.

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were:

	2020	2019	2018
Income Tax Expense (Benefit)			
Current - Federal	\$ 41	\$ 20	\$ 31
Current - State	1	—	4
Total Current Expense (Benefit)	42	20	35
Deferred - Federal	43	81	65
Deferred - State (a)	24	5	34
Total Deferred Expense (Benefit), excluding benefits of operating loss carryforwards	67	86	99
Amortization of investment tax credit - Federal	(3)	(3)	(3)
Tax expense (benefit) of operating loss carryforwards	—	—	—
Deferred - Federal	—	—	(2)
Total Tax Expense (Benefit) of Operating Loss Carryforwards	—	—	(2)
Total income tax expense (benefit) (b)	\$ 106	\$ 103	\$ 129
Total income tax expense (benefit) - Federal	\$ 81	\$ 98	\$ 91
Total income tax expense (benefit) - State	25	5	38
Total income tax expense (benefit) (b)	\$ 106	\$ 103	\$ 129

(a) In 2019, LKE recorded a deferred income tax benefit associated with two projects placed into service that prepare a generation waste material for reuse and, as a result, qualify for a Kentucky recycling credit. The applicable credit provides tax benefits for a portion of the equipment costs for major recycling projects in Kentucky.

(b) Excludes deferred federal and state tax expense (benefit) recorded to OCI of \$2 million in 2020, \$(1) million in 2019 and \$5 million in 2018.

	2020	2019	2018
Reconciliation of Income Tax Expense (Benefit)			
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	\$ 117	\$ 120	\$ 121
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	22	23	22
Amortization of investment tax credit	(3)	(3)	(3)
Amortization of excess deferred federal and state income taxes	(28)	(23)	(20)
Deferred tax impact of state tax reform (a)	—	—	9
Kentucky Recycling Credit, net of federal income tax expense (b)	—	(18)	—
Other	(2)	4	—
Total increase (decrease)	(11)	(17)	8
Total income tax expense (benefit)	\$ 106	\$ 103	\$ 129
Effective income tax rate	19.1%	18.0%	22.5%

- (a) In 2018, LKE recorded deferred income tax expense, primarily associated with LKE's non-regulated entities, due to the Kentucky corporate income tax rate reduction from 6% to 5%, as enacted by HB 487, effective January 1, 2018.
- (b) In 2019, LKE recorded a deferred income tax benefit associated with two projects placed into service that prepare a generation waste material for reuse and, as a result, qualify for a Kentucky recycling credit. The applicable credit provides tax benefits for a portion of the equipment costs for major recycling projects in Kentucky.

	2020	2019	2018
Taxes, other than income			
Property and other	\$ 77	\$ 74	\$ 70
Total	\$ 77	\$ 74	\$ 70

(LG&E)

The provision for LG&E's deferred income taxes for regulated assets and liabilities is based upon the ratemaking principles reflected in rates established by the KPSC and the FERC. The difference in the provision for deferred income taxes for regulated assets and liabilities and the amount that otherwise would be recorded under GAAP is deferred and included in "Regulatory assets" or "Regulatory liabilities" on the Balance Sheets.

Significant components of LG&E's deferred income tax assets and liabilities were as follows:

	2020	2019
Deferred Tax Assets		
Contributions in aid of construction	\$ 15	\$ 15
Regulatory liabilities	20	19
Accrued pension and postretirement costs	—	6
Deferred investment tax credits	8	8
Income taxes due to customers	132	136
State tax credit carryforwards	12	14
Lease liabilities	5	5
Valuation allowances	(12)	(14)
Other	11	10
Total deferred tax assets	191	199
Deferred Tax Liabilities		
Plant - net	833	811
Regulatory assets	66	77
Lease right-of-use assets	4	4
Other	4	4
Total deferred tax liabilities	907	896
Net deferred tax liability	\$ 716	\$ 697

At December 31, 2020 LG&E had \$12 million of state credit carryforwards that expire in 2028 and a \$12 million valuation allowance related to state credit carryforwards due to insufficient projected Kentucky taxable income.

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Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were:

	2020	2019	2018
Income Tax Expense (Benefit)			
Current - Federal	\$ 53	\$ 4	\$ —
Current - State	7	4	4
Total Current Expense (Benefit)	60	8	4
Deferred - Federal	(4)	46	51
Deferred - State	7	10	10
Total Deferred Expense (Benefit)	3	56	61
Amortization of investment tax credit - Federal	(1)	(1)	(1)
Total income tax expense (benefit)	\$ 62	\$ 63	\$ 64
Reconciliation of Income Tax Expense (Benefit)			
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	\$ 64	\$ 62	\$ 62
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	12	12	11
Amortization of excess deferred federal and state income taxes	(11)	(10)	(8)
Kentucky recycling credit, net of federal income tax expense (a)	—	(14)	—
Valuation allowance adjustments (a)	—	14	—
Other	(3)	(1)	(1)
Total increase (decrease)	(2)	1	2
Total income tax expense (benefit)	\$ 62	\$ 63	\$ 64
Effective income tax rate	20.3%	21.4%	21.5%
Taxes, other than income			
Property and other	\$ 40	\$ 39	\$ 36
Total	\$ 40	\$ 39	\$ 36

(KU)

The provision for KU's deferred income taxes for regulated assets and liabilities is based upon the ratemaking principles reflected in rates established by the KPSC, VSCC and the FERC. The difference in the provision for deferred income taxes for regulated assets and liabilities and the amount that otherwise would be recorded under GAAP is deferred and included in "Regulatory assets" or "Regulatory liabilities" on the Balance Sheets.

Significant components of KU's deferred income tax assets and liabilities were as follows:

	2020	2019
Deferred Tax Assets		
Contributions in aid of construction	\$ 8	\$ 8
Regulatory liabilities	23	25
Deferred investment tax credits	22	23
Income taxes due to customers	150	156
State tax credit carryforwards	5	5
Lease liabilities	8	8
Valuation allowances	(4)	(4)
Other	4	3
Total deferred tax assets	216	224
Deferred Tax Liabilities		
Plant - net	992	959
Regulatory assets	43	45
Accrued pension and postretirement costs	8	2
Lease right-of-use assets	7	7
Other	1	3
Total deferred tax liabilities	1,051	1,016
Net deferred tax liability	\$ 835	\$ 792

At December 31, 2020 KU had \$5 million of state credit carryforwards of which \$4 million will expire in 2028 and \$1 million that has an indefinite carryforward period. At December 31, 2020 KU had a \$4 million valuation allowance related to state credit carryforwards due to insufficient projected Kentucky taxable income.

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were:

	2020	2019	2018
Income Tax Expense (Benefit)			
Current - Federal	\$ 40	\$ 35	\$ 22
Current - State	3	5	6
Total Current Expense (Benefit)	43	40	28
Deferred - Federal	11	28	40
Deferred - State	11	13	10
Total Deferred Expense (Benefit)	22	41	50
Amortization of investment tax credit - Federal	(2)	(2)	(2)
Total income tax expense (benefit)	\$ 63	\$ 79	\$ 76
Total income tax expense (benefit) - Federal	\$ 49	\$ 61	\$ 60
Total income tax expense (benefit) - State	14	18	16
Total income tax expense (benefit)	\$ 63	\$ 79	\$ 76
	2020	2019	2018
Reconciliation of Income Tax Expense (Benefit)			
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	\$ 72	\$ 78	\$ 76
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	14	15	13
Amortization of investment tax credit	(2)	(2)	(2)
Amortization of excess deferred federal and state income taxes	(17)	(13)	(12)
Kentucky recycling credit, net of federal income tax expense (a)	—	(4)	—
Valuation allowance adjustments (a)	—	4	—
Other	(4)	1	1
Total increase (decrease)	(9)	1	—
Total income tax expense (benefit)	\$ 63	\$ 79	\$ 76
Effective income tax rate	18.4%	21.2%	21.0%

(a) In 2019, KU recorded a deferred income tax benefit associated with a project placed into service that prepare a generation waste material for reuse and, as a result, qualify for a Kentucky recycling credit. The applicable credit provides tax benefits for a portion of the equipment costs for major recycling projects in Kentucky. This amount has been reserved due to insufficient Kentucky taxable income projected at KU.

	2020	2019	2018
Taxes, other than income			
Property and other	\$ 37	\$ 35	\$ 34
Total	<u>\$ 37</u>	<u>\$ 35</u>	<u>\$ 34</u>

(All Registrants)

Unrecognized Tax Benefits

PPL or its subsidiaries file tax returns in four major tax jurisdictions. The income tax provisions for PPL Electric, LG&E and KU are calculated in accordance with an intercompany tax sharing agreement, which provides that taxable income be calculated as if each domestic subsidiary filed a separate consolidated return. PPL Electric or its subsidiaries indirectly or directly file tax returns in two major tax jurisdictions, and LKE, LG&E and KU or their subsidiaries indirectly or directly file tax returns in two major tax jurisdictions. With few exceptions, at December 31, 2020, these jurisdictions, as well as the tax years that are no longer subject to examination, were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
U.S. (federal)	2016 and prior	2016 and prior	2016 and prior	2016 and prior	2016 and prior
Pennsylvania (state)	2016 and prior	2016 and prior			
Kentucky (state)	2014 and prior		2014 and prior	2014 and prior	2014 and prior
U.K. (foreign)	2016 and prior				

Tax Cuts and Jobs Act (TCJA)

On December 22, 2017, the TCJA was signed into law. Substantially all of the provisions of the TCJA were effective for taxable years beginning after December 31, 2017. The TCJA included significant changes to the taxation of corporations, including provisions specifically applicable to regulated public utilities. The more significant changes that impact the Registrants were:

- The reduction in the U.S. federal corporate income tax rate from a top marginal rate of 35% to a flat rate of 21%, effective January 1, 2018;
- The exclusion from U.S. federal taxable income of dividends from foreign subsidiaries and the associated "transition tax;"
- Limitations on the tax deductibility of interest expense, with an exception to these limitations for regulated public utilities;
- Full current year expensing of capital expenditures with an exception for regulated public utilities for capital projects commencing after December 31, 2017 that qualify for the exception to the interest expense limitation; and
- The continuation of certain rate normalization requirements for accelerated depreciation benefits. For non-regulated businesses, the TCJA generally provides for full expensing of property acquired after September 27, 2017.

2018 Impacts of TCJA

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

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

November 2, 2017 and concluded that no material change to the provisional amounts was required. The final amounts reported in PPL's 2017 federal income tax return, provisional amounts for the year ended December 31, 2017, the related measurement period adjustments, and the resulting tax impact for the year ended December 31, 2018 were as follows.

	Taxable Income (Loss) (a)		
	Adjustments per 2017 Tax Return	Adjustments per 2017 Tax Provision	2018 Adjustments
PPL			
Deemed Dividend	\$ 397	\$ 462	\$ (65)
Bonus Depreciation (b)	(67)	—	(67)
Consolidated Federal Net Operating Loss due to the TCJA (c)	(330)	(462)	132
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
PPL Electric			
Bonus Depreciation (b)	\$ (39)	\$ —	\$ (39)
Consolidated Federal Net Operating Loss reallocated due to the TCJA (c)	(68)	(105)	37
Total	<u>\$ (107)</u>	<u>\$ (105)</u>	<u>\$ (2)</u>
LKE			
Bonus Depreciation (b)	\$ (28)	\$ —	\$ (28)
Consolidated Federal Net Operating Loss reallocated due to the TCJA (c)	(32)	(45)	13
Total	<u>\$ (60)</u>	<u>\$ (45)</u>	<u>\$ (15)</u>
LG&E			
Bonus Depreciation (b)	\$ (17)	\$ —	\$ (17)
Consolidated Federal Net Operating Loss reallocated due to the TCJA (c)	17	—	17
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
KU			
Bonus Depreciation (b)	\$ (11)	\$ —	\$ (11)
Consolidated Federal Net Operating Loss reallocated due to the TCJA (c)	11	—	11
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

- (a) The above table reflects, for each item, the amount subject to change as a result of the TCJA and does not reflect the total amount of each item included in the return and the provision.
- (b) The TCJA increased the bonus depreciation percentage from 50% to 100% for qualified property acquired and placed in service after September 27, 2017 and before January 1, 2018. Increases in tax depreciation reduce the Registrants' taxes payable and increase net deferred tax liabilities with no impact to "Income Taxes" on the Statements of Income.
- (c) An increase in the consolidated federal net operating loss reduces net deferred tax liabilities with the opposite effect if there is a decrease in the consolidated federal net operating loss. These increases or decreases have no impact to "Income Taxes" on the Statements of Income.

	Income Tax Expense (Benefit)		
	Adjustments per 2017 Tax Return	Adjustments per 2017 Tax Provision	2018 Adjustments
PPL			
Deemed Dividend	\$ 139	\$ 161	\$ (22)
Foreign Tax Credits	(157)	(205)	48
Valuation of Foreign Tax Credit Carryforward	110	145	(35)
Reduction in U.S. federal income tax rate	229	220	9
Total	<u>\$ 321</u>	<u>\$ 321</u>	<u>\$ —</u>
PPL Electric			
Reduction in U.S. federal income tax rate	\$ (13)	\$ (13)	\$ —
LKE			
Reduction in U.S. federal income tax rate	\$ 110	\$ 112	\$ (2)

The Registrants' accounting related to the effects of the TCJA on financial results for the period ended December 31, 2017 was complete as of December 31, 2018 with respect to all provisional amounts.

TCJA Regulatory Update

The IRS issued proposed regulations for certain provisions of the TCJA in 2018, including interest deductibility and Global Intangible Low-Taxed Income (GILTI). In 2019, final and new proposed regulations were issued relating to the GILTI provisions. PPL has determined that neither the final or new proposed regulations materially change PPL's conclusion that currently no incremental tax arises under these rules. Proposed regulations relating to the limitation on the deductibility of interest expense were issued in November 2018 and such regulations provide detailed rules implementing the broader statutory provisions. These proposed regulations did not apply to the Registrants in 2019.

In July 2020, the IRS issued final and new proposed regulations relating to the limitation on interest deductibility. The final regulations do not apply to the Registrants until the 2021 tax year. The new proposed regulations were finalized on January 5, 2021 and will apply to the Registrants in the 2022 tax year. The Registrants are evaluating the final regulations issued in 2021, but do not expect these regulations or the 2020 final regulations to have a material impact on the Registrants' financial condition or results of operations.

7. Utility Rate Regulation

Regulatory Assets and Liabilities

(All Registrants)

PPL, PPL Electric, LKE, LG&E and KU reflect the effects of regulatory actions in the financial statements for their cost-based rate-regulated utility operations. Regulatory assets and liabilities are classified as current if, upon initial recognition, the entire amount related to an item will be recovered or refunded within a year of the balance sheet date.

(PPL)

WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP and does not record regulatory assets and liabilities. See Note 1 for additional information.

(PPL, LKE, LG&E and KU)

LG&E is subject to the jurisdiction of the KPSC and FERC, and KU is subject to the jurisdiction of the KPSC, FERC and VSCC.

LG&E's and KU's Kentucky base rates are calculated based on a return on capitalization (common equity, long-term debt and short-term debt) including adjustments for certain net investments and costs recovered separately through other means. As such, LG&E and KU generally earn a return on regulatory assets.

(PPL, LKE and KU)

KU's Virginia base rates are calculated based on a return on rate base (net utility plant plus working capital less accumulated deferred income taxes and miscellaneous deductions). As all regulatory assets and liabilities, except for regulatory assets and liabilities related to the levelized fuel factor, pension and postretirement benefits, and AROs related to certain CCR impoundments, are excluded from the return on rate base utilized in the calculation of Virginia base rates, no return is earned on the related assets.

KU's rates to municipal customers for wholesale power requirements are calculated based on annual updates to a formula rate that utilizes a return on rate base (net utility plant plus working capital less accumulated deferred income taxes and miscellaneous deductions). As all regulatory assets and liabilities are excluded from the return on rate base utilized in the development of municipal rates, no return is earned on the related assets.

(PPL and PPL Electric)

PPL Electric's distribution base rates are calculated based on recovery of costs as well as a return on distribution rate base (net utility plant plus a working capital allowance less plant-related deferred taxes and other miscellaneous additions and deductions). PPL Electric's transmission revenues are billed in accordance with a FERC tariff that allows for recovery of transmission costs incurred, a return on transmission-related rate base (net utility plant plus a working capital allowance less

plant-related deferred taxes and other miscellaneous additions and deductions) and an automatic annual update. See "Transmission Formula Rate" below for additional information on this tariff. All regulatory assets and liabilities are excluded from distribution and transmission return on investment calculations; therefore, generally no return is earned on PPL Electric's regulatory assets.

(All Registrants)

The following table provides information about the regulatory assets and liabilities of cost-based rate-regulated utility operations at December 31:

	PPL		PPL Electric	
	2020	2019	2020	2019
Current Regulatory Assets:				
Plant outage costs	\$ 46	\$ 32	\$ —	\$ —
Gas supply clause	4	8	—	—
Smart meter rider	17	13	17	13
Storm costs	7	—	7	—
Transmission formula rate	15	3	15	3
Transmission service charge	—	10	—	10
Other	10	1	1	—
Total current regulatory assets (a)	\$ 99	\$ 67	\$ 40	\$ 26
Noncurrent Regulatory Assets:				
Defined benefit plans	\$ 570	\$ 800	\$ 290	\$ 467
Storm costs	17	39	—	15
Unamortized loss on debt	30	41	8	18
Interest rate swaps	23	22	—	—
Terminated interest rate swaps	75	81	—	—
Accumulated cost of removal of utility plant	240	220	240	220
AROs	300	279	—	—
Act 129 compliance rider	—	6	—	6
Other	7	4	3	—
Total noncurrent regulatory assets	\$ 1,262	\$ 1,492	\$ 541	\$ 726
Current Regulatory Liabilities:				
Generation supply charge	\$ 21	\$ 23	\$ 21	\$ 23
Environmental cost recovery	4	5	—	—
Universal service rider	22	9	22	9
Fuel adjustment clause	5	8	—	—
TCJA customer refund	11	61	11	59
Storm damage expense rider	6	5	6	5
Act 129 compliance rider	7	—	7	—
Other	3	4	1	—
Total current regulatory liabilities	\$ 79	\$ 115	\$ 68	\$ 96
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	\$ 653	\$ 640	\$ —	\$ —
Power purchase agreement - OVEC	43	51	—	—
Net deferred taxes	1,690	1,756	560	588
Defined benefit plans	60	51	18	11
Terminated interest rate swaps	66	68	—	—
Other	18	6	—	—
Total noncurrent regulatory liabilities	\$ 2,530	\$ 2,572	\$ 578	\$ 599

	LKE		LG&E		KU	
	2020	2019	2020	2019	2020	2019
Current Regulatory Assets:						
Plant outage costs	\$ 46	\$ 32	\$ 12	\$ 16	\$ 34	\$ 16
Gas supply clause	4	8	4	8	—	—
Other	9	1	7	1	2	—
Total current regulatory assets	\$ 59	\$ 41	\$ 23	\$ 25	\$ 36	\$ 16
Noncurrent Regulatory Assets:						
Defined benefit plans	\$ 280	\$ 333	\$ 174	\$ 206	\$ 106	\$ 127
Storm costs	17	24	11	14	6	10
Unamortized loss on debt	22	23	13	14	9	9
Interest rate swaps	23	22	23	22	—	—
Terminated interest rate swaps	75	81	44	47	31	34
AROs	300	279	85	76	215	203
Other	4	4	1	1	3	3
Total noncurrent regulatory assets	\$ 721	\$ 766	\$ 351	\$ 380	\$ 370	\$ 386
Current Regulatory Liabilities:						
Environmental cost recovery	\$ 4	\$ 5	\$ —	\$ 1	\$ 4	\$ 4
Fuel adjustment clauses	5	8	—	—	5	8
Other	2	6	—	1	2	5
Total current regulatory liabilities	\$ 11	\$ 19	\$ —	\$ 2	\$ 11	\$ 17
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal of utility plant	\$ 653	\$ 640	\$ 274	\$ 266	\$ 379	\$ 374
Power purchase agreement - OVEC	43	51	30	35	13	16
Net deferred taxes	1,130	1,168	528	544	602	624
Defined benefit plans	42	40	—	—	42	40
Terminated interest rate swaps	66	68	33	34	33	34
Other	18	6	17	4	1	2
Total noncurrent regulatory liabilities	\$ 1,952	\$ 1,973	\$ 882	\$ 883	\$ 1,070	\$ 1,090

(a) For PPL, these amounts are included in "Other current assets" on the Balance Sheets.

Following is an overview of selected regulatory assets and liabilities detailed in the preceding tables. Specific developments with respect to certain of these regulatory assets and liabilities are discussed in "Regulatory Matters."

Defined Benefit Plans

(All Registrants)

Defined benefit plan regulatory assets and liabilities represent prior service cost and net actuarial gains and losses that will be recovered in defined benefit plans expense through future base rates based upon established regulatory practices and, generally, are amortized over the average remaining service lives of plan participants. These regulatory assets and liabilities are adjusted at least annually or whenever the funded status of defined benefit plans is remeasured.

(PPL, LKE, LG&E and KU)

As a result of the 2014 Kentucky rate case settlement that became effective July 1, 2015, the difference between pension cost calculated in accordance with LG&E's and KU's pension accounting policy and pension cost calculated using a 15-year amortization period for actuarial gains and losses is recorded as a regulatory asset. As of December 31, 2020, the balances were \$79 million for PPL and LKE, \$44 million for LG&E and \$35 million for KU. As of December 31, 2019, the balances were \$51 million for PPL and LKE, \$29 million for LG&E and \$22 million for KU.

(All Registrants)

Storm Costs

PPL Electric, LG&E and KU have the ability to request from the PUC, KPSC and VSCC, as applicable, the authority to treat expenses related to specific extraordinary storms as a regulatory asset and defer such costs for regulatory accounting and reporting purposes. Once such authority is granted, LG&E and KU can request recovery of those expenses in a base rate case and begin amortizing the costs when recovery starts. PPL Electric can recover qualifying expenses caused by major storm events, as defined in its retail tariff, over three years through the Storm Damage Expense Rider commencing in the application year after the storm occurred. PPL Electric's regulatory assets for storm costs are being amortized through 2021. LG&E's and KU's regulatory assets for storm costs are being amortized through various dates ending in 2029.

Unamortized Loss on Debt

Unamortized loss on reacquired debt represents losses on long-term debt reacquired or redeemed that have been deferred and will be amortized and recovered over either the original life of the extinguished debt or the life of the replacement debt (in the case of refinancing). Such costs are being amortized through 2029 for PPL Electric, through 2042 for KU, and through 2044 for LG&E.

Accumulated Cost of Removal of Utility Plant

LG&E and KU charge costs of removal through depreciation expense with an offsetting credit to a regulatory liability. The regulatory liability is relieved as costs are incurred.

PPL Electric does not accrue for costs of removal. When costs of removal are incurred, PPL Electric records the costs as a regulatory asset. Such deferral is included in rates and amortized over the subsequent five-year period.

Net Deferred Taxes

Regulatory liabilities associated with net deferred taxes represent the future revenue impact from the adjustment of deferred income taxes required primarily for excess deferred taxes and unamortized investment tax credits, largely a result of the TCJA enacted in 2017.

(PPL and PPL Electric)

Generation Supply Charge (GSC)

The GSC is a cost recovery mechanism that permits PPL Electric to recover costs incurred to provide generation supply to PLR customers who receive basic generation supply service. The recovery includes charges for generation supply, as well as administration of the acquisition process. In addition, the GSC contains a reconciliation mechanism whereby any over- or under-recovery from prior periods is refunded to, or recovered from, customers through the adjustment factor determined for the subsequent rate filing period.

Transmission Service Charge (TSC)

PPL Electric is charged by PJM for transmission service-related costs applicable to its PLR customers. PPL Electric passes these costs on to customers, who receive basic generation supply service through the PUC-approved TSC cost recovery mechanism. The TSC contains a reconciliation mechanism whereby any over- or under-recovery from customers is either refunded to, or recovered from, customers through the adjustment factor determined for the subsequent year.

Transmission Formula Rate

PPL Electric's transmission revenues are billed in accordance with a FERC-approved Open Access Transmission Tariff that utilizes a formula-based rate recovery mechanism. Under this formula, rates are put into effect in June of each year based upon prior year actual expenditures and current year forecasted capital additions. Rates are then adjusted the following year to reflect actual annual expenses and capital additions, as reported in PPL Electric's annual FERC Form 1, filed under the FERC's Uniform System of Accounts. Any difference between the revenue requirement in effect for the prior year and actual expenditures incurred for that year is recorded as a regulatory asset or regulatory liability.

Storm Damage Expense Rider (SDER)

The SDER is a reconcilable automatic adjustment clause under which PPL Electric annually will compare actual storm costs to storm costs allowed in base rates and refund or recover any differences from customers. In the 2015 rate case settlement approved by the PUC in November 2015, it was determined that reportable storm damage expenses to be recovered annually through base rates will be set at \$20 million. The SDER will recover from or refund to customers, as appropriate, only applicable expenses from reportable storms that are greater than or less than \$20 million recovered annually through base rates. Storm costs incurred in PPL Electric's territory from a March 2018 storm are being amortized through 2021.

Act 129 Compliance Rider

In compliance with Pennsylvania's Act 129 of 2008 and implementing regulations, PPL Electric is currently in Phase III of the energy efficiency and conservation plan which was approved in June 2016. Phase III allows PPL Electric to recover the maximum \$313 million over the five-year period, June 1, 2016 through May 31, 2021. The plan includes programs intended to reduce electricity consumption. The recoverable costs include direct and indirect charges, including design and development costs, general and administrative costs and applicable state evaluator costs. The rates are applied to customers who receive distribution service through the Act 129 Compliance Rider. The actual Phase III program costs are reconcilable after each 12 month period, and any over- or under-recovery from customers will be refunded or recovered over the next rate filing period.

Smart Meter Rider (SMR)

Act 129 requires each electric distribution company (EDC) with more than 100,000 customers to have a PUC approved Smart Meter Technology Procurement and Installation Plan (SMP). As of December 31, 2019, PPL Electric replaced substantially all of its old meters with meters that meet the Act 129 requirements under its SMP. In accordance with Act 129, EDCs are able to recover the costs and earn a return on capital of providing smart metering technology. PPL Electric uses the SMR to recover the costs to implement its SMP. The SMR is a reconciliation mechanism whereby any over- or under-recovery from prior years is refunded to, or recovered from, customers through the adjustment factor determined for the subsequent quarters.

Universal Service Rider (USR)

The USR provides for recovery of costs associated with universal service programs, OnTrack and Winter Relief Assistance Program (WRAP), provided by PPL Electric to residential customers. OnTrack is a special payment program for low-income households and WRAP provides low-income customers a means to reduce electric bills through energy saving methods. The USR rate is applied to residential customers who receive distribution service. The actual program costs are reconcilable, and any over- or under-recovery from customers will be refunded or recovered annually in the subsequent year.

TCJA Customer Refund

As a result of the reduced U.S federal corporate income tax rate as enacted by the TCJA, the PUC ruled that these tax benefits should be refunded to customers. Timing differences between the recognition of these tax benefits and the refund of the benefit to the customer creates a regulatory liability.

PPL Electric's liability related to the period of July 1, 2018 through December 31, 2020 is being credited back to distribution customers through a negative surcharge. The liability related to the period of January 1, 2018 through June 30, 2018 was \$43 million and was credited back to customers over the period of January 1, 2020 through December 31, 2020 utilizing the same negative surcharge mechanism referred to above, as approved by the PUC in November 2019.

(PPL, LKE, LG&E and KU)

Environmental Cost Recovery

Kentucky law permits LG&E and KU to recover the costs, including a return of operating expenses and a return of and on capital invested, of complying with the Clean Air Act and those federal, state or local environmental requirements, which apply to coal combustion wastes and by-products from coal-fired electricity generating facilities. The KPSC requires reviews of the past operations of the environmental surcharge for six-month and two-year billing periods to evaluate the related charges, credits and rates of return, as well as to provide for the roll-in of ECR amounts to base rates each two-year period. The KPSC has authorized returns on equity of 9.2% and 9.725% for existing approved ECR projects. The ECR regulatory asset or liability represents the amount that has been under- or over-recovered due to timing or adjustments to the mechanism and is typically recovered or refunded within 12 months.

Fuel Adjustment Clauses

LG&E's and KU's retail electric rates contain a fuel adjustment clause, whereby variances in the cost of fuel to generate electricity, including transportation costs, from the costs embedded in base rates are adjusted in LG&E's and KU's rates. The KPSC requires formal reviews at six-month intervals to examine past fuel adjustments and at two-year intervals to review past operations of the fuel adjustment clause and, to the extent appropriate, may conduct public hearings and reestablish the fuel charge included in base rates. The regulatory assets or liabilities represent the amounts that have been under- or over-recovered due to timing or adjustments to the mechanism and are typically recovered within 12 months.

KU also employs a levelized fuel factor mechanism for Virginia customers using an average fuel cost factor based primarily on projected fuel costs and load for the fuel year (12 months ending March 31). The Virginia levelized fuel factor allows fuel recovery based on projected fuel costs for the fuel year plus an adjustment for any under- or over-recovery of fuel expenses from the prior fuel year. The regulatory assets or liabilities represent the amounts that have been under- or over-recovered due to timing or adjustments to the mechanism and are typically recovered or refunded within 12 months.

AROs

As discussed in Note 1, for LKE, LG&E and KU, all ARO accretion and depreciation expenses are reclassified as a regulatory asset. ARO regulatory assets associated with certain CCR projects are amortized to expense in accordance with regulatory approvals. For other AROs, at the time of retirement, the related ARO regulatory asset is offset against the associated cost of removal regulatory liability, PP&E and ARO liability.

Power Purchase Agreement - OVEC

As a result of purchase accounting associated with PPL's acquisition of LKE, the fair values of the OVEC power purchase agreement were recorded on the balance sheets of LKE, LG&E and KU with offsets to regulatory liabilities. The regulatory liabilities are being amortized using the units-of-production method until March 2026, the expiration date of the agreement at the date of the acquisition. LG&E's and KU's customer rates continue to reflect the original contracts. See Notes 14 and 19 for additional discussion of the power purchase agreement.

Interest Rate Swaps

LG&E's unrealized gains and losses are recorded as regulatory assets or regulatory liabilities until they are realized as interest expense. Interest expense from existing swaps is realized and recovered over the terms of the associated debt, which matures through 2033.

Terminated Interest Rate Swaps

Net realized gains and losses on all interest rate swaps are probable of recovery through regulated rates. As such, any gains and losses on these derivatives are included in regulatory assets or liabilities and are primarily recognized in "Interest Expense" on the Statements of Income over the life of the associated debt.

Plant Outage Costs

Since July 1, 2017, plant outage costs in Kentucky have been normalized for ratemaking purposes based on an average level of expenses. Plant outage expenses that are greater or less than the average are collected from or returned to customers, through future base rates. Effective May 1, 2019 plant outage costs are normalized based on a five-year average of historical expenses with over or under recoveries collected or returned over an eight-year period.

Gas Supply Clause (PPL, LKE and LG&E)

LG&E's natural gas rates contain a gas supply clause, whereby the expected cost of natural gas supply and variances between actual and expected costs from prior periods are adjusted quarterly in LG&E's rates, subject to approval by the KPSC. The gas supply clause also includes a separate natural gas procurement incentive mechanism, which allows LG&E's rates to be adjusted annually to share savings between the actual cost of gas purchases and market indices, with the shareholders and the customers during each performance-based rate year (12 months ending October 31). LG&E currently has a proceeding pending with the KPSC in which LG&E proposed renewal of and modification to its natural gas procurement incentive mechanism, which is currently approved through September 1, 2021. LG&E cannot predict the outcome of this proceeding. The regulatory assets or

liabilities represent the total amounts that have been under- or over-recovered due to timing or adjustments to the mechanisms and are typically recovered or refunded within 18 months.

Generation Formula Rate (*PPL, LKE and KU*)

KU provides wholesale requirements service to its municipal customers and bills for this service pursuant to a FERC approved generation formula rate. Under this formula, rates are put into effect each July utilizing a return on rate base calculation and actual expenses from the preceding year. The regulatory asset or liability represents the difference between the revenue requirement in effect for the current year and actual expenditures incurred for the current year. Amounts are included in other current regulatory assets for 2020 and other current regulatory liabilities for 2019 in the table above.

Regulatory Matters

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

Rate Case Proceedings

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

LG&E's and KU's applications also include a request for a CPCN to deploy Advanced Metering Infrastructure across LG&E's and KU's service territories in Kentucky. The applications are based on a forecasted test year of July 1, 2021 through June 30, 2022 and request an authorized return on equity of 10.0%. Subject to KPSC approval, the requested rates, decreased by the amount of the billing credit, are expected to become effective July 1, 2021. Certain counterparties have intervened in the proceedings. Data discovery and the filing of written testimony will continue through April 2021 and a hearing is expected to occur during the second quarter of 2021. PPL, LKE, LG&E and KU cannot predict the outcome of these proceedings.

ECR Filings

On March 31, 2020, LG&E and KU submitted applications to the KPSC for ECR rate treatment regarding upcoming environmental construction projects relating to the EPA's regulations addressing ELGs. The construction projects are expected to begin in 2021 and continue through 2024 and are estimated to cost approximately \$405 million (\$153 million at LG&E and \$252 million at KU). The applications requested an authorized 9.725% return on equity with respect to these projects consistent with the authorized return on equity approved for the 2018 Kentucky rate cases in April 2019. On September 29, 2020, the KPSC issued orders approving the ECR applications, permitting an authorized return on equity of 9.2% for the applicable projects.

Pennsylvania Activities (*PPL and PPL Electric*)

Act 129

Act 129 requires Pennsylvania Electric Distribution Companies (EDCs) to meet, by specified dates, specified goals for reduction in customer electricity usage and peak demand. EDCs not meeting the requirements of Act 129 are subject to significant penalties. PPL Electric filed with the PUC its Act 129 Phase IV Energy Efficiency and Conservation Plan on November 30, 2020, for the five-year period starting June 1, 2021 and ending on May 31, 2026. Hearings were held February 8, 2021. This proceeding remains pending before the PUC. PPL Electric cannot predict the outcome of this proceeding.

Act 129 also requires EDCs to act as a default service provider (DSP), which provides electricity generation supply service to customers pursuant to a PUC-approved default service procurement plan. A DSP is able to recover the costs associated with its default service procurement plan.

In March 2020, PPL Electric filed a Petition for Approval of a new default service program and procurement plan with the PUC for the period June 1, 2021 through May 31, 2025. Hearings were held in August 2020. PPL Electric received a Recommended Decision from the Administrative Law Judge on October 13, 2020. Several parties filed Exceptions and Reply Exceptions on October 26, 2020 and November 2, 2020, respectively. On December 17, 2020, the PUC issued a final Order approving the partial settlement reached by parties, including the PPL Electric default service plan for the period of June 2021 through May 2025, and ruling on the issues reserved for litigation. This matter is not expected to have a significant impact on the financial condition of PPL Electric.

Federal Matters

Challenge to PPL Electric Transmission Formula Rate Return on Equity

(PPL and PPL Electric)

On May 21, 2020, PP&L Industrial Customer Alliance (PPLICA) filed a complaint with the FERC alleging that PPL Electric's base return on equity (ROE) of 11.18% used to determine PPL Electric's formula transmission rate is unjust and unreasonable, and proposing an alternative ROE of 8.00% based on its interpretation of FERC Opinion No. 569. However, also on May 21, 2020, the FERC issued Opinion No. 569-A in response to numerous requests for rehearing of Opinion No. 569, which revised the method for analyzing base ROE. On June 10, 2020, PPLICA filed a Motion to Supplement the May 21, 2020 complaint in which PPLICA continued to allege that PPL Electric's base ROE is unjust and unreasonable, but revised its analysis of PPL Electric's base ROE to reflect the guidance provided in Opinion No. 569-A. The amended complaint proposed an updated alternative ROE of 8.50% and also requested that the FERC preserve the original refund effective date as established by the filing of the original complaint on May 21, 2020. Several parties have filed motions to intervene, including one party who filed Comments in Support of the original complaint.

On July 10, 2020, PPL Electric filed its Answer and supporting Testimony to the PPLICA filings arguing that the FERC should deny the original and amended complaints as they are without merit and fail to demonstrate the existing base ROE is unjust and unreasonable. In addition, PPL Electric contended any refund effective date should be set for no earlier than June 10, 2020 and PPLICA's proposed replacement ROE should be rejected.

On October 15, 2020, the FERC issued an order on the PPLICA complaints which established hearing and settlement procedures, set a refund effective date of May 21, 2020 and granted the motions to intervene. On November 16, 2020, PPL Electric filed a request for rehearing of the portion of the October 15, 2020 Order that set the May 21, 2020 refund effective date. On December 17, 2020, the FERC issued a Notice of Denial of Rehearing by Operation of Law and Providing for Further Consideration. On February 16, 2021, PPL Electric filed a Petition for Review with the United States Court of Appeals for the District of Columbia Circuit of the portion of the October 15, 2020 Order that set the May 21, 2020 refund effective date.

PPL Electric continues to believe its ROE is just and reasonable and that it has meritorious defenses against the original and amended complaints. At this time, PPL Electric cannot predict the outcome of this matter or the range of possible losses, if any, that may be incurred. However, revenue earned from May 21, 2020 through the settlement of this matter may be subject to refund. A change of 50 basis points to the base ROE would impact PPL Electric's net income by approximately \$12 million on an annual basis.

(PPL, LKE, LG&E and KU)

FERC Transmission Rate Filing

In 2018, LG&E and KU applied to the FERC requesting elimination of certain on-going credits to a sub-set of transmission customers relating to the 1998 merger of LG&E's and KU's parent entities and the 2006 withdrawal of LG&E and KU from the Midcontinent Independent System Operator, Inc. (MISO), a regional transmission operator and energy market. The application sought termination of LG&E's and KU's commitment to provide certain Kentucky municipalities mitigation for certain horizontal market power concerns arising out of the 1998 LG&E and KU merger and 2006 MISO withdrawal. The amounts at issue are generally waivers or credits granted to a limited number of Kentucky municipalities for either certain LG&E and KU or MISO transmission charges incurred for transmission service received. Due to the development of robust, accessible energy markets over time, LG&E and KU believe the mitigation commitments are no longer relevant or appropriate. In March 2019, the FERC granted LG&E's and KU's request to remove the ongoing credits, conditioned upon the implementation by LG&E and KU of a transition mechanism for certain existing power supply arrangements, subject to FERC review and approval. In July 2019, LG&E and KU proposed their transition mechanism to the FERC and in September 2019, the FERC rejected the proposed transition mechanism and issued a separate order providing clarifications of certain aspects of the March order. In October 2019, LG&E and KU filed requests for rehearing and clarification on the two September orders. In September 2020, the FERC issued its orders in the rehearing process that modified the discussion in, and set aside portions of, the September 2019 orders including adjusting factors impacting the proposed transition mechanism. In October 2020, both LG&E and KU and other parties filed separate motions for rehearing and clarification regarding FERC's September 2020 orders. In November 2020, the FERC denied the parties' rehearing requests. In November 2020 and January 2021, LG&E and KU and other parties filed for appeal of the September 2020 and November 2020 orders with the D.C. Circuit Court of Appeals, where certain additional prior petitions for review relating to the proceedings are also pending. On January 15, 2021, LG&E and KU made a filing seeking FERC acceptance of a new proposal for a transition mechanism. LG&E and KU cannot predict the outcome of these proceedings. LG&E and KU currently receive recovery of the waivers and credits provided through other rate mechanisms.

(All Registrants)

TCJA Impact on FERC Rates

In November 2019, the FERC published Final Rules providing that public utility transmission providers include mechanisms in their formula rates to deduct excess ADIT from, or add deficient ADIT to, rate base and adjust their income tax allowances by amortized excess or deficient ADIT, and to make a related compliance filing.

In February 2019, PPL Electric filed with the FERC proposed revisions to its transmission formula rate template pursuant to Section 205 of the Federal Power Act and Section 35.13 of the FERC Rules and Regulations. Specifically, PPL Electric proposed to modify its formula rate to permit the return or recovery of excess or deficient ADIT resulting from the TCJA and permit PPL Electric to prospectively account for the income tax expense associated with the depreciation of the equity component of the AFUDC. In April 2019, the FERC accepted the proposed revisions to the formula rate template, which were effective June 1, 2019, as well as the proposed adjustments to ADIT, effective January 1, 2018.

In February 2019, in connection with the requirements of the TCJA and Kentucky HB 487, LG&E and KU filed a request with the FERC to amend their transmission formula rates resulting from the laws' reductions to corporate income tax rates. The FERC approved this request effective June 1, 2019. In 2020, LG&E and KU submitted a compliance filing addressing excess and deficient ADIT. LG&E and KU do not anticipate the impact of the TCJA and Kentucky HB 487 related to their FERC-jurisdictional rates to be significant.

Other

Purchase of Receivables Program

(PPL and PPL Electric)

In accordance with a PUC-approved purchase of accounts receivable program, PPL Electric purchases certain accounts receivable from alternative electricity suppliers at a discount, which reflects a provision for uncollectible accounts. The alternative electricity suppliers have no continuing involvement or interest in the purchased accounts receivable. Accounts receivable that are acquired are initially recorded at fair value on the date of acquisition. During 2020, 2019 and 2018, PPL Electric purchased \$1.1 billion, \$1.2 billion and \$1.3 billion of accounts receivable from alternative suppliers.

8. Financing Activities

Credit Arrangements and Short-term Debt

(All Registrants)

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

	December 31, 2020					December 31, 2019	
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued
PPL							
U.K.							
WPD plc							
Syndicated Credit Facility (a) (b) (c)	Jan. 2023	£ 210	£ 187	£ —	£ 23	£ 155	£ —
WPD (South West)							
Syndicated Credit Facility (a) (b) (c)	May 2023	220	50	—	170	40	—
WPD (South Wales)							
Syndicated Credit Facility (a) (b) (c)	May 2023	125	—	—	125	—	—
WPD (East Midlands)							
Syndicated Credit Facility (a) (b) (c)	May 2023	250	—	—	250	—	—
WPD (West Midlands)							
Syndicated Credit Facility (a) (b) (c)	May 2023	250	74	—	176	48	—
Uncommitted Credit Facilities		100	60	4	36	—	4
Total U.K. Credit Facilities (b)		£ 1,155	£ 371	£ 4	£ 780	£ 243	£ 4
U.S.							
PPL Capital Funding							
Syndicated Credit Facility (c) (d)	Jan 2024	1,450	—	402	1,048	—	450
Term Loan Credit Facility (c) (d)	Mar 2021	200	200	—	—	—	—
Bilateral Credit Facility (c) (d)	Mar 2021	50	—	—	50	—	—
Bilateral Credit Facility (c) (d)	Mar 2021	50	—	15	35	—	15
Term Loan Credit Facility (c) (d)	Mar 2021	100	100	—	—	—	—
Term Loan Credit Facility (c) (d)	Mar 2022	100	100	—	—	—	—
Total PPL Capital Funding Credit Facilities		\$ 1,950	\$ 400	\$ 417	\$ 1,133	\$ —	\$ 465
PPL Electric							
Syndicated Credit Facility (c) (d)	Jan 2024	\$ 650	\$ —	\$ 1	\$ 649	\$ —	\$ 1
LG&E							
Syndicated Credit Facility (c) (d)	Jan 2024	\$ 500	\$ —	\$ 262	\$ 238	\$ —	\$ 238
Total LG&E Credit Facilities		\$ 500	\$ —	\$ 262	\$ 238	\$ —	\$ 238
KU							
Syndicated Credit Facility (c) (d)	Jan 2024	\$ 400	\$ —	\$ 203	\$ 197	\$ —	\$ 150
Total KU Credit Facilities		\$ 400	\$ —	\$ 203	\$ 197	\$ —	\$ 150

- (a) The facilities contain financial covenants to maintain an interest coverage ratio of not less than 3.0 times consolidated earnings before income taxes, depreciation and amortization and total net debt not in excess of 85% of its RAV, calculated in accordance with the credit facility.
- (b) The WPD plc amounts borrowed at December 31, 2020 and 2019 included USD-denominated borrowings of \$249 million and \$200 million, which bore interest at weighted average rate of 0.95% and 2.52%. The WPD (South West) amounts borrowed at December 31, 2020 and 2019 were GBP-denominated borrowings, which equated to \$67 million and \$51 million and bore interest at 0.54% and 1.09%. The WPD (West Midlands) amounts borrowed at December 31, 2020 and 2019 were GBP-denominated borrowings, which equated to \$99 million and \$62 million and bore interest at 0.54%

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and 1.11%. The interest rates on the borrowings are equal to one-month USD LIBOR plus a margin. At December 31, 2020, the unused capacity under the U.K. credit facilities was approximately \$1.0 billion.

- (c) Each company pays customary fees under its respective facility and borrowings generally bear interest at LIBOR-based rates plus an applicable margin.
- (d) The facilities contain a financial covenant requiring debt to total capitalization not to exceed 70% for PPL Capital Funding, PPL Electric, LG&E and KU, as calculated in accordance with the facilities and other customary covenants. Additionally, subject to certain conditions, PPL Capital Funding may request that the capacity of its bilateral credit facility expiring in March 2021 be increased by up to \$30 million and PPL Capital Funding, PPL Electric, LG&E and KU may each request up to a \$250 million increase in its syndicated credit facility's capacity.

(PPL)

In March 2020, PPL Capital Funding entered into a \$200 million term loan credit facility expiring in March 2021 and borrowed the full principal amount under the facility at an initial interest rate of 1.96%. The applicable interest rate on borrowings fluctuates periodically and is based on LIBOR plus a spread. The proceeds were used to repay short-term debt and for general corporate purposes.

In April 2020, PPL Capital Funding entered into a \$100 million term loan credit facility expiring in March 2021 and borrowed the full principal amount under the facility at an initial interest rate of 1.73%. The applicable interest rate on borrowings fluctuates periodically and is based on LIBOR plus a spread. The proceeds were used to repay short-term debt and for general corporate purposes.

PPL has guaranteed PPL Capital Funding's obligations under these credit agreements.

(All Registrants)

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

	December 31, 2020				December 31, 2019	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Capital Funding	0.25%	\$ 1,500	\$ 402	\$ 1,098	2.13%	\$ 450
PPL Electric		650	—	650		—
LG&E	0.28%	350	262	88	2.07%	238
KU	0.28%	350	203	147	2.02%	150
Total		\$ 2,850	\$ 867	\$ 1,983		\$ 838

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

See Note 15 for a discussion of intercompany borrowings.

Long-term Debt (All Registrants)

	Weighted-Average Rate (g)	Maturities (g)	December 31,	
			2020	2019
PPL				
U.S.				
Senior Unsecured Notes	3.95 %	2021 - 2047	\$ 4,850	\$ 4,325
Senior Secured Notes/First Mortgage Bonds (a) (b) (c)	3.81 %	2021 - 2050	8,955	8,705
Junior Subordinated Notes	4.35 %	2067 - 2073	930	930
Term Loan Credit Facility	0.85 %	2022	100	—
Total U.S. Long-term Debt			14,835	13,960
U.K.				
Senior Unsecured Notes (d)	4.69 %	2021 - 2040	7,197	6,874
Index-linked Senior Unsecured Notes (e)	1.42 %	2028 - 2056	1,150	1,104
Term Loan Credit Facility	1.46 %	2024	67	64
Total U.K. Long-term Debt (f)			8,414	8,042
Total Long-term Debt Before Adjustments			23,249	22,002
Fair market value adjustments			8	12
Unamortized premium and (discount), net			2	5
Unamortized debt issuance costs			(132)	(126)
Total Long-term Debt			23,127	21,893
Less current portion of Long-term Debt			1,574	1,172
Total Long-term Debt, noncurrent			\$ 21,553	\$ 20,721
PPL Electric				
Senior Secured Notes/First Mortgage Bonds (a) (b)	3.79 %	2021 - 2049	\$ 4,289	\$ 4,039
Total Long-term Debt Before Adjustments			4,289	4,039
Unamortized discount			(23)	(24)
Unamortized debt issuance costs			(30)	(30)
Total Long-term Debt			4,236	3,985
Less current portion of Long-term Debt			400	—
Total Long-term Debt, noncurrent			\$ 3,836	\$ 3,985
LKE				
Senior Unsecured Notes	4.38 %	2021	\$ 250	\$ 725
First Mortgage Bonds (a) (c)	3.82 %	2023 - 2050	4,666	4,666
Long-term debt to affiliate	3.89 %	2026 - 2030	1,200	650
Total Long-term Debt Before Adjustments			6,116	6,041
Unamortized premium			5	5
Unamortized discount			(13)	(12)
Unamortized debt issuance costs			(34)	(32)
Total Long-term Debt			6,074	6,002
Less current portion of Long-term Debt			674	975
Total Long-term Debt, noncurrent			\$ 5,400	\$ 5,027

	Weighted-Average Rate (g)	Maturities (g)	December 31,	
			2020	2019
LG&E				
First Mortgage Bonds (a) (c)	3.69 %	2025 - 2049	\$ 2,024	\$ 2,024
Total Long-term Debt Before Adjustments			2,024	2,024
Unamortized discount			(4)	(4)
Unamortized debt issuance costs			(13)	(15)
Total Long-term Debt			2,007	2,005
Less current portion of Long-term Debt			292	—
Total Long-term Debt, noncurrent			\$ 1,715	\$ 2,005
KU				
First Mortgage Bonds (a) (c)	3.92 %	2023 - 2050	\$ 2,642	\$ 2,642
Total Long-term Debt Before Adjustments			2,642	2,642
Unamortized premium			5	5
Unamortized discount			(9)	(8)
Unamortized debt issuance costs			(20)	(16)
Total Long-term Debt			2,618	2,623
Less current portion of Long-term Debt			132	500
Total Long-term Debt, noncurrent			\$ 2,486	\$ 2,123

(a) Includes PPL Electric's senior secured and first mortgage bonds that are secured by the lien of PPL Electric's 2001 Mortgage Indenture, which covers substantially all of PPL Electric's tangible distribution properties and certain of its tangible transmission properties located in Pennsylvania, subject to certain exceptions and exclusions. The carrying value of PPL Electric's property, plant and equipment was approximately \$10.8 billion and \$10.1 billion at December 31, 2020 and 2019.

Includes LG&E's first mortgage bonds that are secured by the lien of the LG&E 2010 Mortgage Indenture which creates a lien, subject to certain exceptions and exclusions, on substantially all of LG&E's real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity and the storage and distribution of natural gas. The aggregate carrying value of the property subject to the lien was \$5.5 billion and \$5.3 billion at December 31, 2020 and 2019.

Includes KU's first mortgage bonds that are secured by the lien of the KU 2010 Mortgage Indenture which creates a lien, subject to certain exceptions and exclusions, on substantially all of KU's real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity. The aggregate carrying value of the property subject to the lien was \$6.7 billion and \$6.6 billion at December 31, 2020 and 2019.

(b) Includes PPL Electric's series of senior secured bonds that secure its obligations to make payments with respect to each series of Pollution Control Bonds that were issued by the LCIDA and the PEDFA on behalf of PPL Electric. These senior secured bonds were issued in the same principal amount, contain payment and redemption provisions that correspond to and bear the same interest rate as such Pollution Control Bonds. These senior secured bonds were issued under PPL Electric's 2001 Mortgage Indenture and are secured as noted in (a) above. This amount includes \$224 million of which PPL Electric is allowed to convert the interest rate mode on the bonds from time to time to a commercial paper rate, daily rate, weekly rate, or term rate of at least one year and \$90 million which is subject to mandatory redemption upon determination that the interest rate on the bonds would be included in the holders' gross income for federal tax purposes.

Includes \$250 million of notes that may be called on or after September 28, 2021, at a redemption price equal to 100% of the principal amount of the bonds, plus accrued and unpaid interest to, but excluding, such redemption date.

(c) Includes LG&E's and KU's series of first mortgage bonds that were issued to the respective trustees of tax-exempt revenue bonds to secure its respective obligations to make payments with respect to each series of bonds. The first mortgage bonds were issued in the same principal amounts, contain payment and redemption provisions that correspond to and bear the same interest rate as such tax-exempt revenue bonds. These first mortgage bonds were issued under the LG&E 2010 Mortgage Indenture and the KU 2010 Mortgage Indenture and are secured as noted in (a) above. The related tax-exempt revenue bonds were issued by various governmental entities, principally counties in Kentucky, on behalf of LG&E and KU. The related revenue bond documents allow LG&E and KU to convert the interest rate mode on the bonds from time to time to a commercial paper rate, daily rate, weekly rate, term rate of at least one year or, in some cases, an auction rate or a LIBOR index rate.

At December 31, 2020, the aggregate tax-exempt revenue bonds issued on behalf of LG&E and KU that were in a term rate mode totaled \$848 million for LKE, comprised of \$539 million and \$309 million for LG&E and KU respectively. At December 31, 2020, the aggregate tax-exempt revenue bonds issued on behalf of LG&E and KU that were in a variable rate mode totaled \$33 million for LKE and KU respectively. These variable rate tax-exempt revenue bonds are subject to tender for purchase by LG&E and KU at the option of the holder and to mandatory tender for purchase by LG&E and KU upon the occurrence of certain events.

(d) Includes £225 million (\$300 million at December 31, 2020) of notes that may be redeemed, in total but not in part, on December 21, 2026, at the greater of the principal value or a value determined by reference to the gross redemption yield on a nominated U.K. Government bond.

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- (e) The principal amount of the notes issued by WPD (South West), WPD (East Midlands) and WPD (South Wales) is adjusted based on changes in a specified index, as detailed in the terms of the related indentures. The adjustment to the principal amounts from 2019 to 2020 was an increase of approximately £10 million (\$13 million) resulting from inflation. In addition, this amount includes £331 million (\$441 million at December 31, 2020) of notes issued by WPD (South West) that may be redeemed, in total by series, on December 1, 2026, at the greater of the adjusted principal value and a make-whole value determined by reference to the gross real yield on a nominated U.K. government bond.
- (f) Includes £5.8 billion (\$7.7 billion at December 31, 2020) of notes that may be put by the holders to the issuer for redemption if the long-term credit ratings assigned to the notes are withdrawn by any of the rating agencies (Moody's or S&P) or reduced to a non-investment grade rating of Ba1 or BB+ or lower in connection with a restructuring event, which includes the loss of, or a material adverse change to, the distribution licenses under which the issuer operates.
- (g) The table reflects principal maturities only, based on stated maturities or earlier put dates, and the weighted-average rates as of December 31, 2020.

None of the outstanding debt securities noted above have sinking fund requirements. The aggregate maturities of long-term debt, based on stated maturities or earlier put dates, for the periods 2021 through 2025 and thereafter are as follows:

	PPL	PPL Electric	LKE	LG&E	KU
2021	\$ 1,574	\$ 400	\$ 674	\$ 292	\$ 132
2022	1,374	474	—	—	—
2023	2,552	340	13	—	13
2024	950	—	—	—	—
2025	883	—	550	300	250
Thereafter	15,916	3,075	4,879	1,432	2,247
Total	\$ 23,249	\$ 4,289	\$ 6,116	\$ 2,024	\$ 2,642

(PPL)

In April 2020, PPL Capital Funding entered into a \$100 million term loan credit facility expiring in March 2022 and borrowed the full principal amount under the facility at an initial interest rate of 1.72%. The applicable interest rate on borrowings fluctuates periodically and is based on LIBOR plus a spread. The proceeds were used to repay short-term debt and for general corporate purposes.

In April 2020, PPL Capital Funding issued \$1 billion of 4.125% Senior Notes due 2030. PPL Capital Funding received proceeds of \$993 million, net of a discount and underwriting fees, which were used to repay short-term debt and for general corporate purposes.

PPL has guaranteed PPL Capital Funding's obligations under the credit agreement and notes.

In October 2020, WPD (South Wales) issued £250 million of 1.625% Senior Notes due 2035. WPD (South Wales) received proceeds of £247 million which equated to \$319 million at the time of issuance, net of fees and a discount. The proceeds were used to repay the £150 million of 9.25% Notes due in November 2020 and for general corporate purposes.

In January 2021, WPD issued a notice to redeem its \$500 million of 5.375% Notes due May 2021 on March 1, 2021.

(PPL and PPL Electric)

In October 2020, PPL Electric issued \$250 million of First Mortgage Bonds, Floating Rate Series due 2023. PPL Electric received proceeds of \$249 million, net of discounts and underwriting fees, which were used to repay short-term debt and for general corporate purposes.

In October 2020, the Pennsylvania Economic Development Financing Authority (PEDFA) remarketed \$90 million of Pollution Control Revenue Refunding Bonds, Series 2008 (PPL Electric Utilities Corporation Project) due 2023, previously issued on behalf of PPL Electric. The bonds were remarketed at a long-term rate and will bear interest at 0.40% through their maturity date of October 1, 2023.

(PPL and LKE)

In August 2020, LKE redeemed \$475 million of 3.75% senior notes due November 2020.

(PPL, LKE and LG&E)

In September 2020, the County of Trimble, Kentucky remarketed \$125 million of Pollution Control Revenue Refunding Bonds, 2016 Series A due 2044 previously issued on behalf of LG&E. The bonds were remarketed at a long-term rate and will bear interest at 1.30% through their mandatory purchase date of September 1, 2027.

In September 2020, the Louisville/Jefferson County Metro Government of Kentucky remarketed \$23 million of Pollution Control Revenue Bonds, 2001 Series A due 2026 on behalf of LG&E. The bonds were remarketed at a long-term rate and will bear interest at 0.90% through their maturity date of September 1, 2026.

(PPL, LKE and KU)

In June 2020, KU issued \$500 million of 3.30% First Mortgage Bonds due 2050. KU received proceeds of \$493 million, net of discounts and underwriting fees, which were initially used to repay short-term debt and for other general corporate purpose, pending application to the redemption of KU's 3.25% First Mortgage Bonds in August 2020.

In August 2020, KU redeemed \$500 million of 3.25% First Mortgage Bonds due November 2020.

See Note 15 for additional information related to intercompany borrowings.

Legal Separateness *(All Registrants)*

The subsidiaries of PPL are separate legal entities. PPL's subsidiaries are not liable for the debts of PPL. Accordingly, creditors of PPL may not satisfy their debts from the assets of PPL's subsidiaries absent a specific contractual undertaking by a subsidiary to pay PPL's creditors or as required by applicable law or regulation. Similarly, PPL is not liable for the debts of its subsidiaries, nor are its subsidiaries liable for the debts of one another. Accordingly, creditors of PPL's subsidiaries may not satisfy their debts from the assets of PPL or its other subsidiaries absent a specific contractual undertaking by PPL or its other subsidiaries to pay the creditors or as required by applicable law or regulation.

Similarly, the subsidiaries of PPL Electric and LKE are each separate legal entities. These subsidiaries are not liable for the debts of PPL Electric and LKE. Accordingly, creditors of PPL Electric and LKE may not satisfy their debts from the assets of their subsidiaries absent a specific contractual undertaking by a subsidiary to pay the creditors or as required by applicable law or regulation. Similarly, PPL Electric and LKE are not liable for the debts of their subsidiaries, nor are their subsidiaries liable for the debts of one another. Accordingly, creditors of these subsidiaries may not satisfy their debts from the assets of PPL Electric and LKE (or their other subsidiaries) absent a specific contractual undertaking by that parent or other subsidiary to pay such creditors or as required by applicable law or regulation.

(PPL)

Equity Securities

ATM Program

In February 2018, PPL entered into an equity distribution agreement, pursuant to which PPL may sell, from time to time, up to an aggregate of \$1.0 billion of its common stock through an at-the-market offering program, including a forward sales component. The compensation paid to the selling agents by PPL may be up to 2% of the gross offering proceeds of the shares. There were no issuances under the ATM program for the twelve months ended December 31, 2020 and 2019. The ATM program expires in February 2021.

Distributions and Related Restrictions

In November 2020, PPL declared its quarterly common stock dividend, payable January 4, 2021, at 41.50 cents per share (equivalent to \$1.66 per annum). Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors.

Neither PPL Capital Funding nor PPL may declare or pay any cash dividend or distribution on its capital stock during any period in which PPL Capital Funding defers interest payments on its 2007 Series A Junior Subordinated Notes due 2067 or 2013 Series B Junior Subordinated Notes due 2073. At December 31, 2020, no interest payments were deferred.

WPD subsidiaries have financing arrangements that limit their ability to pay dividends. However, PPL does not, at this time, expect that any of such limitations would significantly impact PPL's ability to meet its cash obligations.

(All Registrants)

PPL relies on dividends or loans from its subsidiaries to fund PPL's dividends to its common shareholders. The net assets of certain PPL subsidiaries are subject to legal restrictions. LKE primarily relies on dividends from its subsidiaries to fund its distributions to PPL. LG&E, KU and PPL Electric are subject to Section 305(a) of the Federal Power Act, which makes it unlawful for a public utility to make or pay a dividend from any funds "properly included in capital account." The meaning of this limitation has never been clarified under the Federal Power Act. LG&E, KU and PPL Electric believe, however, that this statutory restriction, as applied to their circumstances, would not be construed or applied by the FERC to prohibit the payment from retained earnings of dividends that are not excessive and are for lawful and legitimate business purposes. In February 2012, LG&E and KU petitioned the FERC requesting authorization to pay dividends in the future based on retained earnings balances calculated without giving effect to the impact of purchase accounting adjustments for PPL's 2010 acquisition of LKE. In May 2012, the FERC approved the petitions with the further condition that each utility may not pay dividends if such payment would cause its adjusted equity ratio to fall below 30% of total capitalization. Accordingly, at December 31, 2020, net assets of \$3 billion (\$1.3 billion for LG&E and \$1.7 billion for KU) were restricted for purposes of paying dividends to LKE, and net assets of \$3.7 billion (\$1.7 billion for LG&E and \$2.0 billion for KU) were available for payment of dividends to LKE. LG&E and KU believe they will not be required to change their current dividend practices as a result of the foregoing requirement. In addition, under Virginia law, KU is prohibited from making loans to affiliates without the prior approval of the VSCC. There are no comparable statutes under Kentucky law applicable to LG&E and KU, or under Pennsylvania law applicable to PPL Electric. However, orders from the KPSC require LG&E and KU to obtain prior consent or approval before lending amounts to PPL.

9. Acquisitions, Development and Divestitures

(PPL)

On August 10, 2020, PPL announced that it initiated a formal process to sell its U.K. utility business. PPL noted that there can be no assurance of any specific outcome, including whether the sale process will result in the completion of any potential transaction, the timing or terms thereof, the value or benefits that may be realized or the effect that any potential transaction will have on future financial results.

As a result of the potential sale, PPL assessed the recoverability of the assets of its U.K. utility business. PPL prepared probability-weighted undiscounted cash flow estimates as of December 31, 2020 and September 30, 2020 that considered the likelihood of the possible outcomes of the sale process, including the possibility of not selling the U.K. utility business. The resulting cash flow analyses exceeded the carrying value of the assets of the U.K. utility business. A change in the possible outcomes of the sale process could result in the carrying value of the assets of the U.K. utility business not being recoverable, which could result in an impairment in future periods. The U.K. utility business will continue to be classified as held and used until it meets the criteria to be classified as held for sale, which includes management obtaining a commitment to a plan to sell from its Board of Directors.

Should the U.K. utility business meet the criteria to be classified as held for sale in a future period, PPL will be required at that time to compare the estimated fair value of its investment in the U.K. utility business, less costs to sell, to its carrying value, including accumulated other comprehensive losses related to the U.K. utility business, for impairment purposes. The resulting measurement may result in a loss. In addition, PPL will reassess its assertion of the indefinite reinvestment of the unremitted earnings of the U.K. utility business. See Note 21 for additional information on accumulated other comprehensive income and losses. See Note 6 for additional information on income taxes.

10. Leases

(All Registrants)

The Registrants determine whether contractual arrangements contain a lease by evaluating whether those arrangements either implicitly or explicitly identify an asset, whether the Registrants have the right to obtain substantially all of the economic benefits from use of the asset throughout the term of the arrangement, and whether the Registrants have the right to direct the use of the asset. Renewal options are included in the lease term if it is reasonably certain the Registrants will exercise those options. Periods for which the Registrants are reasonably certain not to exercise termination options are also included in the

lease term. The Registrants have certain agreements with lease and non-lease components, such as office space leases, which are generally accounted for separately.

LKE, LG&E and KU have entered into various operating leases primarily for office space, vehicles and railcars. The leases generally have fixed payments with expiration dates ranging from 2021 to 2025, some of which have options to extend the leases from one year to ten years and some have options to terminate at LKE's, LG&E's and KU's discretion.

PPL has also entered into various operating leases primarily for office space, land easements, telecom assets and warehouse space. These leases generally have fixed payments with expiration dates ranging from 2020 through 2029, except for the land agreements which extend through 2116.

PPL Electric also has operating leases which do not have a significant impact to its operations.

Short-term Leases

Short-term leases are leases with a term that is 12 months or less and do not include a purchase option or option to extend the initial term of the lease to greater than 12 months that the Registrants are reasonably certain to exercise. The Registrants have made an accounting policy election to not recognize the ROU asset and the lease liability arising from leases classified as short-term. Expenses related to short-term leases are included in the tables below.

Discount Rate

The discount rate for a lease is the rate implicit in the lease unless that rate cannot be readily determined. In that case, the Registrants are required to use their incremental borrowing rate, which is the rate the Registrants would have to pay to borrow, on a collateralized basis over a similar term, an amount equal to the lease payments in a similar economic environment.

The Registrants receive secured borrowing rates from financial institutions based on their applicable credit profiles. The Registrants use the secured rate which corresponds with the term of the applicable lease.

(PPL, LKE, LG&E and KU)

Lessee Transactions

The following table provides the components of lease cost for the Registrants' operating leases for the years ended December 31:

	2020			
	PPL	LKE	LG&E	KU
Lease cost:				
Operating lease cost	\$ 30	\$ 22	\$ 8	\$ 13
Short-term lease cost	9	2	1	1
Total lease cost	\$ 39	\$ 24	\$ 9	\$ 14

	2019			
	PPL	LKE	LG&E	KU
Lease cost:				
Operating lease cost	\$ 33	\$ 25	\$ 12	\$ 13
Short-term lease cost	7	2	1	1
Total lease cost	\$ 40	\$ 27	\$ 13	\$ 14

The following table provides other key information related to the Registrants' operating leases at December 31:

	2020			
	PPL	LKE	LG&E	KU
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 26	\$ 18	\$ 7	\$ 11
Right-of-use asset obtained in exchange for new operating lease liabilities	17	16	6	9

	2019			
	PPL	LKE	LG&E	KU
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 29	\$ 21	\$ 9	\$ 11
Right-of-use asset obtained in exchange for new operating lease liabilities	46	16	5	11

The following table provides the total future minimum rental payments for operating leases, as well as a reconciliation of these undiscounted cash flows to the lease liabilities recognized on the Balance Sheets as of December 31, 2020.

	PPL	LKE	LG&E	KU
2021	\$ 27	\$ 17	\$ 6	\$ 10
2022	22	13	5	8
2023	18	10	4	6
2024	15	8	3	4
2025	8	6	3	3
Thereafter	20	3	1	2
Total	\$ 110	\$ 57	\$ 22	\$ 33
Weighted-average discount rate	3.35%	3.66%	3.53%	3.68%
Weighted-average remaining lease term (in years)	8	4	4	4
Current lease liabilities (a)	\$ 24	\$ 16	\$ 6	\$ 9
Non-current lease liabilities (a)	70	37	15	21
Right-of-use assets (b)	87	46	17	27

- (a) Current lease liabilities are included in "Other Current Liabilities" on the Balance Sheets. Non-current lease liabilities are included in "Other deferred credits and noncurrent liabilities" on the Balance Sheets. The difference between the total future minimum lease payments and the recorded lease liabilities is due to the impact of discounting.
- (b) Right-of-use assets are included in "Other noncurrent assets" on the Balance Sheets.

Lessor Transactions

Third parties lease land from LKE, LG&E and KU at certain generation plants to produce refined coal used to generate electricity. The leases are operating leases and expire in 2021. Payments are allocated among lease and non-lease components as stated in the agreements. Lease payments are fixed or are determined based on the amount of refined coal used in electricity generation at the facility. Payments received are primarily recorded as a regulatory liability and are amortized in accordance with regulatory approvals.

WPD leases property and telecom assets to third parties, which generally expire through 2029. These leases are operating leases. Generally, lease payments are fixed and include only a lease component.

The following table shows the fixed lease payments that PPL, LKE, LG&E and KU expect to receive over the remaining term of their operating lease agreements for the years ended December 31:

	2020			
	PPL	LKE	LG&E	KU
2021	\$ 11	\$ 5	\$ —	\$ 5
2022	6	—	—	—
2023	6	1	—	—
2024	5	—	—	—
2025	4	—	—	—
Thereafter	12	—	—	—
Total	\$ 44	\$ 6	\$ —	\$ 5
Lease income recognized for the twelve months ended December 31, 2020	\$ 21	\$ 15	\$ 6	\$ 9
Lease income recognized for the twelve months ended December 31, 2019	21	13	5	8

11. Stock-Based Compensation

(PPL, PPL Electric and LKE)

Under the ICP, SIP and the ICPKE (together, the Plans), restricted shares of PPL common stock, restricted stock units, performance units and stock options may be granted to officers and other key employees of PPL, PPL Electric, LKE and other affiliated companies. Awards under the Plans are made by the Compensation Committee of the PPL Board of Directors, in the case of the ICP and SIP, and by the PPL Corporate Leadership Council (CLC), in the case of the ICPKE.

The following table details the award limits under each of the Plans.

Plan	Total Plan Award Limit (Shares)	Annual Grant Limit Total As % of Outstanding PPL Common Stock On First Day of Each Calendar Year	Annual Grant Limit Options (Shares)	Annual Grant Limit For Individual Participants - Performance Based Awards	
				For awards denominated in shares (Shares)	For awards denominated in cash (in dollars)
SIP	15,000,000		2,000,000	750,000	\$ 15,000,000
ICPKE	14,199,796	2 %	3,000,000		

Any portion of these awards that has not been granted may be carried over and used in any subsequent year. If any award lapses, the rights of the participant terminate, or, with respect to certain awards, is forfeited, and the shares of PPL common stock underlying such an award are again available for grant. Shares delivered under the Plans may be in the form of authorized and unissued PPL common stock, common stock held in treasury by PPL or PPL common stock purchased on the open market (including private purchases) in accordance with applicable securities laws.

Restricted Stock Units

Restricted stock units represent the right to receive shares of PPL common stock in the future, generally three years after the date of grant, in an amount based on the fair value of PPL common stock on the date of grant.

Under the SIP, each restricted stock unit entitles the grant recipient to accrue additional restricted stock units equal to the amount of quarterly dividends paid on PPL stock. These additional restricted stock units are deferred and payable in shares of PPL common stock at the end of the restriction period. Dividend equivalents on restricted stock unit awards granted under the ICPKE are currently paid in cash when dividends are declared by PPL.

The fair value of restricted stock units granted is recognized on a straight-line basis over the restriction period or through the date at which the employee reaches retirement eligibility. The fair value of restricted stock units granted to retirement-eligible employees is recognized as compensation expense immediately upon the date of grant. Recipients of restricted stock units granted under the ICPKE may also be granted the right to receive dividend equivalents through the end of the restriction period or until the award is forfeited. Restricted stock units are subject to forfeiture or accelerated payout under the plan provisions for termination, retirement, disability and death of employees. Restrictions lapse on restricted stock units fully, in certain situations, as defined by each of the Plans.

The weighted-average grant date fair value of restricted stock units granted was:

	2020	2019	2018
PPL	\$ 35.30	\$ 31.95	\$ 30.58
PPL Electric	35.37	32.33	30.00
LKE	35.31	30.65	30.98

Restricted stock unit activity for 2020 was:

	Restricted Shares/Units	Weighted-Average Grant Date Fair Value Per Share
PPL		
Nonvested, beginning of period	1,137,685	\$ 32.76
Granted	331,160	35.30
Vested	(562,848)	34.57
Forfeited	(9,661)	32.97
Nonvested, end of period	<u>896,336</u>	<u>32.56</u>
PPL Electric		
Nonvested, beginning of period	229,860	\$ 32.61
Transfer between registrants	(1,197)	32.23
Granted	65,356	35.37
Vested	(79,313)	34.55
Forfeited	(3,986)	32.65
Nonvested, end of period	<u>210,720</u>	<u>32.73</u>
LKE		
Nonvested, beginning of period	166,445	\$ 32.09
Transfer between registrants	(1,598)	30.57
Granted	50,402	35.31
Vested	(60,571)	34.88
Forfeited	(1,550)	30.36
Nonvested, end of period	<u>153,128</u>	<u>32.08</u>

Substantially all restricted stock unit awards are expected to vest.

The total fair value of restricted stock units vesting for the years ended December 31 was:

	2020	2019	2018
PPL	\$ 19	\$ 13	\$ 16
PPL Electric	3	2	2
LKE	2	1	5

Performance Units - Total Shareowner Return

Performance units based on relative Total Shareowner Return (TSR) are intended to encourage and reward future corporate performance. Performance units represent a target number of shares (Target Award) of PPL's common stock that the recipient would receive upon PPL's attainment of the applicable performance goal. Performance is determined based on TSR during a three-year performance period. At the end of the period, payout is determined by comparing PPL's performance to the TSR of the companies included in the Philadelphia Stock Exchange Utility Index. Awards are payable on a graduated basis based on thresholds that measure PPL's performance relative to peers that comprise the applicable index on which each year's awards are measured. Awards can be paid up to 200% of the Target Award or forfeited with no payout if performance is below a minimum established performance threshold. Dividends payable during the performance cycle accumulate and are converted into additional performance units and are payable in shares of PPL common stock upon completion of the performance period based on the Compensation Committee's determination of achievement of the performance goals. Under the plan provisions, TSR performance units are subject to forfeiture upon termination of employment other than retirement, one year or more from commencement of the performance period, disability or death of an employee.

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The fair value of TSR performance units granted to retirement-eligible employees is recognized as compensation expense on a straight-line basis over a one-year period, the minimum vesting period required for an employee to be entitled to payout of the awards with no proration. For employees who are not retirement-eligible, compensation expense is recognized over the shorter of the three-year performance period or the period until the employee is retirement-eligible, with a minimum vesting and recognition period of one-year. If an employee retires before the one-year vesting period, the performance units are forfeited. Performance units vest on a pro rata basis, in certain situations, as defined by each of the Plans.

The fair value of each performance unit granted was estimated using a Monte Carlo pricing model that considers stock beta, a risk-free interest rate, expected stock volatility and expected life. The stock beta was calculated comparing the risk of the individual securities to the average risk of the companies in the index group. The risk-free interest rate reflects the yield on a U.S. Treasury bond commensurate with the expected life of the performance unit. Volatility over the expected term of the performance unit is calculated using daily stock price observations for PPL and all companies in the index group and is evaluated with consideration given to prior periods that may need to be excluded based on events not likely to recur that had impacted PPL and the companies in the index group. PPL uses a mix of historic and implied volatility to value awards.

The weighted-average assumptions used in the model were:

	2020	2019	2018
Expected stock volatility	15.64%	17.57%	17.60%
Expected life	3 years	3 years	3 years

The weighted-average grant date fair value of TSR performance units granted was:

	2020	2019	2018
PPL	\$ 37.63	\$ 35.83	\$ 38.26
PPL Electric	38.64	35.68	38.37
LKE	37.73	35.93	38.32

TSR performance unit activity for 2020 was:

	TSR Performance Units	Weighted-Average Grant Date Fair Value Per Share
PPL		
Nonvested, beginning of period	739,392	\$ 37.50
Granted	261,891	37.63
Forfeited (a)	(375,029)	38.46
Nonvested, end of period	626,254	36.98
PPL Electric		
Nonvested, beginning of period	66,799	\$ 37.43
Granted	21,416	38.64
Forfeited (a)	(26,408)	38.37
Nonvested, end of period	61,807	37.44
LKE		
Nonvested, beginning of period	130,533	\$ 37.60
Granted	35,538	37.73
Forfeited (a)	(66,459)	38.23
Nonvested, end of period	99,612	37.23

(a) Primarily related to the forfeiture of 2017 performance units as performance during the period was below the minimum established performance threshold, which resulted in no payout.

There were no TSR performance units vesting for the years ended December 31, 2020 and 2019. The total fair value of TSR performance units vesting for the year ended December 31, 2018 was \$3 million for PPL. Amounts for PPL Electric and LKE are insignificant.

Performance Units - Return on Equity

Beginning in 2017, PPL changed its executive compensation mix to add performance units based on achievement of a corporate Return on Equity (ROE). ROE performance units are intended to further align compensation with the company's strategy and reward for future corporate performance.

Payout of these performance units will be based on the calculated average of the annual corporate ROE for each year of the three-year performance period for PPL Corporation. ROE performance units represent a target number of shares (Target Award) of PPL's common stock that the recipient would receive upon PPL's attainment of the applicable ROE performance goal. ROE performance units can be paid up to 200% of the Target Award or forfeited with no payout if performance is below a minimum established performance threshold. Dividends payable during the performance cycle accumulate and are converted into additional performance units and are payable in shares of PPL common stock upon completion of the performance period based on the Compensation Committee's determination of achievement of the performance goals. Under the plan provisions, these performance units are subject to forfeiture upon termination of employment other than retirement, disability or death of an employee.

The fair value of each ROE performance unit is based on the closing price of PPL Common Stock on the date of grant. The fair value of ROE performance units is recognized on a straight-line basis over the service period or through the date at which the employee reaches retirement eligibility. The fair value awards granted to retirement-eligible employees is recognized as compensation expense immediately upon the date of grant. As these awards are based on performance conditions, the level of attainment is monitored each reporting period and compensation expense is adjusted based on the expected attainment level.

The weighted-average grant date fair value of ROE performance units granted was:

	2020	2019	2018
PPL	\$ 34.95	\$ 30.89	\$ 32.21
PPL Electric	35.59	30.76	32.32
LKE	34.81	30.99	32.28

ROE performance unit activity for 2020 was:

	ROE Performance Unit	Weighted-Average Grant Date Fair Value Per Share
PPL		
Nonvested, beginning of period	570,765	\$ 32.02
Granted	374,878	34.95
Vested	(216,979)	34.42
Nonvested, end of period	<u>728,664</u>	32.81
PPL Electric		
Nonvested, beginning of period	49,194	\$ 31.92
Granted	30,426	35.59
Vested	(17,813)	34.41
Nonvested, end of period	<u>61,807</u>	33.01
LKE		
Nonvested, beginning of period	107,805	\$ 32.20
Granted	60,286	34.81
Vested	(46,384)	34.29
Nonvested, end of period	<u>121,707</u>	32.70

The total fair value of ROE performance units vesting for the years ended December 31 was:

	2020
PPL	\$ 8
PPL Electric	1
LKE	2

Stock Options

PPL's Compensation, Governance and Nominating Committee, now known as the Compensation Committee, eliminated the use of stock options due to changes in its long-term incentive mix beginning in January 2014.

Under the Plans, stock options had been granted with an option exercise price per share not less than the fair value of PPL's common stock on the date of grant. Options outstanding at December 31, 2020, are fully vested. All options expire no later than 10 years from the grant date. The options become exercisable immediately in certain situations, as defined by each of the Plans.

Stock option activity for 2020 was:

	Number of Options	Weighted Average Exercise Price Per Share	Weighted- Average Remaining Contractual Term (years)	Aggregate Total Intrinsic Value
PPL				
Outstanding at beginning of period	1,330,943	\$ 26.20		
Exercised	(227,927)	26.10		
Outstanding and exercisable at end of period	<u>1,103,016</u>	26.22	1.7	\$ 2

For 2020, 2019 and 2018, PPL received \$8 million, \$53 million and \$5 million in cash from stock options exercised. The total intrinsic value of stock options exercised was insignificant in 2020 and 2018 and \$11 million in 2019. The related income tax benefits realized were not significant.

Compensation Expense

Compensation expense for restricted stock, restricted stock units, performance units and stock options accounted for as equity awards, which for PPL Electric and LKE includes an allocation of PPL Services' expense, was:

	2020	2019	2018
PPL	\$ 28	\$ 35	\$ 25
PPL Electric	10	12	10
LKE	11	9	8

The income tax benefit related to above compensation expense was as follows:

	2020	2019	2018
PPL	\$ 8	\$ 10	\$ 10
PPL Electric	3	3	3
LKE	3	2	2

At December 31, 2020, unrecognized compensation expense related to nonvested stock awards was:

	Unrecognized Compensation Expense	Weighted- Average Period for Recognition
PPL	\$ 16	1.7
PPL Electric	3	1.8
LKE	1	1.4

12. Retirement and Postemployment Benefits

(All Registrants)

Defined Benefits

Certain employees of PPL's domestic subsidiaries are eligible for pension benefits under non-contributory defined benefit pension plans with benefits based on length of service and final average pay, as defined by the plans. Effective January 1, 2012, PPL's primary defined benefit pension plan was closed to all newly hired salaried employees. Effective July 1, 2014, PPL's primary defined benefit pension plan was closed to all newly hired bargaining unit employees. Newly hired employees are eligible to participate in the PPL Retirement Savings Plan, a 401(k) savings plan with enhanced employer contributions.

The defined benefit pension plans of LKE and its subsidiaries were closed to new salaried and bargaining unit employees hired after December 31, 2005. Employees hired after December 31, 2005 receive additional company contributions above the standard matching contributions to their savings plans. The pension plans sponsored by LKE and LG&E were merged effective January 1, 2020 into the LG&E and KU Pension Plan. The merged plan is sponsored by LKE. LG&E and KU participate in this plan.

Effective April 1, 2010, the principal defined benefit pension plan applicable to WPD (South West) and WPD (South Wales) was closed to most new employees, except for those meeting specific grandfathered participation rights. WPD Midlands' defined benefit plan had been closed to new members, except for those meeting specific grandfathered participation rights, prior to acquisition. New employees not eligible to participate in the plans are offered benefits under a defined contribution plan.

PPL and certain of its subsidiaries also provide supplemental retirement benefits to executives and other key management employees through unfunded nonqualified retirement plans.

Certain employees of PPL's domestic subsidiaries are eligible for certain health care and life insurance benefits upon retirement through contributory plans. Effective January 1, 2014, the PPL Postretirement Medical Plan was closed to all newly hired salaried employees. Effective July 1, 2014, the PPL Postretirement Medical Plan was closed to all newly hired bargaining unit employees. Postretirement health benefits may be paid from 401(h) accounts established as part of the PPL Retirement Plan and the LG&E and KU Pension Plan within the PPL Services Corporation Master Trust, funded VEBA trusts and company funds. WPD does not sponsor any postretirement benefit plans other than pensions.

(PPL)

The following table provides the components of net periodic defined benefit costs (credits) for PPL's domestic (U.S.) and WPD's (U.K.) pension and other postretirement benefit plans for the years ended December 31.

	Pension Benefits						Other Postretirement Benefits			
	U.S.			U.K.						
	2020	2019	2018	2020	2019	2018	2020	2019	2018	
Net periodic defined benefit costs (credits):										
Service cost	\$ 56	\$ 50	\$ 62	\$ 89	\$ 68	\$ 82	\$ 6	\$ 6	\$ 7	
Interest cost	146	164	156	143	187	185	19	22	21	
Expected return on plan assets	(246)	(245)	(249)	(622)	(588)	(587)	(21)	(18)	(23)	
Amortization of:										
Prior service cost (credit)	9	8	10	1	1	—	1	(1)	(1)	
Actuarial (gain) loss	89	56	84	213	92	151	—	1	—	
Net periodic defined benefit costs (credits) prior to settlements and termination benefits	54	33	63	(176)	(240)	(169)	5	10	4	
Settlements (a)	23	1	—	—	—	—	—	—	—	
Net periodic defined benefit costs (credits)	\$ 77	\$ 34	\$ 63	\$ (176)	\$ (240)	\$ (169)	\$ 5	\$ 10	\$ 4	
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI and Regulatory Assets/Liabilities - Gross:										
Settlement	(23)	(1)	—	—	—	—	—	—	—	
Net (gain) loss	(221)	(121)	157	459	723	201	(6)	(18)	8	
Prior service cost (credit)	1	2	1	—	—	13	5	—	—	
Amortization of:										
Prior service (cost) credit	(9)	(8)	(10)	(1)	(1)	—	(1)	1	1	
Actuarial gain (loss)	(89)	(56)	(84)	(213)	(92)	(151)	—	(1)	—	
Total recognized in OCI and regulatory assets/liabilities (b)	(341)	(184)	64	245	630	63	(2)	(18)	9	
Total recognized in net periodic defined benefit costs, OCI and regulatory assets/liabilities (b)	\$ (264)	\$ (150)	\$ 127	\$ 69	\$ 390	\$ (106)	\$ 3	\$ (8)	\$ 13	

- (a) Includes a settlement charge for a retired PPL executive as well as a settlement charge incurred as a result of the amount of lump sum payment distributions from the LKE qualified pension plan. In accordance with existing regulatory accounting treatment, LG&E and KU have primarily maintained the settlement charge in regulatory assets to be amortized in accordance with existing regulatory practice. The portion of the settlement attributed to LKE's operations outside of the jurisdiction of the KPSC has been charged to expense.
- (b) WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP. As a result, WPD does not record regulatory assets/liabilities.

For PPL's U.S. pension benefits and for other postretirement benefits, the amounts recognized in OCI and regulatory assets/liabilities for the years ended December 31 were as follows:

	U.S. Pension Benefits			Other Postretirement Benefits		
	2020	2019	2018	2020	2019	2018
OCI	\$ (428)	\$ (194)	\$ 90	\$ (12)	\$ (13)	\$ 20
Regulatory assets/liabilities	87	10	(26)	10	(5)	(11)
Total recognized in OCI and regulatory assets/liabilities	\$ (341)	\$ (184)	\$ 64	\$ (2)	\$ (18)	\$ 9

(LKE)

The following table provides the components of net periodic defined benefit costs for LKE's pension and other postretirement benefit plans for the years ended December 31.

	Pension Benefits			Other Postretirement Benefits		
	2020	2019	2018	2020	2019	2018
Net periodic defined benefit costs (credits):						
Service cost	\$ 24	\$ 22	\$ 25	\$ 4	\$ 4	\$ 4
Interest cost	57	66	63	7	8	8
Expected return on plan assets	(101)	(101)	(102)	(9)	(8)	(9)
Amortization of:						
Prior service cost	8	8	9	1	1	1
Actuarial (gain) loss (a)	41	22	35	(1)	(1)	—
Net periodic defined benefit costs (credits) before settlements	\$ 29	\$ 17	\$ 30	\$ 2	\$ 4	\$ 4
Settlements (b)	15	—	—	—	—	—
Net periodic defined benefit costs (credits) (c)	\$ 44	\$ 17	\$ 30	\$ 2	\$ 4	\$ 4
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI and Regulatory Assets/Liabilities - Gross:						
Settlements	\$ (15)	\$ —	\$ —	\$ —	\$ —	\$ —
Net (gain) loss	(29)	(37)	40	(1)	(14)	1
Prior service cost	2	2	—	5	—	—
Amortization of:						
Prior service credit	(8)	(8)	(9)	(1)	(1)	(1)
Actuarial gain (loss)	(41)	(22)	(35)	1	1	—
Total recognized in OCI and regulatory assets/liabilities	(91)	(65)	(4)	4	(14)	—
Total recognized in net periodic defined benefit costs, OCI and regulatory assets/liabilities	\$ (47)	\$ (48)	\$ 26	\$ 6	\$ (10)	\$ 4

- (a) As a result of the 2014 Kentucky rate case settlement that became effective July 1, 2015, the difference between actuarial (gain)/loss calculated in accordance with LKE's pension accounting policy and actuarial (gain)/loss calculated using a 15 year amortization period was \$11 million in 2020, \$5 million in 2019 and \$11 million in 2018.
- (b) Due to the amount of lump sum payment distributions from the LKE qualified pension plan, a settlement charge of \$15 million for the year ended December 31, 2020 was incurred. In accordance with existing regulatory accounting treatment, LG&E and KU have primarily maintained the settlement charge in regulatory assets to be amortized in accordance with existing regulatory practice. The portion of the settlement attributable to LKE's operations outside of the jurisdiction of the KPSC has been charged to expense.
- (c) Due to the amount of lump sum payment distributions from the LG&E qualified pension plan, settlement charges of \$5 million in 2019 and \$6 million in 2018 were incurred. In accordance with existing regulatory accounting treatment, LG&E has maintained the settlement charge in regulatory assets. The amount will be amortized in accordance with existing regulatory practice.

For LKE's pension and other postretirement benefits, the amounts recognized in OCI and regulatory assets/liabilities for the years ended December 31 were as follows:

	Pension Benefits			Other Postretirement Benefits		
	2020	2019	2018	2020	2019	2018
OCI	\$ (5)	\$ 13	\$ (25)	\$ (2)	\$ (7)	\$ 4
Regulatory assets/liabilities	(86)	(78)	21	6	(7)	(4)
Total recognized in OCI and regulatory assets/liabilities	\$ (91)	\$ (65)	\$ (4)	\$ 4	\$ (14)	\$ —

(LG&E)

The following table provides the components of net periodic defined benefit costs for LG&E's pension benefit plan for the years ended December 31.

	Pension Benefits	
	2019 (a)	2018
Net periodic defined benefit costs (credits):		
Service cost	\$ 1	\$ 1
Interest cost	11	12
Expected return on plan assets	(21)	(22)
Amortization of:		
Prior service cost (credit)	5	5
Actuarial loss (b)	9	7
Net periodic defined benefit costs (credits) (c)	\$ 5	\$ 3
Other Changes in Plan Assets and Benefit Obligations Recognized in Regulatory Assets - Gross:		
Net (gain) loss	\$ (19)	\$ 22
Prior service cost	—	—
Amortization of:		
Prior service credit	(5)	(5)
Actuarial gain	(9)	(7)
Total recognized in regulatory assets/liabilities	(33)	10
Total recognized in net periodic defined benefit costs and regulatory assets	\$ (28)	\$ 13

- (a) The pension plans sponsored by LKE and LG&E were merged effective January 1, 2020 into the LG&E and KU Pension Plan, sponsored by LKE.
- (b) As a result of the 2014 Kentucky rate case settlement that became effective July 1, 2015, the difference between actuarial (gain)/loss calculated in accordance with LG&E's pension accounting policy and actuarial (gain)/loss calculated using a 15 year amortization period was \$3 million in 2019 and \$2 million in 2018.
- (c) Due to the amount of lump sum payment distributions from the LG&E qualified pension plan, settlement charges of \$5 million in 2019 and \$6 million in 2018 were incurred. In accordance with existing regulatory accounting treatment, LG&E has maintained the settlement charge in regulatory assets. The amount will be amortized in accordance with existing regulatory practice.

(All Registrants)

The following net periodic defined benefit costs (credits) were charged to expense or regulatory assets, excluding amounts charged to construction and other non-expense accounts. The U.K. pension benefits apply to PPL only.

	Pension Benefits						Other Postretirement Benefits		
	U.S.			U.K.					
	2020	2019	2018	2020	2019	2018	2020	2019	2018
PPL	\$ 40	\$ 18	\$ 40	\$ (237)	\$ (287)	\$ (226)	\$ 4	\$ 8	\$ 2
PPL Electric (a)	(2)	(4)	4				2	4	(1)
LKE (b)	20	12	21				1	2	3
LG&E (a) (b)	4	3	4				2	2	2
KU (a) (b)	1	(1)	2				—	—	1

- (a) PPL Electric and KU do not directly sponsor any defined benefit plans. PPL Electric and KU were allocated these costs of defined benefit plans sponsored by PPL Services (for PPL Electric) and by LKE (for KU), based on their participation in those plans, which management believes are reasonable. KU is also allocated costs of defined benefit plans from LKS for defined benefit plans sponsored by LKE. Effective January 1, 2020, the LKE and LG&E defined benefit pension plans were merged into a combined defined benefit pension plan, sponsored by LKE, therefore LG&E and KU do not directly sponsor any defined benefit plans. LG&E and KU were allocated these costs of defined benefit plans sponsored by LKE, based on their participation in those plans, which management believes are reasonable. LG&E and KU are also allocated costs of defined benefit plans from LKS for defined benefit plans sponsored by LKE. See Note 15 for additional information on costs allocated to LG&E and KU from LKS.
- (b) As a result of the 2014 Kentucky rate case settlement that became effective July 1, 2015, the difference between net periodic defined benefit costs calculated in accordance with LKE's, LG&E's and KU's pension accounting policy and the net periodic defined benefit costs calculated using a 15 year amortization period for gains and losses is recorded as a regulatory asset. Of the costs charged to Other operation and maintenance, Other Income (Expense) - net or regulatory assets, excluding amounts charged to construction and other non-expense accounts, \$3 million for LG&E and \$1 million for KU were recorded as regulatory assets in 2020, \$2 million for LG&E and \$1 million for KU were recorded as regulatory assets in 2019 and \$3 million for LG&E and \$2 million for KU were recorded as regulatory assets in 2018.

In the table above, LG&E amounts include costs for the specific plans it sponsors and the following allocated costs of defined benefit plans sponsored by LKE. LG&E is also allocated costs of defined benefit plans from LKS for defined benefit plans sponsored by LKE. See Note 15 for additional information on costs allocated to LG&E from LKS. These allocations are based on LG&E's participation in those plans, which management believes are reasonable:

	Pension Benefits		Other Postretirement Benefits	
	2019 (a)	2018	2019 (a)	2018
LG&E Non-Union Only	\$ —	\$ 2	\$ 2	\$ 2

(a) The pension plans sponsored by LKE and LG&E were merged effective January 1, 2020 into the LG&E and KU Pension Plan, sponsored by LKE.

(PPL, LKE and LG&E)

PPL, LKE, and LG&E use base mortality tables issued by the Society of Actuaries for all U.S. defined benefit pension and other postretirement benefit plans. In 2019, PPL, LKE and LGE used RP-2014 base tables with collar and factor adjustments, where applicable, and the MP-2017 mortality improvement scale from 2006 on a generational basis. In 2020, PPL and LKE updated to the Pri-2012 base table and the MP-2020 projection scale with varying adjustment factors based on the underlying demographic and geographic differences and experience of the plan participants.

The following weighted-average assumptions were used in the valuation of the benefit obligations at December 31. The U.K. pension benefits apply to PPL only.

	Pension Benefits				Other Postretirement Benefits	
	U.S.		U.K.		2020	2019
	2020	2019	2020	2019		
PPL						
Discount rate	2.92 %	3.64 %	1.53 %	1.94 %	2.84 %	3.60 %
Rate of compensation increase	3.76 %	3.79 %	3.25 %	3.25 %	3.75 %	3.76 %
LKE						
Discount rate	2.91 %	3.62 %			2.85 %	3.59 %
Rate of compensation increase	3.50 %	3.50 %			3.50 %	3.50 %
LG&E						
Discount rate	— %	3.60 %				

The following weighted-average assumptions were used to determine the net periodic defined benefit costs for the years ended December 31. The U.K. pension benefits apply to PPL only.

	Pension Benefits						Other Postretirement Benefits		
	U.S.			U.K.			2020	2019	2018
	2020	2019	2018	2020	2019	2018			
PPL									
Discount rate service cost	3.64 %	4.35 %	3.70 %	2.03 %	3.12 %	2.73 %	3.60 %	4.31 %	3.64 %
Discount rate interest cost	3.64 %	4.35 %	3.70 %	1.73 %	2.62 %	2.31 %	3.60 %	4.31 %	3.64 %
Rate of compensation increase	3.79 %	3.79 %	3.78 %	3.25 %	3.50 %	3.50 %	3.76 %	3.76 %	3.75 %
Expected return on plan assets	7.25 %	7.25 %	7.25 %	7.13 %	7.21 %	7.23 %	6.44 %	6.46 %	6.40 %
LKE									
Discount rate	3.62 %	4.35 %	3.69 %				3.59 %	4.32 %	3.65 %
Rate of compensation increase	3.50 %	3.50 %	3.50 %				3.50 %	3.50 %	3.50 %
Expected return on plan assets (a)	7.25 %	7.25 %	7.25 %				7.02 %	7.00 %	7.15 %
LG&E									
Discount rate	— %	4.33 %	3.65 %						
Expected return on plan assets (a)	— %	7.25 %	7.25 %						

(a) The expected long-term rates of return for pension and other postretirement benefits are based on management's projections using a best-estimate of expected returns, volatilities and correlations for each asset class. Each plan's specific current and expected asset allocations are also considered in developing a reasonable return assumption.

(PPL and LKE)

The following table provides the assumed health care cost trend rates for the years ended December 31:

	2020	2019	2018
PPL and LKE			
Health care cost trend rate assumed for next year			
– obligations	6.5 %	6.6 %	6.6 %
– cost	6.6 %	6.6 %	6.6 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			
– obligations	5.0 %	5.0 %	5.0 %
– cost	5.0 %	5.0 %	5.0 %
Year that the rate reaches the ultimate trend rate			
– obligations	2027	2024	2023
– cost	2024	2023	2022

(PPL)

The funded status of PPL's plans at December 31 was as follows:

	Pension Benefits				Other Postretirement Benefits	
	U.S.		U.K.		2020	2019
	2020	2019	2020	2019		
Change in Benefit Obligation						
Benefit Obligation, beginning of period	\$ 4,146	\$ 3,883	\$ 8,515	\$ 7,275	\$ 557	\$ 538
Service cost	56	50	89	68	6	6
Interest cost	146	164	143	187	19	22
Participant contributions	—	—	12	12	15	14
Plan amendments	2	2	—	—	5	—
Actuarial (gain) loss	256	368	624	1,220	29	34
Settlements	(114)	(21)	—	—	—	—
Gross benefits paid	(241)	(300)	(366)	(363)	(58)	(58)
Federal subsidy	—	—	—	—	—	1
Currency conversion	—	—	281	116	—	—
Benefit Obligation, end of period	4,251	4,146	9,298	8,515	573	557
Change in Plan Assets						
Plan assets at fair value, beginning of period	3,585	3,109	8,945	7,801	340	301
Actual return on plan assets	723	735	805	1,095	56	71
Employer contributions	115	63	272	278	18	10
Participant contributions	—	—	12	12	11	10
Settlements	(114)	(22)	—	—	—	—
Gross benefits paid	(241)	(300)	(366)	(363)	(58)	(52)
Currency conversion	—	—	302	122	—	—
Plan assets at fair value, end of period	4,068	3,585	9,970	8,945	367	340
Funded Status, end of period	\$ (183)	\$ (561)	\$ 672	\$ 430	\$ (206)	\$ (217)
Amounts recognized in the Balance Sheets consist of:						
Noncurrent asset	\$ 24	\$ 24	\$ 682	\$ 440	\$ —	\$ 11
Current liability	(18)	(8)	—	(1)	(22)	(2)
Noncurrent liability	(189)	(577)	(10)	(9)	(184)	(226)
Net amount recognized, end of period	\$ (183)	\$ (561)	\$ 672	\$ 430	\$ (206)	\$ (217)

	Pension Benefits				Other Postretirement Benefits	
	U.S.		U.K.		2020	2019
	2020	2019	2020	2019		
Amounts recognized in AOCI and regulatory assets/liabilities (pre-tax) consist of:						
Prior service cost (credit)	\$ 27	\$ 34	\$ 11	\$ 11	\$ 14	\$ 10
Net actuarial (gain) loss	695	1,029	3,682	3,435	—	6
Total (a)	\$ 722	\$ 1,063	\$ 3,693	\$ 3,446	\$ 14	\$ 16
Total accumulated benefit obligation for defined benefit pension plans	\$ 4,024	\$ 3,910	\$ 8,516	\$ 7,821		

(a) WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP and as a result, does not record regulatory assets/liabilities.

For PPL's U.S. pension and other postretirement benefit plans, the amounts recognized in AOCI and regulatory assets/liabilities at December 31 were as follows:

	U.S. Pension Benefits		Other Postretirement Benefits	
	2020	2019	2020	2019
AOCI	\$ 270	\$ 352	\$ 10	\$ 13
Regulatory assets/liabilities	452	711	4	3
Total	\$ 722	\$ 1,063	\$ 14	\$ 16

The actuarial loss for U.S. pension plans in 2020 was related to a change in the discount rate used to measure the benefit obligations of those plans offset by gains resulting from the updated mortality assumptions noted above and other demographic assumption changes resulting from the completion of a tri-annual demographic experience study. The actuarial loss for U.S. pension plans in 2019 was primarily related to a change in the discount rate used to measure the benefit obligations of those plans.

The actuarial loss for U.K. pension plans in 2020 and 2019 was primarily related to a change in the discount rate used to measure the benefit obligations of those plans.

The following tables provide information on pension plans where the projected benefit obligation (PBO) or accumulated benefit obligation (ABO) exceed the fair value of plan assets:

	U.S.		U.K.	
	PBO in excess of plan assets		PBO in excess of plan assets	
	2020	2019	2020	2019
Projected benefit obligation	\$ 1,875	\$ 3,861	\$ 11	\$ 10
Fair value of plan assets	1,668	3,275	—	—
	U.S.		U.K.	
	ABO in excess of plan assets		ABO in excess of plan assets	
	2020	2019	2020	2019
Accumulated benefit obligation	\$ 184	\$ 3,624	\$ 11	\$ 10
Fair value of plan assets	—	3,275	—	—

(LKE)

The funded status of LKE's plans at December 31 was as follows:

	Pension Benefits		Other Postretirement Benefits	
	2020	2019	2020	2019
Change in Benefit Obligation				
Benefit Obligation, beginning of period	\$ 1,684	\$ 1,580	\$ 208	\$ 205
Service cost	24	22	4	4
Interest cost	57	66	7	8
Participant contributions	—	—	9	7
Plan amendments	2	2	5	—
Actuarial (gain) loss (a)	164	166	18	5
Settlements	(83)	(16)	—	—
Gross benefits paid	(63)	(136)	(22)	(21)
Benefit Obligation, end of period	1,785	1,684	229	208
Change in Plan Assets				
Plan assets at fair value, beginning of period	1,470	1,294	141	117
Actual return on plan assets	294	304	28	27
Employer contributions	50	24	4	11
Participant contributions	—	—	9	7
Settlements	(83)	(16)	—	—
Gross benefits paid	(63)	(136)	(22)	(21)
Plan assets at fair value, end of period	1,668	1,470	160	141
Funded Status, end of period	\$ (117)	\$ (214)	\$ (69)	\$ (67)
Amounts recognized in the Balance Sheets consist of:				
Noncurrent asset	\$ —	\$ 24	\$ —	\$ 11
Current liability	(5)	(5)	(2)	(2)
Noncurrent liability	(112)	(233)	(67)	(76)
Net amount recognized, end of period	\$ (117)	\$ (214)	\$ (69)	\$ (67)
Amounts recognized in AOCI and regulatory assets/liabilities (pre-tax) consist of:				
Prior service cost	\$ 23	\$ 30	\$ 14	\$ 10
Net actuarial (gain) loss	296	380	(37)	(37)
Total	\$ 319	\$ 410	\$ (23)	\$ (27)
Total accumulated benefit obligation for defined benefit pension plans	\$ 1,657	\$ 1,561		

(a) The actuarial (gain) loss for all pension plans in 2020 and 2019 was primarily related to changes in the discount rate used to measure the benefit obligations of those plans.

The amounts recognized in AOCI and regulatory assets/liabilities at December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2020	2019	2020	2019
AOCI	\$ 127	\$ 132	\$ 2	\$ 4
Regulatory assets/liabilities	192	278	(25)	(31)
Total	\$ 319	\$ 410	\$ (23)	\$ (27)

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The following tables provide information on pension plans where the projected benefit obligation (PBO) or accumulated benefit obligations (ABO) exceed the fair value of plan assets:

	PBO in excess of plan assets	
	2020	2019
Projected benefit obligation	\$ 1,785	\$ 1,398
Fair value of plan assets	1,668	1,160
	ABO in excess of plan assets	
	2020	2019
Accumulated benefit obligation	\$ 104	\$ 1,276
Fair value of plan assets	—	1,160

(LG&E)

The funded status of LG&E's plan at December 31, was as follows:

	Pension Benefits	
	2019 (a)	
Change in Benefit Obligation		
Benefit Obligation, beginning of period	\$	285
Service cost		1
Interest cost		11
Actuarial (gain) loss		25
Gross benefits paid		(36)
Benefit Obligation, end of period		286
Change in Plan Assets		
Plan assets at fair value, beginning of period		281
Actual return on plan assets		64
Employer contributions		1
Gross benefits paid		(36)
Plan assets at fair value, end of period		310
Funded Status, end of period	\$	24
Amounts recognized in the Balance Sheets consist of:		
Noncurrent asset (liability)	\$	24
Net amount recognized, end of period	\$	24
Amounts recognized in regulatory assets (pre-tax) consist of:		
Prior service cost	\$	17
Net actuarial loss		79
Total	\$	96
Total accumulated benefit obligation for defined benefit pension plan	\$	286

(a) The pension plans sponsored by LKE and LG&E were merged effective January 1, 2020 into the LG&E and KU Pension Plan, sponsored by LKE.

LG&E's pension plan had plan assets in excess of projected and accumulated benefit obligations December 31, 2019.

In addition to the plan it sponsored, LG&E is allocated a portion of the funded status and costs of certain defined benefit plans sponsored by LKE. LG&E is also allocated costs of defined benefit plans from LKS for defined benefit plans sponsored by LKE. See Note 15 for additional information on costs allocated to LG&E from LKS. These allocations are based on LG&E's participation in those plans, which management believes are reasonable. The actuarially determined obligations of current active employees and retired employees are used as a basis to allocate total plan activity, including active and retiree costs and obligations. Allocations to LG&E resulted in (assets)/liabilities at December 31 as follows:

	2020	2019
Pension	\$ (78)	\$ (7)
Other postretirement benefits	68	63

(PPL Electric)

Although PPL Electric does not directly sponsor any defined benefit plans, it is allocated a portion of the funded status and costs of plans sponsored by PPL Services based on its participation in those plans, which management believes are reasonable. The actuarially determined obligations of current active employees and retirees are used as a basis to allocate total plan activity, including active and retiree costs and obligations. Allocations to PPL Electric resulted in (assets)/liabilities at December 31 as follows:

	2020	2019
Pension	\$ (4)	\$ 179
Other postretirement benefits	99	122

(KU)

Although KU does not directly sponsor any defined benefit plans, it is allocated a portion of the funded status and costs of plans sponsored by LKE. KU is also allocated costs of defined benefit plans from LKS for defined benefit plans sponsored by LKE. See Note 15 for additional information on costs allocated to KU from LKS. These allocations are based on KU's participation in those plans, which management believes are reasonable. The actuarially determined obligations of current active employees and retired employees of KU are used as a basis to allocate total plan activity, including active and retiree costs and obligations. Allocations to KU resulted in (assets)/liabilities at December 31 as follows.

	2020	2019
Pension	\$ (62)	\$ (31)
Other postretirement benefits	16	16

Plan Assets - U.S. Pension Plans

(PPL, LKE and LG&E)

PPL's primary legacy pension plan and the pension plan sponsored by LKE are invested in the PPL Services Corporation Master Trust (the Master Trust) that also includes 401(h) accounts that are restricted for certain other postretirement benefit obligations of PPL and LKE. The investment strategy for the Master Trust is to achieve a risk-adjusted return on a mix of assets that, in combination with PPL's funding policy, will ensure that sufficient assets are available to provide long-term growth and liquidity for benefit payments, while also managing the duration of the assets to complement the duration of the liabilities. The Master Trust benefits from a wide diversification of asset types, investment fund strategies and external investment fund managers, and therefore has no significant concentration of risk.

The investment policy of the Master Trust outlines investment objectives and defines the responsibilities of the EBPB, external investment managers, investment advisor and trustee and custodian. The investment policy is reviewed annually by PPL's Board of Directors.

The EBPB created a risk management framework around the trust assets and pension liabilities. This framework considers the trust assets as being composed of three sub-portfolios: growth, immunizing and liquidity portfolios. The growth portfolio is comprised of investments that generate a return at a reasonable risk, including equity securities, certain debt securities and alternative investments. The immunizing portfolio consists of debt securities, generally with long durations, and derivative positions. The immunizing portfolio is designed to offset a portion of the change in the pension liabilities due to changes in interest rates. The liquidity portfolio consists primarily of cash and cash equivalents.

Target allocation ranges have been developed for each portfolio based on input from external consultants with a goal of limiting funded status volatility. The EBPB monitors the investments in each portfolio, and seeks to obtain a target portfolio that emphasizes reduction of risk of loss from market volatility. In pursuing that goal, the EBPB establishes revised guidelines from time to time. EBPB investment guidelines as of the end of 2020 are presented below.

The asset allocation for the trust and the target allocation by portfolio at December 31 are as follows:

	Percentage of trust assets		2020
	2020	2019 (a)	Target Asset Allocation (a)
Growth Portfolio	56 %	57 %	55 %
Equity securities	34 %	34 %	
Debt securities (b)	13 %	14 %	
Alternative investments	9 %	9 %	
Immunizing Portfolio	43 %	42 %	43 %
Debt securities (b)	33 %	35 %	
Derivatives	10 %	7 %	
Liquidity Portfolio	1 %	1 %	2 %
Total	100 %	100 %	100 %

- (a) Allocations exclude consideration of a group annuity contract held by the LG&E and KU Retirement Plan.
(b) Includes commingled debt funds, which PPL treats as debt securities for asset allocation purposes.

(LKE)

LKE has pension plans whose assets are invested solely in the Master Trust, which is fully disclosed below. The fair value of these plans' assets of \$1.7 billion and \$1.5 billion at December 31, 2020 and 2019 represents an interest of approximately 41% in the Master Trust.

(LG&E)

LG&E had a pension plan whose assets were invested solely in the Master Trust, which is fully disclosed below. The fair value of this plan's assets of \$310 million at December 31, 2019 represented an interest of approximately 9% in the Master Trust. The pension plans sponsored by LKE and LG&E were merged effective January 1, 2020 into the LG&E and KU Pension Plan, sponsored by LKE.

The fair value of LKE's plan assets allocated to LG&E was \$618 million and \$251 million at December 31, 2020 and 2019.

(KU)

The fair value of LKE's plan assets allocated to KU was \$505 million and \$445 million at December 31, 2020 and 2019.

(PPL, LKE and LG&E)

The fair value of net assets in the Master Trust by asset class and level within the fair value hierarchy was:

	December 31, 2020				December 31, 2019			
	Total	Fair Value Measurements Using			Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
PPL Services Corporation Master Trust								
Cash and cash equivalents	\$ 300	\$ 300	\$ —	\$ —	\$ 182	\$ 182	\$ —	\$ —
Equity securities:								
U.S. Equity	60	60	—	—	194	194	—	—
U.S. Equity fund measured at NAV (a)	742	—	—	—	451	—	—	—
International equity fund at NAV (a)	566	—	—	—	554	—	—	—
Commingled debt measured at NAV (a)	712	—	—	—	621	—	—	—
Debt securities:								
U.S. Treasury and U.S. government sponsored agency	336	335	1	—	310	309	1	—
Corporate	1,045	—	1,030	15	951	—	931	20
Other	13	—	13	—	14	—	14	—

	December 31, 2020				December 31, 2019			
	Fair Value Measurements Using				Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Alternative investments:								
Real estate measured at NAV (a)	76	—	—	—	88	—	—	—
Private equity measured at NAV (a)	68	—	—	—	62	—	—	—
Hedge funds measured at NAV (a)	223	—	—	—	194	—	—	—
Limited Partnerships at NAV (a)	6	—	—	—	—	—	—	—
Derivatives	(37)	—	(37)	—	3	—	3	—
Insurance contracts	—	—	—	—	4	—	—	4
PPL Services Corporation Master Trust assets, at fair value	4,110	\$ 695	\$ 1,007	\$ 15	3,628	\$ 685	\$ 949	\$ 24
Receivables and payables, net (b)	116				99			
401(h) accounts restricted for other postretirement benefit obligations	(158)				(142)			
Total PPL Services Corporation Master Trust pension assets	\$ 4,068				\$ 3,585			

- (a) In accordance with accounting guidance certain investments that are measured at fair value using the net asset value per share (NAV), or its equivalent, practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.
- (b) Receivables and payables, net represents amounts for investments sold/purchased but not yet settled along with interest and dividends earned but not yet received.

A reconciliation of the Master Trust assets classified as Level 3 at December 31, 2020 is as follows:

	Corporate debt	Insurance contracts	Total
Balance at beginning of period	\$ 20	\$ 4	\$ 24
Purchases, sales and settlements	(5)	(4)	(9)
Balance at end of period	\$ 15	\$ —	\$ 15

A reconciliation of the Master Trust assets classified as Level 3 at December 31, 2019 is as follows:

	Corporate debt	Insurance contracts	Total
Balance at beginning of period	\$ 25	\$ 21	\$ 46
Actual return on plan assets:			
Relating to assets still held at the reporting date	(1)	4	3
Relating to assets sold during the period	3	—	3
Purchases, sales and settlements	(7)	(21)	(28)
Balance at end of period	\$ 20	\$ 4	\$ 24

The fair value measurements of cash and cash equivalents are based on the amounts on deposit.

The market approach is used to measure fair value of equity securities. The fair value measurements of equity securities (excluding commingled funds), which are generally classified as Level 1, are based on quoted prices in active markets. These securities represent actively and passively managed investments that are managed against various equity indices.

Investments in commingled equity and debt funds are categorized as equity securities. Investments in commingled equity funds include funds that invest in U.S. and international equity securities. Investments in commingled debt funds include funds that invest in a diversified portfolio of emerging market debt obligations, as well as funds that invest in investment grade long-duration fixed-income securities.

The fair value measurements of debt securities are generally based on evaluations that reflect observable market information, such as actual trade information for identical securities or for similar securities, adjusted for observable differences. The fair value of debt securities is generally measured using a market approach, including the use of pricing models, which incorporate observable inputs. Common inputs include benchmark yields, relevant trade data, broker/dealer bid/ask prices, benchmark securities and credit valuation adjustments. When necessary, the fair value of debt securities is measured using the income approach, which incorporates similar observable inputs as well as payment data, future predicted cash flows, collateral performance and new issue data. For the Master Trust, these securities represent investments in securities issued by U.S.

Treasury and U.S. government sponsored agencies; investments securitized by residential mortgages, auto loans, credit cards and other pooled loans; investments in investment grade and non-investment grade bonds issued by U.S. companies across several industries; investments in debt securities issued by foreign governments and corporations.

Investments in real estate represent an investment in a partnership whose purpose is to manage investments in core U.S. real estate properties diversified geographically and across major property types (e.g., office, industrial, retail, etc.). The strategy is focused on properties with high occupancy rates with quality tenants. This results in a focus on high income and stable cash flows with appreciation being a secondary factor. Core real estate generally has a lower degree of leverage when compared with more speculative real estate investing strategies. The partnership has limitations on the amounts that may be redeemed based on available cash to fund redemptions. Additionally, the general partner may decline to accept redemptions when necessary to avoid adverse consequences for the partnership, including legal and tax implications, among others. The fair value of the investment is based upon a partnership unit value.

Investments in private equity represent interests in partnerships in multiple early-stage venture capital funds and private equity fund of funds that use a number of diverse investment strategies. The partnerships have limited lives of at least 10 years, after which liquidating distributions will be received. Prior to the end of each partnership's life, the investment cannot be redeemed with the partnership; however, the interest may be sold to other parties, subject to the general partner's approval. At December 31, 2020, the Master Trust has unfunded commitments of \$45 million that may be required during the lives of the partnerships. Fair value is based on an ownership interest in partners' capital to which a proportionate share of net assets is attributed.

Investments in limited partnerships include Term Asset-Backed Securities Loan Facility (TALF) funds. The Master Trust received notice that the TALF funds are liquidating in an orderly manner and distributing capital back to the partners. Therefore, the Master Trust has no unfunded commitment related to the TALF funds. Fair value of the funds is based on an ownership interest in partners' capital to which a proportionate share of net assets is attributed.

Investments in hedge funds represent investments in a fund of hedge funds. Hedge funds seek a return utilizing a number of diverse investment strategies. The strategies, when combined aim to reduce volatility and risk while attempting to deliver positive returns under most market conditions. Major investment strategies for the fund of hedge funds include long/short equity, tactical trading, event driven, and relative value. Shares may be redeemed with 45 days prior written notice. The fund is subject to short term lockups and other restrictions. The fair value for the fund has been estimated using the net asset value per share.

The fair value measurements of derivative instruments utilize various inputs that include quoted prices for similar contracts or market-corroborated inputs. In certain instances, these instruments may be valued using models, including standard option valuation models and standard industry models. These securities primarily represent investments in treasury futures, total return swaps, interest rate swaps and swaptions (the option to enter into an interest rate swap), which are valued based on quoted prices, changes in the value of the underlying exposure or on the swap details, such as swap curves, notional amount, index and term of index, reset frequency, volatility and payer/receiver credit ratings.

In 2019, obligations underlying an investment in an immediate participation guaranteed group annuity contract, classified as Level 3, were assumed by the insurance company, with a residual amount remaining in the general account of the insurer that was paid into the master trust or distributed to participants in 2020.

Plan Assets - U.S. Other Postretirement Benefit Plans

The investment strategy with respect to other postretirement benefit obligations is to fund VEBA trusts and/or 401(h) accounts with voluntary contributions and to invest in a tax efficient manner. Excluding the 401(h) accounts included in the Master Trust, other postretirement benefit plans are invested in a mix of assets for long-term growth with an objective of earning returns that provide liquidity as required for benefit payments. These plans benefit from diversification of asset types, investment fund strategies and investment fund managers and, therefore, have no significant concentration of risk. Equity securities include investments in domestic large-cap commingled funds. Ownership interests in commingled funds that invest entirely in debt securities are classified as equity securities, but treated as debt securities for asset allocation and target allocation purposes. Ownership interests in money market funds are treated as cash and cash equivalents for asset allocation and target allocation purposes. The asset allocation for the PPL VEBA trusts, excluding LKE, and the target allocation, by asset class, at December 31 are detailed below.

Asset Class	Percentage of plan assets		Target Asset Allocation
	2020	2019	2020
U.S. Equity securities	42 %	45 %	45 %
Debt securities (a)	55 %	52 %	50 %
Cash and cash equivalents (b)	3 %	3 %	5 %
Total	100 %	100 %	100 %

- (a) Includes commingled debt funds and debt securities.
(b) Includes money market funds.

LKE's other postretirement benefit plan is invested primarily in a 401(h) account, as disclosed in the PPL Services Corporation Master Trust, with insignificant amounts invested in money market funds within VEBA trusts for liquidity.

The fair value of assets in the U.S. other postretirement benefit plans by asset class and level within the fair value hierarchy was:

	December 31, 2020				December 31, 2019			
	Fair Value Measurement Using				Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Money market funds	\$ 5	\$ 5	\$ —	\$ —	\$ 6	\$ 6	\$ —	\$ —
U.S. Equity securities:								
Large-cap equity fund measure at NAV (a)	89	—	—	—	89	—	—	—
Commingled debt fund measured at NAV (a)	77	—	—	—	68	—	—	—
Debt securities:								
Corporate bonds	37	—	37	—	35	—	35	—
U.S. Treasury and U.S. government sponsored agency	2	—	2	—	—	—	—	—
Total VEBA trust assets, at fair value	210	\$ 5	\$ 39	\$ —	198	\$ 6	\$ 35	\$ —
Receivables and payables, net (b)	(1)				—			
401(h) account assets	158				142			
Total other postretirement benefit plan assets	\$ 367				\$ 340			

- (a) In accordance with accounting guidance certain investments that are measured at fair value using the net asset value per share (NAV), or its equivalent, practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.
(b) Receivables and payables represent amounts for investments sold/purchased but not yet settled along with interest and dividends earned but not yet received.

Investments in money market funds represent investments in funds that invest primarily in a diversified portfolio of investment grade money market instruments, including, but not limited to, commercial paper, notes, repurchase agreements and other evidences of indebtedness with a maturity not exceeding 13 months from the date of purchase. The primary objective of the fund is a level of current income consistent with stability of principal and liquidity. Redemptions can be made daily on this fund.

Investments in large-cap equity securities represent investments in a passively managed equity index fund that invests in securities and a combination of other collective funds. Fair value measurements are not obtained from a quoted price in an active market but are based on firm quotes of net asset values per share as provided by the trustee of the fund. Redemptions can be made daily on this fund.

Investments in commingled debt securities represent investments in a fund that invests in a diversified portfolio of investment grade long-duration fixed income securities. Redemptions can be made daily on these funds.

Investments in corporate bonds represent investment in a diversified portfolio of investment grade long-duration fixed income securities. The fair value of debt securities are generally based on evaluations that reflect observable market information, such as actual trade information for identical securities or for similar securities, adjusted for observable differences.

Investments in U.S. Treasury and U.S. government sponsored agencies represent securities included in a portfolio of investment-grade long-duration fixed income. The fair value of debt securities are generally based on evaluations that reflect

observable market information, such as actual trade information for identical securities or for similar securities, adjusted for observable differences.

Plan Assets - U.K. Pension Plans (PPL)

The overall investment strategy of WPD's pension plans is developed by each plan's independent trustees in its Statement of Investment Principles in compliance with the U.K. Pensions Act of 1995 and other U.K. legislation. The trustees' primary focus is to ensure that assets are sufficient to meet members' benefits as they fall due with a longer term objective to reduce investment risk. The investment strategy is intended to maximize investment returns while not incurring excessive volatility in the funding position. WPD's plans are invested in a wide diversification of asset types, fund strategies and fund managers; and therefore, have no significant concentration of risk. Commingled funds that consist entirely of debt securities are traded as equity units, but treated by WPD as debt securities for asset allocation and target allocation purposes. These include investments in U.K. corporate bonds and U.K. gilts.

The asset allocation and target allocation at December 31 of WPD's pension plans are detailed below.

Asset Class	Percentage of plan assets		Target Asset Allocation
	2020	2019	2020
Cash and cash equivalents	4 %	2 %	— %
Equity securities			
U.K.	— %	— %	2 %
European (excluding the U.K.)	— %	— %	1 %
Asian-Pacific	— %	— %	1 %
North American	— %	1 %	1 %
Emerging markets	— %	— %	1 %
Global equities	23 %	19 %	9 %
Global Tactical Asset Allocation	20 %	29 %	41 %
Debt securities (a)	48 %	43 %	38 %
Alternative investments	5 %	6 %	6 %
Total	100 %	100 %	100 %

(a) Includes commingled debt funds.

The fair value of assets in the U.K. pension plans by asset class and level within the fair value hierarchy was:

	December 31, 2020				December 31, 2019			
	Total	Fair Value Measurement Using			Total	Fair Value Measurement Using		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 412	\$ 412	\$ —	\$ —	\$ 154	\$ 154	\$ —	\$ —
Equity securities measured at NAV (a):								
U.K. companies	1	—	—	—	22	—	—	—
European companies (excluding the U.K.)	3	—	—	—	54	—	—	—
Asian-Pacific companies	3	—	—	—	35	—	—	—
North American companies	3	—	—	—	74	—	—	—
Emerging markets companies	1	—	—	—	32	—	—	—
Global Equities	2,253	—	—	—	1,684	—	—	—
Other	1,950	—	—	—	2,584	—	—	—
Debt Securities:								
U.K. corporate bonds	—	—	—	—	5	—	5	—
U.K. corporate bonds measured at NAV (a)	574	—	—	—	—	\$ —	—	—
U.K. gilts	4,209	—	4,209	—	3,819	—	3,819	—
Alternative investments:								
Real estate measured at NAV (a)	557	—	—	—	519	—	—	—
Fair value - U.K. pension plans	9,966	\$ 412	\$ 4,209	\$ —	8,982	\$ 154	\$ 3,824	\$ —
Receivables and payables, net (b)	4				(37)			
Total U.K. pension assets	\$ 9,970				\$ 8,945			

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- (a) In accordance with accounting guidance certain investments that are measured at fair value using the net asset value per share (NAV), or its equivalent, practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.
- (b) Receivables and payables, net represents amounts for investments sold/purchased but not yet settled along with interest and dividends earned but not yet received.

Except for investments in real estate, the fair value measurements of WPD's pension plan assets are based on the same inputs and measurement techniques used to measure the U.S. pension plan assets described above.

Investments in equity securities represent actively and passively managed funds that are measured against various equity indices.

Other comprises a range of investment strategies, which invest in a variety of assets including equities, bonds, currencies, real estate and forestry held in unitized funds, which are considered in the Global Tactical Asset Allocation target.

U.K. corporate bonds include investment grade corporate bonds of companies from diversified U.K. industries.

U.K. gilts include gilts, index-linked gilts and swaps intended to track a portion of the plans' liabilities.

Investments in real estate represent holdings in a U.K. unitized fund that owns and manages U.K. industrial and commercial real estate with a strategy of earning current rental income and achieving capital growth. The fair value measurement of the fund is based upon a net asset value per share, which is based on the value of underlying properties that are independently appraised in accordance with Royal Institution of Chartered Surveyors valuation standards at least annually with quarterly valuation updates based on recent sales of similar properties, leasing levels, property operations and/or market conditions. The fund may be subject to redemption restrictions in the unlikely event of a large forced sale in order to ensure other unit holders are not disadvantaged.

Expected Cash Flows - U.S. Defined Benefit Plans (PPL)

While PPL's U.S. defined benefit pension plans have the option to utilize available prior year credit balances to meet current and future contribution requirements, PPL contributed \$30 million in January 2021 to its U.S. pension plans. No additional contributions are expected in 2021.

PPL sponsors various non-qualified supplemental pension plans for which no assets are segregated from corporate assets. PPL expects to make approximately \$18 million of benefit payments under these plans in 2021.

PPL is not required to make contributions to its other postretirement benefit plans but has historically funded these plans in amounts equal to the postretirement benefit costs recognized. Continuation of this past practice would cause PPL to contribute \$35 million to its other postretirement benefit plans in 2021.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the plans and the following federal subsidy payments are expected to be received by PPL.

	Pension	Other Postretirement	
		Benefit Payment	Expected Federal Subsidy
2021	\$ 296	\$ 49	\$ 1
2022	284	47	—
2023	279	46	—
2024	275	44	—
2025	273	43	—
2026-2030	1,273	194	1

(LKE)

Effective January 1, 2020, the LKE and LG&E defined benefit pension plans were merged into a combined defined benefit pension plan.

While LKE's defined benefit pension plan has the option to utilize available prior year credit balances to meet current and future contribution requirements, LKE accelerated its planned January 2021 contribution of \$23 million to December 2020. No contributions are expected in 2021.

LKE sponsors various non-qualified supplemental pension plans for which no assets are segregated from corporate assets. LKE expects to make \$6 million of benefit payments under these plans in 2021.

LKE is not required to make contributions to its other postretirement benefit plan but has historically funded this plan in amounts equal to the postretirement benefit costs recognized. Continuation of this past practice would cause LKE to contribute a projected \$15 million to its other postretirement benefit plan in 2021.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the plans and the following federal subsidy payments are expected to be received by LKE.

	Other Postretirement			
	Pension		Benefit Payment	Expected Federal Subsidy
2021	\$	121	\$ 15	\$ 1
2022		119	16	—
2023		118	16	—
2024		117	16	—
2025		115	16	—
2026-2030		533	75	1

Expected Cash Flows - U.K. Pension Plans (PPL)

The pension plans of WPD are subject to formal actuarial valuations every three years, which are used to determine funding requirements. Contribution requirements were evaluated in accordance with the valuation performed as of March 31, 2019. WPD expects to make contributions of approximately \$183 million in 2021. WPD is currently permitted to recover in current revenues approximately 78% of its pension funding requirements for its primary pension plans.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the plans.

	Pension
2021	\$ 362
2022	367
2023	370
2024	375
2025	377
2026-2030	1,884

Savings Plans (All Registrants)

Substantially all employees of PPL's subsidiaries are eligible to participate in deferred savings plans (401(k)s). Employer contributions to the plans were:

	2020	2019	2018
PPL	\$ 42	\$ 42	\$ 40
PPL Electric	6	6	6
LKE	19	21	20
LG&E	6	6	6
KU	5	5	5

13. Jointly Owned Facilities

(PPL, LKE, LG&E and KU)

At December 31, 2020 and 2019, the Balance Sheets reflect the owned interests in the generating plants listed below.

	Ownership Interest	Electric Plant	Accumulated Depreciation	Construction Work in Progress
PPL and LKE				
December 31, 2020				
Trimble County Unit 1	75.00 %	\$ 440	\$ 64	\$ 2
Trimble County Unit 2	75.00 %	1,340	227	106
December 31, 2019				
Trimble County Unit 1	75.00 %	\$ 440	\$ 54	\$ 2
Trimble County Unit 2	75.00 %	1,278	203	134
LG&E				
December 31, 2020				
E.W. Brown Units 6-7	38.00 %	\$ 46	\$ 22	\$ —
Paddy's Run Unit 13 & E.W. Brown Unit 5	53.00 %	51	22	—
Trimble County Unit 1	75.00 %	440	64	2
Trimble County Unit 2	14.25 %	370	51	54
Trimble County Units 5-6	29.00 %	33	14	1
Trimble County Units 7-10	37.00 %	77	31	1
Cane Run Unit 7	22.00 %	123	15	—
E.W. Brown Solar Unit	39.00 %	10	2	—
Solar Share	44.00 %	2	—	—
December 31, 2019				
E.W. Brown Units 6-7	38.00 %	\$ 45	\$ 20	\$ —
Paddy's Run Unit 13 & E.W. Brown Unit 5	53.00 %	52	20	—
Trimble County Unit 1	75.00 %	440	54	2
Trimble County Unit 2	14.25 %	340	43	69
Trimble County Units 5-6	29.00 %	32	12	—
Trimble County Units 7-10	37.00 %	78	27	—
Cane Run Unit 7	22.00 %	119	13	—
E.W. Brown Solar Unit	39.00 %	10	2	—
Solar Share	44.00 %	1	—	—
KU				
December 31, 2020				
E.W. Brown Units 6-7	62.00 %	\$ 76	\$ 37	\$ —
Paddy's Run Unit 13 & E.W. Brown Unit 5	47.00 %	45	20	—
Trimble County Unit 2	60.75 %	970	176	52
Trimble County Units 5-6	71.00 %	77	33	4
Trimble County Units 7-10	63.00 %	129	53	2
Cane Run Unit 7	78.00 %	443	57	2
E.W. Brown Solar Unit	61.00 %	16	3	—
Solar Share	56.00 %	2	—	—
December 31, 2019				
E.W. Brown Units 6-7	62.00 %	\$ 75	\$ 32	\$ —
Paddy's Run Unit 13 & E.W. Brown Unit 5	47.00 %	46	14	—
Trimble County Unit 2	60.75 %	938	160	65
Trimble County Units 5-6	71.00 %	76	29	—
Trimble County Units 7-10	63.00 %	128	46	—
Cane Run Unit 7	78.00 %	429	49	1
E.W. Brown Solar Unit	61.00 %	16	2	—
Solar Share	56.00 %	2	—	—

Each subsidiary owning these interests provides its own funding for its share of the facility. Each receives a portion of the total output of the generating plants equal to its percentage ownership. The share of fuel and other operating costs associated with the plants is included in the corresponding operating expenses on the Statements of Income.

14. Commitments and Contingencies

Energy Purchase Commitments (PPL, LKE, LG&E and KU)

LG&E and KU enter into purchase contracts to supply the coal and natural gas requirements for generation facilities and LG&E's retail natural gas supply operations. These contracts include the following commitments:

Contract Type	Maximum Maturity Date
Natural Gas Fuel	2023
Natural Gas Retail Supply	2022
Coal	2024
Coal Transportation and Fleeting Services	2027
Natural Gas Transportation	2026

LG&E and KU have a power purchase agreement with OVEC expiring in June 2040. See footnote (f) to the table in "Guarantees and Other Assurances" below for information on the OVEC power purchase contract, including recent developments in credit or debt conditions relating to OVEC. Future obligations for power purchases from OVEC are demand payments, comprised of debt-service payments and contractually-required reimbursements of plant operating, maintenance and other expenses, and are projected as follows:

	LG&E	KU	Total
2021	\$ 23	\$ 11	\$ 34
2022	23	11	34
2023	24	10	34
2024	22	10	32
2025	22	10	32
Thereafter	250	109	359
Total	<u>\$ 364</u>	<u>\$ 161</u>	<u>\$ 525</u>

LG&E and KU had total energy purchases under the OVEC power purchase agreement for the years ended December 31 as follows:

	2020	2019	2018
LG&E	\$ 12	\$ 15	\$ 14
KU	6	7	6
Total	<u>\$ 18</u>	<u>\$ 22</u>	<u>\$ 20</u>

Legal Matters

(All Registrants)

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

Talen Litigation (PPL)

Background

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

Marketing also became a subsidiary of Talen Energy as a result of the June 2015 spinoff of PPL Energy Supply. Talen Energy has owned and operated both Talen Montana and Talen Energy Marketing since the spinoff. At the time of the spinoff, affiliates of Riverstone acquired a 35% ownership interest in Talen Energy. Riverstone subsequently acquired the remaining interests in Talen Energy in a take private transaction in December 2016.

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

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

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

On November 30, 2018, PPL, certain PPL affiliates, and certain current and former officers and directors (PPL plaintiffs) filed a complaint in the Court of Chancery of the State of Delaware seeking various forms of relief against Riverstone, Talen Energy and certain of their affiliates (Delaware Action), in response to and as part of the defense strategy for an action filed by Talen Montana, LLC (the Talen Direct Action, since dismissed) and the Talen Putative Class Action described above (together, the Montana Actions) originally filed in Montana state court in October 2018. In the complaint, the PPL plaintiffs ask the Delaware Court of Chancery for declaratory and injunctive relief. This includes a declaratory judgment that, under the separation agreement governing the spinoff of PPL Energy Supply, all related claims that arise must be heard in Delaware; that the statute of limitations in Delaware and the spinoff agreement bar these claims at this time; that PPL is not liable for the claims in either the Talen Direct Action or the Talen Putative Class Action as PPL Montana was solvent at all relevant times; and that the separation agreement requires that Talen Energy indemnify PPL for all losses arising from the debts of Talen Montana, among other things. PPL's complaint also seeks damages against Riverstone for interfering with the separation agreement and against Riverstone affiliates for breach of the implied covenant of good faith and fair dealing. The complaint was subsequently amended on January 11, 2019 and March 20, 2019, to include, among other things, claims related to indemnification with respect to the Montana Actions, request a declaration that the Montana Actions are time-barred under the spinoff agreements, and allege additional facts to support the tortious interference claim. In April 2019, the defendants filed motions to dismiss the amended complaint. In July 2019, the Court heard oral arguments from the parties regarding the motions to dismiss, and in October 2019, the Delaware Court of Chancery issued an opinion sustaining all of the PPL plaintiffs' claims except for the claim for breach of implied covenant of good faith and fair dealing. As a result of the dismissal of the Talen Direct Action in December 2019, in January 2020, Talen Energy filed a new motion to dismiss five of the remaining eight claims in the amended complaint. The Court heard oral argument on the motion to dismiss on May 28, 2020, and on June 22, 2020, issued an opinion denying the motion in its entirety. Discovery is proceeding, and a trial has been scheduled for February 2022.

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

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

(PPL, LKE and LG&E)

Cane Run Environmental Claims

In December 2013, six residents, on behalf of themselves and others similarly situated, filed a class action complaint against LG&E and PPL in the U.S. District Court for the Western District of Kentucky (U.S. District Court) alleging violations of the Clean Air Act, RCRA, and common law claims of nuisance, trespass and negligence. In July 2014, the U.S. District Court dismissed the RCRA claims and all but one Clean Air Act claim, but declined to dismiss the common law tort claims. In February 2017, the U.S. District Court dismissed PPL as a defendant and dismissed the final federal claim against LG&E, and in April 2017, issued an Order declining to exercise supplemental jurisdiction on the state law claims dismissing the case in its entirety. In June 2017, the plaintiffs filed a class action complaint in Jefferson County, Kentucky Circuit Court, against LG&E alleging state law nuisance, negligence and trespass tort claims. The plaintiffs seek compensatory and punitive damages for alleged property damage due to purported plant emissions on behalf of a class of residents within one to three miles of the plant. On January 8, 2020, the Jefferson Circuit Court issued an order denying the plaintiffs' request for class certification. On January 14, 2020, the plaintiffs filed a notice of appeal in the Kentucky Court of Appeals. On December 11, 2020, the Court of Appeals issued an order affirming the lower court's denial of class certification. In December 2020, plaintiffs filed a petition for discretionary review with the Kentucky Supreme Court. PPL, LKE and LG&E cannot predict the outcome of this matter and an estimate or range of possible losses cannot be determined.

(PPL, LKE and KU)

E.W. Brown Environmental Claims

In July 2017, the Kentucky Waterways Alliance and the Sierra Club filed a citizen suit complaint against KU in the U.S. District Court for the Eastern District of Kentucky (U.S. District Court) alleging discharges at the E.W. Brown plant in violation of the Clean Water Act and the plant's water discharge permit and alleging contamination that may present an imminent and substantial endangerment in violation of the RCRA. The plaintiffs' suit relates to prior notices of intent to file a citizen suit submitted in October and November 2015 and October 2016. These plaintiffs sought injunctive relief ordering KU to take all actions necessary to comply with the Clean Water Act and RCRA, including ceasing the discharges in question, abating effects associated with prior discharges and eliminating the alleged imminent and substantial endangerment. These plaintiffs also sought assessment of civil penalties and an award of litigation costs and attorney fees. In December 2017, the U.S. District Court issued an Order dismissing the Clean Water Act and RCRA complaints against KU in their entirety. In January 2018, the plaintiffs appealed the dismissal Order to the U.S. Court of Appeals for the Sixth Circuit. In September 2018, the U.S. Court of Appeals for the Sixth Circuit issued its ruling affirming the lower court's decision to dismiss the Clean Water Act claims but reversing its dismissal of the RCRA claims against KU and remanding the latter to the U.S. District Court. In October 2018, KU filed a petition for rehearing to the U.S. Court of Appeals for the Sixth Circuit regarding the RCRA claims. In November 2018, the U.S. Court of Appeals for the Sixth Circuit denied KU's petition for rehearing regarding the RCRA claims. In January 2019, KU filed an answer to plaintiffs' complaint in the U.S. District Court. Discovery is complete and the parties' motions for partial summary judgment are pending. In December 2020, the U.S. District Court delayed the trial scheduled for February 2, 2021 indefinitely due to pandemic considerations. PPL, LKE and KU cannot predict the outcome of these matters and an estimate or range of possible losses cannot be determined.

KU is undertaking extensive remedial measures at the E.W. Brown plant including work preparing for closure of the former ash pond, implementation of a groundwater remedial action plan and performance of a corrective action plan including aquatic study of adjacent surface waters and risk assessment. The aquatic study and risk assessment are being undertaken pursuant to a 2017 agreed Order with the Kentucky Energy and Environment Cabinet (KEEC). KU conducted sampling of Herrington Lake in 2017 and 2018. In June 2019, KU submitted to the KEEC the required aquatic study and risk assessment, conducted by an independent third-party consultant, finding that discharges from the E.W. Brown plant have not had any significant impact on Herrington Lake and that the water in the lake is safe for recreational use and meets safe drinking water standards. However, until the KEEC assesses the study and issues any regulatory determinations, PPL, LKE and KU are unable to determine whether additional remedial measures will be required at the E.W. Brown plant.

Air

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

In June 2016, the EPA issued a notice of violation under the Clean Air Act alleging that LG&E violated applicable rules relating to sulfuric acid mist emissions at its Mill Creek plant. The notice alleges failure to install proper controls, failure to operate the facility consistent with good air pollution control practice, and causing emissions exceeding applicable requirements or constituting a nuisance or endangerment. LG&E believes it has complied with applicable regulations during the relevant time period. On July 31, 2020, the U.S. Department of Justice and Louisville Metro Air Pollution Control District filed a complaint in the U.S. District Court for the Western District of Kentucky alleging violations specified in the EPA notice of violation and seeking civil penalties and injunctive relief. In October 2020, LG&E filed a motion to dismiss the complaint. In December 2020, the U.S. Department of Justice and the Louisville Metro Air Pollution Control District filed an amended complaint. In February 2021, LG&E filed a renewed motion to dismiss regarding the amended complaint. PPL, LKE and LG&E are unable to predict the outcome of this matter or the potential impact on operations of the Mill Creek plant, including increased capital or operating costs, and potential civil penalties or remedial measures, if any. An estimate or range of possible losses cannot be determined.

Water/Waste

(PPL, LKE, LG&E and KU)

ELGs

In 2015, the EPA finalized ELGs for wastewater discharge permits for new and existing steam electricity generating facilities. These guidelines require deployment of additional control technologies providing physical, chemical and biological treatment and mandate operational changes including "no discharge" requirements for certain wastewaters. The implementation date for individual generating stations was to be determined by the states on a case-by-case basis according to criteria provided by the EPA. Legal challenges to the final rule were consolidated before the U.S. Court of Appeals for the Fifth Circuit. In April 2017, the EPA announced that it would grant petitions for reconsideration of the rule. In September 2017, the EPA issued a rule to postpone the compliance date for certain requirements. On October 13, 2020, the EPA published final revisions to its best available technology standards for certain wastewaters and potential extensions to compliance dates. The rule will be implemented by the states or applicable permitting authorities in the course of their normal permitting activities. LG&E and KU have developed responsive compliance strategies and schedules. Certain aspects of these compliance plans and estimates relate to developments in state water quality standards, which are separate from the ELG rule or its implementation. Certain costs are included in the Registrants' capital plans and expected to be recovered from customers through rate recovery mechanisms, but additional costs and recovery will depend on further regulatory developments at the state level. See Note 7 for additional information regarding LG&E's and KU's applications for ECR rate treatment of construction costs relating to regulations addressing ELGs.

CCRs

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

In January 2017, Kentucky issued a new state rule relating to CCR management, effective May 2017, aimed at reflecting the requirements of the federal CCR rule. As a result of a subsequent legal challenge, in January 2018, the Franklin County, Kentucky Circuit Court issued an opinion invalidating certain procedural elements of the rule. LG&E and KU presently operate their facilities under continuing permits authorized under the former program and do not currently anticipate material impacts as a result of the judicial ruling. The Kentucky Energy and Environmental Cabinet has announced it intends to propose new state

rules aimed at addressing procedural deficiencies identified by the court and providing the regulatory framework necessary for operation of the state program in lieu of the federal CCR Rule. Associated costs are expected to be subject to rate recovery.

LG&E and KU received KPSC approval for a compliance plan providing for the closure of impoundments at the Mill Creek, Trimble County, E.W. Brown, and Ghent stations, and construction of process water management facilities at those plants. In addition to the foregoing measures required for compliance with the federal CCR rule, KU also received KPSC approval for its plans to close impoundments at the retired Green River, Pineville and Tyrone plants to comply with applicable state law. Since 2017, LG&E and KU have commenced closure of many of the subject impoundments and have completed closure of some of their smaller impoundments. LG&E and KU expect to commence closure of the remaining impoundments no later than April 2021. LG&E and KU generally expect to complete impoundment closures within five years of commencement, although a longer period may be required to complete closure of some facilities. Associated costs are expected to be subject to rate recovery.

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

(All Registrants)

Superfund and Other Remediation

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

At December 31, 2020 and December 31, 2019, PPL Electric had a recorded liability of \$10 million representing its best estimate of the probable loss incurred to remediate the sites identified above. Depending on the outcome of investigations at identified sites where investigations have not begun or been completed, or developments at sites for which information is incomplete, additional costs of remediation could be incurred. PPL Electric, LG&E and KU lack sufficient information about such additional sites to estimate any potential liability or range of reasonably possible losses, if any, related to these sites. Such costs, however, are not currently expected to be significant.

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

Regulatory Issues

See Note 7 for information on regulatory matters related to utility rate regulation.

Electricity - Reliability Standards

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

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

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

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

Other

Labor Union Agreements

(LKE and KU)

In August 2020, KU and the United Steelworkers of America ratified a three-year labor agreement through August 2023. The agreement covers approximately 48 employees. The terms of the new labor agreement are not expected to have a significant impact on the financial results of LKE or KU.

(LKE and LG&E)

In November 2020, LG&E and the IBEW ratified a three-year collective bargaining agreement through November 2023. The agreement covers approximately 640 employees. The terms of the labor agreement are not expected to have a significant impact on the financial results of LKE or LG&E.

Guarantees and Other Assurances

(All Registrants)

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

(PPL)

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

(All Registrants)

The table below details guarantees provided as of December 31, 2020. "Exposure" represents the estimated maximum potential amount of future payments that could be required to be made under the guarantee. The probability of expected payment/performance under each of these guarantees is remote except for "WPD guarantee of pension and other obligations of unconsolidated entities," for which PPL has a total recorded liability of \$5 million at December 31, 2020 and December 31, 2019. For reporting purposes, on a consolidated basis, all guarantees of PPL Electric, LKE, LG&E and KU also apply to PPL, and all guarantees of LG&E and KU also apply to LKE.

	<u>Exposure at December 31, 2020</u>	<u>Expiration Date</u>
<u>PPL</u>		
WPD indemnifications for entities in liquidation and sales of assets	\$ 11 (a)	2022
WPD guarantee of pension and other obligations of unconsolidated entities	95 (b)	
<u>LKE</u>		
Indemnification of lease termination and other divestitures	200 (c)	2021
<u>LG&E and KU</u>		
LG&E and KU obligation of shortfall related to OVEC	(d)	

(a) Indemnification to the liquidators and certain others for existing liabilities or expenses or liabilities arising during the liquidation process. The indemnifications are limited to distributions made from the subsidiary to its parent either prior or subsequent to liquidation or are not explicitly stated in the agreements. The indemnifications generally expire two to seven years subsequent to the date of dissolution of the entities. The exposure noted only includes those cases where the agreements provide for specific limits.

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

- (b) Relates to certain obligations of discontinued or modified electric associations that were guaranteed at the time of privatization by the participating members. Costs are allocated to the members and can be reallocated if an existing member becomes insolvent. At December 31, 2020, WPD has recorded an estimated discounted liability for which the expected payment/performance is probable. Neither the expiration date nor the maximum amount of potential payments for certain obligations is explicitly stated in the related agreements, and as a result, the exposure has been estimated.
- (c) LKE provides certain indemnifications covering the due and punctual payment, performance and discharge by each party of its respective obligations. The most comprehensive of these guarantees is the LKE guarantee covering operational, regulatory and environmental commitments and indemnifications made by WKE under a 2009 Transaction Termination Agreement. This guarantee has a term of 12 years ending July 2021, and a maximum exposure of \$200 million, exclusive of certain items such as government fines and penalties that may exceed the maximum. Additionally, LKE has indemnified various third parties related to historical obligations for other divested subsidiaries and affiliates. The indemnifications vary by entity and the maximum exposures range from being capped at the sale price to no specified maximum. LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. LKE cannot predict the ultimate outcomes of the various indemnification scenarios, but does not expect such outcomes to result in significant losses above the amounts recorded.
- (d) Pursuant to the OVEC power purchase contract, LG&E and KU are obligated to pay for their share of OVEC's excess debt service, post-retirement and decommissioning costs, as well as any shortfall from amounts included within a demand charge designed and expected to cover these costs over the term of the contract. LKE's proportionate share of OVEC's outstanding debt was \$104 million at December 31, 2020, consisting of LG&E's share of \$72 million and KU's share of \$32 million. The maximum exposure and the expiration date of these potential obligations are not presently determinable. See "Energy Purchase Commitments" above for additional information on the OVEC power purchase contract.

In March 2018, a sponsor with a 4.85% pro-rata share of OVEC obligations filed for bankruptcy under Chapter 11 and, in August 2018, received a rejection order for the OVEC power purchase contract in the bankruptcy proceeding. OVEC and other entities challenged the contract rejection, the bankruptcy plan confirmation and regulatory aspects of the plan in various forums. In May 2020, OVEC and the relevant sponsor announced a settlement resolving all disputed matters in the bankruptcy and other proceedings, including providing that the sponsor will withdraw its request to reject the power purchase agreement. The settlement was implemented in July 2020. Periodically, OVEC and certain of its sponsors, including LG&E and KU, may consider certain potential additional credit support actions to preserve OVEC's access to credit markets, including establishing or continuing debt reserve accounts or other changes involving OVEC's existing short and long-term debt.

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

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

Risks and Uncertainties (All Registrants)

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

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

15. Related Party Transactions**Wholesale Sales and Purchases** (LG&E and KU)

LG&E and KU jointly dispatch their generation units with the lowest cost generation used to serve their retail customers. When LG&E has excess generation capacity after serving its own retail customers and its generation cost is lower than that of KU, KU purchases electricity from LG&E and vice versa. These transactions are reflected in the Statements of Income as "Electric revenue from affiliate" and "Energy purchases from affiliate" and are recorded at a price equal to the seller's fuel cost plus any split savings. Savings realized from such intercompany transactions are shared equally between both companies. The volume of energy each company has to sell to the other is dependent on its retail customers' needs and its available generation.

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

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

	2020	2019	2018
PPL Electric from PPL Services	\$ 50	\$ 59	\$ 59
LKE from PPL Services	27	28	26
PPL Electric from PPL EU Services	176	152	148
LG&E from LKS	170	160	151
KU from LKS	180	178	169

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

Intercompany Borrowings*(PPL Electric)*

PPL Energy Funding maintains a \$650 million revolving line of credit with a PPL Electric subsidiary. No balance was outstanding at December 31, 2020 and 2019. The interest rates on borrowings are equal to one-month LIBOR plus a spread. Interest income is reflected in "Interest Income from Affiliate" on the Income Statements.

(LKE)

LKE maintains a \$375 million revolving line of credit with a PPL Energy Funding subsidiary whereby LKE can borrow funds on a short-term basis at market-based rates. The interest rates on borrowings are equal to one-month LIBOR plus a spread. At December 31, 2020 and 2019, \$251 million and \$150 million were outstanding and reflected in "Notes payable with affiliates" on the Balance Sheets. The interest rate on the outstanding borrowings at December 31, 2020 and 2019 were 1.65% and 3.20%. Interest expense on the revolving line of credit was not significant for 2020, 2019 or 2018.

LKE maintains an agreement with a PPL affiliate that has a \$300 million borrowing limit whereby LKE can loan funds on a short-term basis at market-based rates. No balance was outstanding at December 31, 2020 and 2019. The interest rate on the loan based on the PPL affiliates credit rating is currently equal to one-month LIBOR plus a spread.

LKE maintains 10-year notes with a combined value of \$1.2 billion with a PPL affiliate with a weighted-average interest rate of 3.9% and maturities ranging from 2026 to 2030. This is inclusive of a 10-year note of \$550 million that was entered into in

August 2020. At December 31, 2020 and 2019, the notes were reflected in "Long-term debt to affiliate" on the Balance Sheets. Interest expense on the notes was \$33 million for 2020, \$24 million for 2019, and \$21 million for 2018.

In May 2020, LKE entered into a \$450 million term loan credit agreement with a PPL affiliate whereby LKE could borrow funds on a short-term basis at market-based rates. Interest on borrowings was determined as the lower of the daily rate for 30-day non-financial commercial paper programs plus a spread or one-month LIBOR plus a spread. The agreement expired on August 31, 2020. Interest expense on borrowings was not significant for 2020.

(LG&E)

LG&E participates in an intercompany money pool agreement whereby LKE and/or KU make available to LG&E funds up to \$750 million at an interest rate based on a market index of commercial paper issues. No balances were outstanding at December 31, 2020 and 2019.

(KU)

KU participates in an intercompany money pool agreement whereby LKE and/or LG&E make available to KU funds up to \$650 million at an interest rate based on a market index of commercial paper issues. No balances were outstanding at December 31, 2020 and 2019.

VEBA Funds Receivable *(PPL Electric)*

In May 2018, PPL received a favorable private letter ruling from the IRS permitting a transfer of excess funds from the PPL Bargaining Unit Retiree Health Plan VEBA to a new subaccount within the VEBA, to be used to pay medical claims of active bargaining unit employees. Based on PPL Electric's participation in PPL's Other Postretirement Benefit plan, PPL Electric was allocated a portion of the excess funds from PPL Services. These funds have been recorded as an intercompany receivable on the Balance Sheets. The receivable balance decreases as PPL Electric pays incurred medical claims and is reimbursed by PPL Services. The intercompany receivable balance associated with these funds was \$22 million as of December 31, 2020, of which \$10 million was reflected in "Accounts receivable from affiliates" and \$12 million was reflected in "Other noncurrent assets" on the Balance Sheets. The intercompany receivable balance associated with these funds was \$32 million as of December 31, 2019, of which \$10 million was reflected in "Accounts receivable from affiliates" and \$22 million was reflected in "Other noncurrent assets" on the Balance Sheets.

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

See Note 1 for discussions regarding the intercompany tax sharing agreement (for PPL Electric, LKE, LG&E and KU) and intercompany allocations of stock-based compensation expense (for PPL Electric and LKE). For PPL Electric, LG&E and KU, see Note 12 for discussions regarding intercompany allocations associated with defined benefits.

16. Other Income (Expense) - net

(PPL)

The components of "Other Income (Expense) - net" for the years ended December 31, were:

	2020	2019	2018
Other Income			
Economic foreign currency exchange contracts (Note 18)	\$ (98)	\$ (14)	\$ 150
Defined benefit plans - non-service credits (Note 12)	262	316	257
Interest income	10	16	6
AFUDC - equity component	20	23	21
Miscellaneous	7	7	6
Total Other Income	201	348	440
Other Expense			
Charitable contributions	3	17	24
Miscellaneous	29	22	20
Total Other Expense	32	39	44
Other Income (Expense) - net	\$ 169	\$ 309	\$ 396

(PPL Electric)

The components of "Other Income (Expense) - net" for the years ended December 31, were:

	2020	2019	2018
Other Income			
Defined benefit plans - non-service credits (Note 12)	\$ 4	\$ 4	\$ 5
Interest income	2	2	2
AFUDC - equity component	19	23	20
Total Other Income	25	29	27
Other Expense			
Charitable contributions	3	3	3
Miscellaneous	4	1	1
Total Other Expense	7	4	4
Other Income (Expense) - net	\$ 18	\$ 25	\$ 23

17. Fair Value Measurements

(All Registrants)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models), and/or a cost approach (generally, replacement cost) are used to measure the fair value of an asset or liability, as appropriate. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk. The fair value of a group of financial assets and liabilities is measured on a net basis. See Note 1 for information on the levels in the fair value hierarchy.

Recurring Fair Value Measurements

The assets and liabilities measured at fair value were:

	December 31, 2020				December 31, 2019			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	\$ 708	\$ 708	\$ —	\$ —	\$ 815	\$ 815	\$ —	\$ —
Restricted cash and cash equivalents (a)	19	19	—	—	21	21	—	—
Special use funds (a):								
Commingled debt fund measured at NAV (b)	26	—	—	—	29	—	—	—
Commingled equity fund measured at NAV (b)	25	—	—	—	27	—	—	—
Total special use funds	51	—	—	—	56	—	—	—
Price risk management assets (c):								
Foreign currency contracts	—	—	—	—	142	—	142	—
Cross-currency swaps	146	—	146	—	154	—	154	—
Total price risk management assets	146	—	146	—	296	—	296	—
Total assets	\$ 924	\$ 727	\$ 146	\$ —	\$ 1,188	\$ 836	\$ 296	\$ —
Liabilities								
Price risk management liabilities (c):								
Interest rate swaps	\$ 23	\$ —	\$ 23	\$ —	\$ 21	\$ —	\$ 21	\$ —
Foreign currency contracts	137	—	137	—	5	—	5	—
Total price risk management liabilities	\$ 160	\$ —	\$ 160	\$ —	\$ 26	\$ —	\$ 26	\$ —

	December 31, 2020				December 31, 2019			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL Electric								
Assets								
Cash and cash equivalents	\$ 40	\$ 40	\$ —	\$ —	\$ 262	\$ 262	\$ —	\$ —
Restricted cash and cash equivalents (a)	—	—	—	—	2	2	—	—
Total assets	\$ 40	\$ 40	\$ —	\$ —	\$ 264	\$ 264	\$ —	\$ —
LKE								
Assets								
Cash and cash equivalents	\$ 29	\$ 29	\$ —	\$ —	\$ 27	\$ 27	\$ —	\$ —
Total assets	\$ 29	\$ 29	\$ —	\$ —	\$ 27	\$ 27	\$ —	\$ —
Liabilities								
Price risk management liabilities:								
Interest rate swaps	\$ 23	\$ —	\$ 23	\$ —	\$ 21	\$ —	\$ 21	\$ —
Total price risk management liabilities	\$ 23	\$ —	\$ 23	\$ —	\$ 21	\$ —	\$ 21	\$ —
LG&E								
Assets								
Cash and cash equivalents	\$ 7	\$ 7	\$ —	\$ —	\$ 15	\$ 15	\$ —	\$ —
Total assets	\$ 7	\$ 7	\$ —	\$ —	\$ 15	\$ 15	\$ —	\$ —
Liabilities								
Price risk management liabilities:								
Interest rate swaps	\$ 23	\$ —	\$ 23	\$ —	\$ 21	\$ —	\$ 21	\$ —
Total price risk management liabilities	\$ 23	\$ —	\$ 23	\$ —	\$ 21	\$ —	\$ 21	\$ —
KU								
Assets								
Cash and cash equivalents	\$ 22	\$ 22	\$ —	\$ —	\$ 12	\$ 12	\$ —	\$ —
Total assets	\$ 22	\$ 22	\$ —	\$ —	\$ 12	\$ 12	\$ —	\$ —

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

Special Use Funds

(PPL)

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

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

To manage interest rate risk, PPL, LKE, LG&E and KU use interest rate contracts such as forward-starting swaps, floating-to-fixed swaps and fixed-to-floating swaps. To manage foreign currency exchange risk, PPL uses foreign currency contracts such as forwards, options, and cross-currency swaps that contain characteristics of both interest rate and foreign currency contracts. An income approach is used to measure the fair value of these contracts, utilizing readily observable inputs, such as forward interest rates (e.g., LIBOR and government security rates) and forward foreign currency exchange rates (e.g., GBP), as well as inputs that may not be observable, such as credit valuation adjustments. In certain cases, market information cannot practically

be obtained to value credit risk and therefore internal models are relied upon. These models use projected probabilities of default and estimated recovery rates based on historical observances. When the credit valuation adjustment is significant to the overall valuation, the contracts are classified as Level 3.

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

The carrying amounts of long-term debt on the Balance Sheets and their estimated fair values are set forth below. Long-term debt is classified as Level 2. The effect of third-party credit enhancements is not included in the fair value measurement.

	December 31, 2020		December 31, 2019	
	Carrying Amount (a)	Fair Value	Carrying Amount (a)	Fair Value
PPL	\$ 23,127	\$ 28,765	\$ 21,893	\$ 25,481
PPL Electric	4,236	5,338	3,985	4,589
LKE	6,074	7,589	6,002	6,766
LG&E	2,007	2,499	2,005	2,278
KU	2,618	3,334	2,623	3,003

(a) Amounts are net of debt issuance costs.

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

18. Derivative Instruments and Hedging Activities

Risk Management Objectives

(All Registrants)

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

Market Risk

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

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

Interest Rate Risk

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

Foreign Currency Risk (PPL)

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

(All Registrants)

Commodity Price Risk

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

- PPL Electric is required to purchase electricity to fulfill its obligation as a PLR. Potential commodity price risk is insignificant and mitigated through its PUC-approved cost recovery mechanism and full-requirement supply agreements to serve its PLR customers which transfer the risk to energy suppliers.
- LG&E's and KU's rates include certain mechanisms for fuel, fuel-related expenses and energy purchases. In addition, LG&E's rates include a mechanism for natural gas supply expenses. These mechanisms generally provide for timely recovery of market price fluctuations associated with these expenses.

Volumetric Risk

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

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

Equity Securities Price Risk

- PPL and its subsidiaries are exposed to equity securities price risk associated with the fair value of the defined benefit plans' assets. This risk is significantly mitigated at the regulated domestic utilities and for certain plans at WPD due to the recovery methods in place.
- PPL is exposed to equity securities price risk from future stock sales and/or purchases.

Credit Risk

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

PPL is exposed to credit risk from "in-the-money" transactions with counterparties, as well as additional credit risk through certain of its subsidiaries, as discussed below.

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

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

Master Netting Arrangements *(PPL, LKE, LG&E and KU)*

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

PPL had an immaterial amount and \$14 million obligation to return cash collateral under master netting arrangements at December 31, 2020 and 2019.

PPL had no obligation to post cash collateral under master netting arrangements at December 31, 2020 and 2019.

LKE, LG&E and KU had no obligation to return cash collateral under master netting arrangements at December 31, 2020 and 2019.

LKE, LG&E and KU had no cash collateral posted under master netting arrangements at December 31, 2020 and 2019.

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

Interest Rate Risk

(All Registrants)

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

Cash Flow Hedges *(PPL)*

Interest rate risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financings. Financial interest rate swap contracts that qualify as cash flow hedges may be entered into to hedge floating interest rate risk associated with both existing and anticipated debt issuances. PPL had no such contracts at December 31, 2020.

At December 31, 2020, PPL held an aggregate notional value in cross-currency interest rate swap contracts of \$702 million that range in maturity from 2021 through 2028 to hedge the interest payments and principal of WPD's U.S. dollar-denominated senior notes.

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

For 2020, 2019 and 2018, PPL had no cash flow hedges reclassified into earnings associated with discontinued cash flow hedges.

At December 31, 2020, the amount of accumulated net unrecognized after-tax gains (losses) on qualifying derivatives expected to be reclassified into earnings during the next 12 months is insignificant. Amounts are reclassified as the hedged interest expense is recorded.

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

LG&E enters into interest rate swap contracts that economically hedge interest payments. Because realized gains and losses from the swaps, including terminated swap contracts, are recoverable through regulated rates, any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities until they are realized as interest expense. Realized gains and losses are recognized in "Interest Expense" on the Statements of Income at the time the underlying hedged interest expense is recorded. At December 31, 2020, LG&E held contracts with a notional amount of \$64 million that mature in 2033.

Foreign Currency Risk

(PPL)

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

Net Investment Hedges

PPL enters into foreign currency contracts on behalf of a subsidiary to protect the value of a portion of its net investment in WPD. There were no contracts outstanding at December 31, 2020.

At December 31, 2020 and 2019, PPL had \$33 million and \$32 million of accumulated net investment hedge after tax gains (losses) that were included in the foreign currency translation adjustment component of AOCI.

Economic Activity

PPL enters into foreign currency contracts on behalf of a subsidiary to economically hedge GBP-denominated anticipated earnings and anticipated transactions, including the previously announced potential sale of its U.K. utility business. At December 31, 2020, the total exposure hedged by PPL was approximately £4 billion.

Accounting and Reporting

(All Registrants)

All derivative instruments are recorded at fair value on the Balance Sheet as an asset or liability unless NPNS is elected. NPNS contracts include certain full-requirement purchase contracts and other physical purchase contracts. Changes in the fair value of derivatives not designated as NPNS are recognized in earnings unless specific hedge accounting criteria are met and designated as such, except for the changes in fair values of LG&E's interest rate swaps that are recognized as regulatory assets or regulatory liabilities. See Note 7 for amounts recorded in regulatory assets and regulatory liabilities at December 31, 2020 and 2019.

See Note 1 for additional information on accounting policies related to derivative instruments.

(PPL)

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

	December 31, 2020				December 31, 2019			
	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments		Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current:								
Price Risk Management								
Assets/Liabilities (a):								
Interest rate swaps (b)	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ —	\$ —	\$ 4
Cross-currency swaps (b)	94	—	—	—	5	—	—	—
Foreign currency contracts	—	—	—	137	—	—	142	5
Total current	94	—	—	139	5	—	142	9
Noncurrent:								
Price Risk Management								
Assets/Liabilities (a):								
Interest rate swaps (b)	—	—	—	21	—	—	—	17
Cross-currency swaps (b)	52	—	—	—	149	—	—	—
Total noncurrent	52	—	—	21	149	—	—	17
Total derivatives	\$ 146	\$ —	\$ —	\$ 160	\$ 154	\$ —	\$ 142	\$ 26

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

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities:

Derivative Relationships	Derivative Gain (Loss) Recognized in OCI	Location of Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Reclassified from AOCI into Income
2020			
Cash Flow Hedges:			
Interest rate swaps	\$ (9)	Interest Expense	\$ (10)
Cross-currency swaps	(15)	Other Income (Expense) - net	(22)
Total	\$ (24)		\$ (32)
Net Investment Hedges:			
Foreign currency contracts	\$ 1		
2019			
Cash Flow Hedges:			
Interest rate swaps	\$ (30)	Interest Expense	\$ (9)
Cross-currency swaps	17	Other Income (Expense) - net	(9)
Total	\$ (13)		\$ (18)
Net Investment Hedges:			
Foreign currency contracts	\$ 2		
2018			
Cash Flow Hedges:			
Interest rate swaps	\$ 4	Interest Expense	\$ (8)
Cross-currency swaps	41	Other Income (Expense) - net	42
Total	\$ 45	Interest Expense	1
Net Investment Hedges:			
Foreign currency contracts	\$ 11		35
Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative		
Foreign currency contracts	Other Income (Expense) - net	2020	2019
Interest rate swaps	Interest Expense	(98)	(14)
		(5)	(5)
	Total	\$ (103)	\$ (19)
Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets		
Interest rate swaps	Regulatory assets - noncurrent	2020	2019
		(2)	(1)
			6

The following table presents the effect of cash flow hedge activity on the Statement of Income for the year ended December 31, 2020:

	Location and Amount of Gain (Loss) Recognized in Income on Hedging Relationships	
	Interest Expense	Other Income (Expense) - net
Total income and expense line items presented in the income statement in which the effect of cash flow hedges are recorded	\$ 1,001	\$ 169
The effects of cash flow hedges:		
Gain (Loss) on cash flow hedging relationships:		
Interest rate swaps:		
Amount of gain (loss) reclassified from AOCI to income	(10)	—
Cross-currency swaps:		
Hedged items	—	22
Amount of gain (loss) reclassified from AOCI to income	—	(22)

The following table presents the effect of cash flow hedge activity on the Statement of Income for the year ended December 31, 2019:

	Location and Amount of Gain (Loss) Recognized in Income on Hedging Relationships	
	Interest Expense	Other Income (Expense) - net
Total income and expense line items presented in the income statement in which the effect of cash flow hedges are recorded	\$ 994	\$ 309
The effects of cash flow hedges:		
Gain (Loss) on cash flow hedging relationships:		
Interest rate swaps:		
Amount of gain (loss) reclassified from AOCI to income	(9)	—
Cross-currency swaps:		
Hedged items	—	9
Amount of gain (loss) reclassified from AOCI to income	—	(9)

(LKE and LG&E)

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

	December 31, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	\$ —	\$ 2	\$ —	\$ 4
Total current	—	2	—	4
Noncurrent:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	—	21	—	17
Total noncurrent	—	21	—	17
Total derivatives	\$ —	\$ 23	\$ —	\$ 21

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets:

Derivative Instruments	Location of Gain (Loss)	2020	2019	2018
Interest rate swaps	Interest Expense	\$ (5)	\$ (5)	\$ (5)

Derivative Instruments	Location of Gain (Loss)	2020	2019	2018
Interest rate swaps	Regulatory assets - noncurrent	\$ (2)	\$ (1)	\$ 6

(PPL, LKE, LG&E and KU)

Offsetting Derivative Instruments

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

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

	Assets				Liabilities			
	Eligible for Offset				Eligible for Offset			
	Gross	Derivative Instruments	Cash Collateral Received	Net	Gross	Derivative Instruments	Cash Collateral Pledged	Net
December 31, 2020								
Treasury Derivatives								
PPL	\$ 146	\$ 34	\$ —	\$ 112	\$ 160	\$ 34	\$ —	\$ 126
LKE	—	—	—	—	23	—	—	23
LG&E	—	—	—	—	23	—	—	23
December 31, 2019								
Treasury Derivatives								
PPL	\$ 296	\$ 5	\$ 14	\$ 277	\$ 26	\$ 5	\$ —	\$ 21
LKE	—	—	—	—	21	—	—	21
LG&E	—	—	—	—	21	—	—	21

Credit Risk-Related Contingent Features

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

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

(PPL)

At December 31, 2020, derivative contracts in a net liability position that contain credit risk-related contingent features, collateral posted on those positions and the related effect of a decrease in credit ratings below investment grade are summarized as follows:

	PPL
Aggregate fair value of derivative instruments in a net liability position with credit risk-related contingent features	\$ 102
Aggregate fair value of collateral posted on these derivative instruments	—
Aggregate fair value of additional collateral requirements in the event of a credit downgrade below investment grade (a)	102

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

19. Goodwill and Other Intangible Assets

Goodwill

(PPL)

The changes in the carrying amount of goodwill by segment were:

	U.K. Regulated		Kentucky Regulated		Corporate and Other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Balance at beginning of period (a)	\$ 2,483	\$ 2,447	\$ 662	\$ 662	\$ 53	\$ 53	\$ 3,198	\$ 3,162
Effect of foreign currency exchange rates	76	34	—	—	—	—	76	34
Other	—	2	—	—	—	—	—	2
Balance at end of period (a)	<u>\$ 2,559</u>	<u>\$ 2,483</u>	<u>\$ 662</u>	<u>\$ 662</u>	<u>\$ 53</u>	<u>\$ 53</u>	<u>\$ 3,274</u>	<u>\$ 3,198</u>

(a) There were no accumulated impairment losses related to goodwill.

Other Intangible Assets

(PPL)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2020		December 31, 2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Contracts (a)	\$ 136	\$ 93	\$ 136	\$ 84
Land rights and easements	460	142	440	135
Licenses and other	21	4	22	3
Total subject to amortization	<u>617</u>	<u>239</u>	<u>598</u>	<u>222</u>
Not subject to amortization due to indefinite life:				
Land rights and easements	380	—	361	—
Other	6	—	6	—
Total not subject to amortization due to indefinite life	<u>386</u>	<u>—</u>	<u>367</u>	<u>—</u>
Total	<u>\$ 1,003</u>	<u>\$ 239</u>	<u>\$ 965</u>	<u>\$ 222</u>

(a) Gross carrying amount in 2020 and 2019 includes the fair value at the acquisition date of the OVEC power purchase contract with terms favorable to market recognized as a result of the 2010 acquisition of LKE by PPL.

Current intangible assets are included in "Other current assets" and long-term intangible assets are included in "Other intangibles" on the Balance Sheets.

Amortization expense was as follows:

	2020	2019	2018
Intangible assets with no regulatory offset	\$ 11	\$ 9	\$ 7
Intangible assets with regulatory offset	8	9	8
Total	<u>\$ 19</u>	<u>\$ 18</u>	<u>\$ 15</u>

Amortization expense for each of the next five years is estimated to be:

	2021	2022	2023	2024	2025
Intangible assets with no regulatory offset	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11
Intangible assets with regulatory offset	8	8	8	8	8
Total	\$ 19	\$ 19	\$ 19	\$ 19	\$ 19

(PPL Electric)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2020		December 31, 2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Land rights and easements	\$ 379	\$ 129	\$ 370	\$ 125
Licenses and other	2	1	3	1
Total subject to amortization	381	130	373	126
Not subject to amortization due to indefinite life:				
Land rights and easements	17	—	17	—
Total	\$ 398	\$ 130	\$ 390	\$ 126

Intangible assets are shown as "Intangibles" on the Balance Sheets.

Amortization expense was as follows:

	2020	2019	2018
Intangible assets with no regulatory offset	\$ 4	\$ 4	\$ 4

Amortization expense for each of the next five years is estimated to be:

	2021	2022	2023	2024	2025
Intangible assets with no regulatory offset	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4

(LKE)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2020		December 31, 2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Land rights and easements	\$ 22	\$ 4	\$ 22	\$ 4
OVEC power purchase agreement (a)	125	82	125	74
Total subject to amortization	\$ 147	\$ 86	\$ 147	\$ 78

(a) Gross carrying amount represents the fair value at the acquisition date of the OVEC power purchase contract recognized as a result of the 2010 acquisition by PPL. An offsetting regulatory liability was recorded related to this contract, which is being amortized over the same period as the intangible asset, eliminating any income statement impact. See Note 7 for additional information.

Long-term intangible assets are presented as "Other intangibles" on the Balance Sheets.

Amortization expense was as follows:

	2020	2019	2018
Intangible assets with regulatory offset	\$ 8	\$ 9	\$ 8

Amortization expense for each of the next five years is estimated to be:

	2021	2022	2023	2024	2025
Intangible assets with regulatory offset	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8

(LG&E)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2020		December 31, 2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Land rights and easements	\$ 7	\$ 1	\$ 7	\$ 1
OVEC power purchase agreement (a)	86	57	86	51
Total subject to amortization	\$ 93	\$ 58	\$ 93	\$ 52

(a) Gross carrying amount represents the fair value at the acquisition date of the OVEC power purchase contract recognized as a result of the 2010 acquisition by PPL. An offsetting regulatory liability was recorded related to this contract, which is being amortized over the same period as the intangible asset, eliminating any income statement impact. See Note 7 for additional information.

Long-term intangible assets are presented as "Other intangibles" on the Balance Sheets.

Amortization expense was as follows:

	2020	2019	2018
Intangible assets with regulatory offset	\$ 6	\$ 6	\$ 6

Amortization expense for each of the next five years is estimated to be:

	2021	2022	2023	2024	2025
Intangible assets with regulatory offset	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6

(KU)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2020		December 31, 2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Land rights and easements	\$ 15	\$ 3	\$ 15	\$ 3
OVEC power purchase agreement (a)	39	25	39	23
Total subject to amortization	\$ 54	\$ 28	\$ 54	\$ 26

(a) Gross carrying amount represents the fair value at the acquisition date of the OVEC power purchase contract recognized as a result of the 2010 acquisition by PPL. An offsetting regulatory liability was recorded related to this contract, which is being amortized over the same period as the intangible asset, eliminating any income statement impact. See Note 7 for additional information.

Long-term intangible assets are presented as "Other intangibles" on the Balance Sheets.

Amortization expense was as follows:

	2020	2019	2018
Intangible assets with regulatory offset	\$ 2	\$ 3	\$ 2

Amortization expense for each of the next five years is estimated to be:

	2021	2022	2023	2024	2025
Intangible assets with regulatory offset	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2

20. Asset Retirement Obligations

(PPL)

WPD has recorded conditional AROs required by U.K. law related to treated wood poles, gas-filled switchgear and fluid-filled cables.

(PPL and PPL Electric)

PPL Electric has identified legal retirement obligations for the retirement of certain transmission assets that could not be reasonably estimated due to indeterminable settlement dates. These assets are located on rights-of-way that allow the grantor to require PPL Electric to relocate or remove the assets. Since this option is at the discretion of the grantor of the right-of-way, PPL Electric is unable to determine when these events may occur.

(PPL, LKE, LG&E and KU)

PPL's LKE's, LG&E's and KU's ARO liabilities are primarily related to CCR closure costs. See Note 14 for information on the CCR rule. LG&E also has AROs related to natural gas mains and wells. LG&E's and KU's transmission and distribution lines largely operate under perpetual property easement agreements, which do not generally require restoration upon removal of the property. Therefore, no material AROs are recorded for transmission and distribution assets. For LKE, LG&E and KU, all ARO accretion and depreciation expenses are reclassified as a regulatory asset. ARO regulatory assets associated with certain CCR projects are amortized to expense in accordance with regulatory approvals. For other AROs, at the time of retirement, the related ARO regulatory asset is offset against the associated cost of removal regulatory liability, PP&E and ARO liability.

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

	PPL		LKE		LG&E		KU	
	2020	2019	2020	2019	2020	2019	2020	2019
ARO at beginning of period	\$ 282	\$ 347	\$ 215	\$ 296	\$ 73	\$ 103	\$ 142	\$ 193
Accretion	17	19	15	17	5	6	10	11
Obligations incurred	—	—	—	—	—	—	—	—
Changes in estimated timing or cost	38	12	40	(2)	13	(2)	27	—
Effect of foreign currency exchange rates	1	—	—	—	—	—	—	—
Obligations settled	(88)	(96)	(88)	(96)	(24)	(34)	(64)	(62)
ARO at end of period	\$ 250	\$ 282	\$ 182	\$ 215	\$ 67	\$ 73	\$ 115	\$ 142

21. Accumulated Other Comprehensive Income (Loss)

(PPL and LKE)

The after-tax changes in AOCI by component for the years ended December 31 were as follows:

	Foreign currency translation adjustments (a)	Unrealized gains (losses) on qualifying derivatives	Defined benefit plans (b)		Total
			Prior service costs	Actuarial gain (loss)	
PPL					
December 31, 2017	\$ (1,089)	\$ (13)	\$ (7)	\$ (2,313)	\$ (3,422)
Amounts arising during the year	(444)	36	(11)	(187)	(606)
Reclassifications from AOCI	—	(29)	2	142	115
Net OCI during the year	(444)	7	(9)	(45)	(491)
Adoption of reclassification of certain tax effects from AOCI guidance cumulative effect adjustment	\$ —	\$ (1)	\$ (3)	\$ (47)	\$ (51)

	Foreign currency translation adjustments (a)	Unrealized gains (losses) on qualifying derivatives	Defined benefit plans (b)		Total
			Prior service costs	Actuarial gain (loss)	
December 31, 2018	\$ (1,533)	\$ (7)	\$ (19)	\$ (2,405)	\$ (3,964)
Amounts arising during the year	108	(11)	(1)	(592)	(496)
Reclassifications from AOCI	—	13	2	87	102
Net OCI during the year	108	2	1	(505)	(394)
December 31, 2019	\$ (1,425)	\$ (5)	\$ (18)	\$ (2,910)	\$ (4,358)
Amounts arising during the year	267	(19)	(1)	(341)	(94)
Reclassifications from AOCI	—	24	3	205	232
Net OCI during the year	267	5	2	(136)	138
December 31, 2020	\$ (1,158)	\$ —	\$ (16)	\$ (3,046)	\$ (4,220)
LKE					
December 31, 2017			\$ (9)	\$ (79)	\$ (88)
Amounts arising during the year			—	7	7
Reclassifications from AOCI			2	8	10
Net OCI during the year			2	15	17
Adoption of reclassification of certain tax effects from AOCI guidance cumulative effect adjustment (Note 1)			(2)	(16)	(18)
December 31, 2018			\$ (9)	\$ (80)	\$ (89)
Amounts arising during the year			(1)	(6)	(7)
Reclassifications from AOCI			1	2	3
Net OCI during the year			—	(4)	(4)
December 31, 2019			\$ (9)	\$ (84)	\$ (93)
Amounts arising during the year			(1)	(7)	(8)
Reclassifications from AOCI			2	13	15
Net OCI during the year			1	6	7
December 31, 2020			\$ (8)	\$ (78)	\$ (86)

(a) Amounts relate to the operations of WPD.

(b) For PPL, substantially all of the amounts relate to WPD's pension plans. At December 31, 2020, the combined accumulated other comprehensive loss related to these plans was \$2.9 billion.

The following table presents PPL's gains (losses) and related income taxes for reclassifications from AOCI for the years ended December 31, 2020, 2019 and 2018. LKE amounts are insignificant for the years ended December 31, 2020, 2019 and 2018. The defined benefit plan components of AOCI are not reflected in their entirety in the statement of income; rather, they are included in the computation of net periodic defined benefit costs (credits) and subject to capitalization. See Note 12 for additional information.

Details about AOCI	PPL			Affected Line Item on the Statements of Income
	2020	2019	2018	
Qualifying derivatives				
Interest rate swaps	\$ (10)	\$ (9)	\$ (8)	Interest Expense
Cross-currency swaps	(22)	(9)	42	Other Income (Expense) - net
	—	—	1	Interest Expense
Total Pre-tax	(32)	(18)	35	
Income Taxes	8	5	(6)	
Total After-tax	(24)	(13)	29	
Defined benefit plans				
Prior service costs	(4)	(3)	(2)	
Net actuarial loss	(256)	(109)	(178)	
Total Pre-tax	(260)	(112)	(180)	
Income Taxes	52	23	36	
Total After-tax	(208)	(89)	(144)	
Total reclassifications during the year	\$ (232)	\$ (102)	\$ (115)	

**SCHEDULE I - LG&E and KU Energy LLC
CONDENSED UNCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,***(Millions of Dollars)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Other Income (Expense) - net			
Equity in Earnings of Subsidiaries	\$ 490	\$ 477	\$ 470
Interest Income with Affiliate	12	28	25
Total	<u>502</u>	<u>505</u>	<u>495</u>
Interest Expense	23	30	29
Interest Expense with Affiliate	<u>37</u>	<u>32</u>	<u>28</u>
Income Before Income Taxes	442	443	438
Income Tax Expense (Benefit)	<u>(8)</u>	<u>(25)</u>	<u>(7)</u>
Net Income	<u>\$ 450</u>	<u>\$ 468</u>	<u>\$ 445</u>
Total other comprehensive income (loss)	<u>7</u>	<u>(4)</u>	<u>17</u>
Comprehensive Income Attributable to Member	<u>\$ 457</u>	<u>\$ 464</u>	<u>\$ 462</u>

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

SCHEDULE I - LG&E and KU Energy LLC
CONDENSED UNCONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

(Millions of Dollars)

	2020	2019	2018
Cash Flows from Operating Activities			
Net cash provided by (used in) operating activities	\$ 371	\$ 368	\$ 346
Cash Flows from Investing Activities			
Capital contributions to affiliated subsidiaries	(231)	(93)	(128)
Net decrease (increase) in notes receivable from affiliates	5	(44)	(26)
Net cash provided by (used in) investing activities	(226)	(137)	(154)
Cash Flows from Financing Activities			
Net increase (decrease) in notes payable with affiliates	613	14	110
Retirement of long-term debt	(475)	—	—
Contribution from member	—	63	—
Distribution to member	(283)	(308)	(302)
Net cash provided by (used in) financing activities	(145)	(231)	(192)
Net Increase (Decrease) in Cash and Cash Equivalents	—	—	—
Cash and Cash Equivalents at Beginning of Period	—	—	—
Cash and Cash Equivalents at End of Period	\$ —	\$ —	\$ —
Supplemental disclosures of cash flow information:			
Cash Dividends Received from Subsidiaries	\$ 361	\$ 411	\$ 402

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

SCHEDULE I - LG&E and KU Energy LLC
CONDENSED UNCONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
(Millions of Dollars)

	2020	2019
Assets		
Current Assets		
Accounts receivable from affiliates	\$ 4	\$ 3
Income taxes receivable	2	3
Notes receivable from affiliates	1,100	1,105
Total Current Assets	1,106	1,111
Investments		
Affiliated companies at equity	5,944	5,577
Other Noncurrent Assets		
Deferred income taxes	276	314
Total Assets	\$ 7,326	\$ 7,002
Liabilities and Equity		
Current Liabilities		
Notes payable to affiliates	\$ 251	\$ 150
Long-term debt due within one year	250	475
Accounts payable to affiliates	499	489
Taxes	5	—
Other current liabilities	2	6
Total Current Liabilities	1,007	1,120
Long-term Debt		
Long-term debt	—	249
Notes payable to affiliates	1,203	691
Total Long-term Debt	1,203	940
Deferred Credits and Other Noncurrent Liabilities		
	—	—
Equity	5,116	4,942
Total Liabilities and Equity	\$ 7,326	\$ 7,002

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

Schedule I - LG&E and KU Energy LLC
Notes to Condensed Unconsolidated Financial Statements

1. Basis of Presentation

LG&E and KU Energy LLC (LKE) is a holding company and conducts substantially all of its business operations through its subsidiaries. Substantially all of its consolidated assets are held by such subsidiaries. LKE uses the equity method to account for its investments in entities in which it has a controlling financial interest. LKE's cash flow and its ability to meet its obligations are largely dependent upon the earnings of these subsidiaries and the distribution or other payment of such earnings to it in the form of dividends or repayment of loans and advances from the subsidiaries. These condensed financial statements and related footnotes have been prepared in accordance with Reg. §210.12-04 of Regulation S-X. These statements should be read in conjunction with the consolidated financial statements and notes thereto of LKE.

LKE indirectly or directly owns all of the ownership interests of its significant subsidiaries. LKE relies primarily on dividends from its subsidiaries to fund LKE's distributions to its member and to meet its other cash requirements. See Note 8 to LKE's consolidated financial statements for discussions related to restricted net assets of its subsidiaries for the purposes of transferring funds to LKE in the form of distributions, loans or advances.

2. Commitments and Contingencies

See Note 14 to LKE's consolidated financial statements for commitments and contingencies of its subsidiaries.

Guarantees

LKE provides certain indemnifications covering the due and punctual payment, performance and discharge by each party of its respective obligations. The most comprehensive of these guarantees is the LKE guarantee covering operational, regulatory and environmental commitments and indemnifications made by WKE under a 2009 Transaction Termination Agreement. This guarantee has a term of 12 years ending July 2021, and a maximum exposure of \$200 million, exclusive of certain items such as government fines and penalties that may exceed the maximum.

Additionally, LKE has indemnified various third parties related to historical obligations for other divested subsidiaries and affiliates. The indemnifications vary by entity and the maximum exposures range from being capped at the sale price to no specified maximum. LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. LKE cannot predict the ultimate outcomes of the various indemnification scenarios, but does not expect such outcomes to result in significant losses above the amounts recorded.

3. Long-Term Debt

See Note 8 to LKE's consolidated financial statements for the terms of LKE's outstanding long-term debt and maturities.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS
ON ACCOUNTING AND FINANCIAL DISCLOSURE**

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

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

The Registrants' principal executive officers and principal financial officers, based on their evaluation of the Registrants' disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) have concluded that, as of December 31, 2020, the Registrants' disclosure controls and procedures are effective to ensure that material information relating to the Registrants and their consolidated subsidiaries is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, particularly during the period for which this annual report has been prepared. The aforementioned principal officers have concluded that the disclosure controls and procedures are also effective to ensure that information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive officers and principal financial officers, to allow for timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting.

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

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

Management's Report on Internal Control over Financial Reporting

PPL Corporation

PPL's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) or 15d-15(f). PPL's internal control over financial reporting is a process designed to provide reasonable assurance to PPL's management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control - Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in "Internal Control - Integrated Framework" (2013), our management concluded that our internal control over financial reporting was effective December 31, 2020. The effectiveness of our internal control over financial reporting has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report contained on page 85.

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

Management of PPL's non-accelerated filer companies, PPL Electric, LKE, LG&E and KU, are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) or 15d-15(f). Each of the aforementioned companies' internal control over financial reporting is a process designed to

provide reasonable assurance to management and Board of Directors of these companies regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Under the supervision and with the participation of our management, including the principal executive officers and principal financial officers of the companies listed above, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control - Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in "Internal Control - Integrated Framework" (2013), management of these companies concluded that our internal control over financial reporting was effective as of December 31, 2020. This annual report does not include an attestation report of Deloitte & Touche LLP, the companies' independent registered public accounting firm regarding internal control over financial reporting for these non-accelerated filer companies. The effectiveness of internal control over financial reporting for the aforementioned companies was not subject to attestation by the companies' registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit these companies to provide only management's report in this annual report.

ITEM 9B. OTHER INFORMATION

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

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

PPL Corporation

Additional information for this item will be set forth in the sections entitled "Nominees for Directors" and "Board Committees - Board Committee Membership" in PPL's 2021 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2020, and which information is incorporated herein by reference. There have been no changes to the procedures by which shareowners may recommend nominees to PPL's board of directors since the filing with the SEC of PPL's 2020 Notice of Annual Meeting and Proxy Statement.

PPL has adopted a code of ethics entitled "Standards of Integrity" that applies to all directors, managers, trustees, officers (including the principal executive officers, principal financial officers and principal accounting officers (each, a "principal officer")), employees and agents of PPL and PPL's subsidiaries for which it has operating control (PPL Electric, LKE, LG&E and KU). The "Standards of Integrity" are posted on PPL's Internet website: www.pplweb.com/governance. A description of any amendment to the "Standards of Integrity" (other than a technical, administrative or other non-substantive amendment) will be posted on PPL's Internet website within four business days following the date of the amendment. In addition, if a waiver constituting a material departure from a provision of the "Standards of Integrity" is granted to one of the principal officers, a description of the nature of the waiver, the name of the person to whom the waiver was granted and the date of the waiver will be posted on PPL's Internet website within four business days following the date of the waiver.

PPL also has adopted its "Guidelines for Corporate Governance," which address, among other things, director qualification standards and director and board committee responsibilities. These guidelines, and the charters of each of the committees of PPL's board of directors, are posted on PPL's Internet website: www.pplweb.com/governance.

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

Item 10 is omitted as PPL Electric, LKE, LG&E and KU meet the conditions set forth in General Instruction (I)(1)(a) and (b) of Form 10-K.

EXECUTIVE OFFICERS OF THE REGISTRANTS

Officers of the Registrants are elected annually by their Boards of Directors to serve at the pleasure of the respective Boards. There are no family relationships among any of the executive officers, nor is there any arrangement or understanding between any executive officer and any other person pursuant to which the officer was selected.

There have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions material to the evaluation of the ability and integrity of any executive officer during the past five years.

Listed below are the executive officers at December 31, 2020.

PPL Corporation

Name	Age	Positions Held During the Past Five Years	Dates
Vincent Sorgi	49	President and Chief Executive Officer	June 2020 - present
		President and Chief Operating Officer	July 2019 - May 2020
		Executive Vice President and Chief Financial Officer	January 2019 - June 2019
		Senior Vice President and Chief Financial Officer	June 2014 - January 2019
Joanne H. Raphael	61	Executive Vice President, General Counsel and Corporate Secretary	January 2019 - present
		Senior Vice President, General Counsel and Corporate Secretary	June 2015 - January 2019
Joseph P. Bergstein, Jr.	50	Senior Vice President and Chief Financial Officer	July 2019 - present
		Vice President-Investor Relations and Corporate Development & Planning	January 2018 - June 2019
		Vice President-Investor Relations and Treasurer	January 2016 - December 2017
Gregory N. Dudkin (a)	63	President-PPL Electric	March 2012 - present
Paul W. Thompson (a)	63	President and Chief Executive Officer - LKE	July 2020 - present
		Chairman of the Board, Chief Executive Officer and President-LKE	March 2018 - July 2020
		President and Chief Operating Officer	January 2017 - March 2018
		Chief Operating Officer	February 2013 - December 2016
Philip Swift (a)	53	Chief Executive-WPD	November 2018 - present
		Operations Director	July 2013 - November 2018
Marlene C. Beers	49	Vice President and Contoller	March 2019 - present
		Vice President-Finance and Regulatory Affairs and Controller-PPL Electric	August 2018 - February 2019
		Controller-PPL Electric	February 2016 - July 2018
Tadd J. Henninger	45	Vice President-Finance and Treasurer	July 2019 - present
		Vice President and Treasurer	January 2018 - July 2019
		Assistant Treasurer	December 2015 - December 2017

(a) Designated an executive officer of PPL by virtue of their respective positions at a PPL subsidiary.

ITEM 11. EXECUTIVE COMPENSATION

PPL Corporation

Information for this item will be set forth in the sections entitled "Compensation of Directors," "The Board's Role in Risk Oversight" and "Executive Compensation" in PPL's 2021 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2020, and which information is incorporated herein by reference.

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

Item 11 is omitted as PPL Electric, LKE, LG&E and KU meet the conditions set forth in General Instructions I(1)(a) and (b) of Form 10-K.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT
AND RELATED STOCKHOLDER MATTERS**

PPL Corporation

Information for this item will be set forth in the section entitled "Stock Ownership" in PPL's 2021 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2020, and which information is incorporated herein by reference. In addition, provided below in tabular format is information as of December 31, 2020, with respect to compensation plans (including individual compensation arrangements) under which equity securities of PPL are authorized for issuance.

Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (3)	Weighted-average exercise price of outstanding options, warrants and rights (3)	Number of securities remaining available for future issuance under equity compensation plans (4)
Equity compensation plans approved by security holders (1)	56,185 – ICP 55,153 – SIP <u>991,678</u> – ICPKE 1,103,016 – Total	\$ 24.37 – ICP \$ 26.59 – SIP \$ 26.30 – ICPKE \$ 26.22 – Combined	1,447,924 – DDCP 10,210,002 – SIP <u>988,231</u> – ICPKE 12,646,157 – Total
Equity compensation plans not approved by security holders (2)			

- (1) Includes (a) the ICP, under which stock options, restricted stock, restricted stock units, performance units, dividend equivalents and other stock-based awards were awarded to executive officers of PPL and no awards remain for issuance under this plan; (b) the ICPKE, under which stock options, restricted stock, restricted stock units, performance units, dividend equivalents and other stock-based awards may be awarded to non-executive key employees of PPL and its subsidiaries; (c) the SIP approved by shareowners in 2017 under which stock options, restricted stock, restricted stock units, performance units, dividend equivalents and other stock-based awards may be awarded to executive officers of PPL and its subsidiaries; and (d) the DDCP, under which stock units may be awarded to directors of PPL. See Note 11 to the Financial Statements for additional information.
- (2) All of PPL's current compensation plans under which equity securities of PPL are authorized for issuance have been approved by PPL's shareowners.
- (3) Relates to common stock issuable upon the exercise of stock options awarded under the ICP, SIP and ICPKE as of December 31, 2020. In addition, as of December 31, 2020, the following other securities had been awarded and are outstanding under the ICP, SIP, ICPKE and DDCP: 127,902 restricted stock units, 421,532 TSR performance awards and 504,914 ROE performance awards under the SIP; 768,434 restricted stock units 204,722 TSR performance awards and 223,750 ROE performance awards under the ICPKE; and 647,832 stock units under the DDCP.

(4) Based upon the following aggregate award limitations under the ICP, SIP, ICPKE and DDCP: (a) under the ICP, 15,769,431 awards (i.e., 5% of the total PPL common stock outstanding as of April 23, 1999) granted after April 23, 1999; (b) under the SIP, 15,000,000 awards; (c) under the ICPKE, 16,573,608 awards (i.e., 5% of the total PPL common stock outstanding as of January 1, 2003) granted after April 25, 2003, reduced by outstanding awards for which common stock was not yet issued as of such date of 2,373,812 resulting in a limit of 14,199,796; and (d) under the DDCP, the number of stock units available for issuance was reduced to 2,000,000 stock units in March 2012. In addition, each of the ICP and ICPKE includes an annual award limitation of 2% of total PPL common stock outstanding as of January 1 of each year.

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

Item 12 is omitted as PPL Electric, LKE, LG&E and KU meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**PPL Corporation**

Information for this item will be set forth in the sections entitled "Transactions with Related Persons" and "Independence of Directors" in PPL's 2021 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2020 and is incorporated herein by reference.

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

Item 13 is omitted as PPL Electric, LKE, LG&E and KU meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**PPL Corporation**

Information for this item will be set forth in the section entitled "Fees to Independent Auditor for 2020 and 2019" in PPL's 2021 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2020, and which information is incorporated herein by reference.

PPL Electric Utilities Corporation

For the fiscal years ended 2020 and 2019, Deloitte & Touche LLP (Deloitte) served as PPL Electric's independent auditor. The following table presents an allocation of fees billed, including expenses, by the independent auditor to PPL Electric, for professional services rendered for the audits of PPL Electric's annual financial statements and for fees billed for other services rendered by Deloitte.

	2020	(in thousands)		2019
Audit fees (a)	\$	1,737	\$	1,308
Audit-related fees (b)		16		

(a) Includes estimated fees for audit of annual financial statements and review of financial statements included in PPL Electric's Quarterly Reports on Form 10-Q and for services in connection with statutory and regulatory filings or engagements, including comfort letters and consents for financings and filings made with the SEC.

(b) Fees for agreed-upon procedures related to annual EPA filings.

LG&E and KU Energy LLC

For the fiscal years ended 2020 and 2019, Deloitte served as LKE's independent auditor. The following table presents an allocation of fees billed, including expenses, by the independent auditor to LKE, for professional services rendered for the audits of LKE's annual financial statements and for fees billed for other services rendered by Deloitte.

	2020	(in thousands)		2019
Audit fees (a)	\$	1,806	\$	1,973
Other		11		—

(a) Includes estimated fees for audit of annual financial statements and review of financial statements included in LKE's Quarterly Reports on Form 10-Q and for services in connection with statutory and regulatory filings or engagements, including comfort letters and consents for financings and filings made with the SEC.

Louisville Gas and Electric Company

For the fiscal years ended 2020 and 2019, Deloitte served as LG&E's independent auditor. The following table presents an allocation of fees billed, including expenses, by the independent auditor to LG&E, for professional services rendered for the audits of LG&E's annual financial statements and for fees billed for other services rendered by Deloitte.

	2020	(in thousands)		2019
Audit fees (a)	\$	832	\$	935
Other		5		—

(a) Includes estimated fees for audit of annual financial statements and review of financial statements included in LG&E's Quarterly Reports on Form 10-Q and for services in connection with statutory and regulatory filings or engagements, including comfort letters and consents for financings and filings made with the SEC.

Kentucky Utilities Company

For the fiscal years ended 2020 and 2019, Deloitte served as KU's independent auditor. The following table presents an allocation of fees billed, including expenses, by the independent auditor to KU, for professional services rendered for the audits of KU's annual financial statements and for fees billed for other services rendered by Deloitte.

	2020	(in thousands)		2019
Audit fees (a)	\$	955	\$	1,021
Other		6		—

(a) Includes estimated fees for audit of annual financial statements and review of financial statements included in KU's Quarterly Reports on Form 10-Q and for services in connection with statutory and regulatory filings or engagements, including comfort letters and consents for financings and filings made with the SEC.

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

Approval of Fees. The Audit Committee of PPL has procedures for pre-approving audit and non-audit services to be provided by the independent auditor. These procedures are designed to ensure the continued independence of the independent auditor. More specifically, the use of the independent auditor to perform either audit or non-audit services is prohibited unless specifically approved in advance by the Audit Committee of PPL. As a result of this approval process, the Audit Committee of PPL has pre-approved specific categories of services and authorization levels. All services outside of the specified categories and all amounts exceeding the authorization levels are approved by the Chair of the Audit Committee of PPL, who serves as the Committee designee to review and approve audit and non-audit related services during the year. A listing of the approved audit and non-audit services is reviewed with the full Audit Committee of PPL no later than its next meeting.

The Audit Committee of PPL approved 100% of the 2020 and 2019 services provided by Deloitte.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

(a) The following documents are filed as part of this report:

1. Financial Statements - Refer to the "Table of Contents" for an index of the financial statements included in this report.
2. Supplementary Data and Supplemental Financial Statement Schedule - included in response to Item 8.

Schedule I - LG&E and KU Energy LLC Condensed Unconsolidated Financial Statements.

All other schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the financial statements or notes thereto.

3. Exhibits

See Exhibit Index immediately following the signature pages.

SHAREOWNER AND INVESTOR INFORMATION

Annual Meeting: The 2021 annual meeting of shareowners of PPL will be held on Tuesday, May 18, 2021 in a virtual meeting format.

Proxy Statement Material: A proxy statement and notice of PPL's annual meeting will be provided to all shareowners who are holders of record as of February 26, 2021. The latest proxy statement can be accessed at www.pplweb.com/PPLCorpProxy.

PPL Annual Report: The report will be published in the beginning of April and will be provided to all shareowners who are holders of record as of February 26, 2021. The latest annual report can be accessed at www.pplweb.com/PPLCorpProxy.

Dividends: Subject to the declaration of dividends on PPL common stock by the PPL Board of Directors or its Executive Committee, dividends are paid on the first business day of April, July, October and January. The 2021 record dates for dividends are expected to be March 10, June 10, September 10 and December 10.

PPL's Website (www.pplweb.com): Shareowners can access PPL publications such as annual and quarterly reports to the Securities and Exchange Commission (SEC Forms 10-K and 10-Q), other PPL filings, corporate governance materials, news releases, stock quotes and historical performance. Visitors to our website can subscribe to receive automated email alerts for SEC filings, earnings releases, daily stock prices or other financial news.

Financial reports which are available at www.pplweb.com will be mailed without charge upon request.

By mail:

PPL Treasury Dept.
Two North Ninth Street
Allentown, PA 18101

By email: invserv@pplweb.com

By telephone:

610-774-5151 or Toll-free at 1-800-345-3085

Online Account Access: Registered shareowners can activate their account for online access by visiting shareowneronline.com.

Direct Stock Purchase and Dividend Reinvestment Plans (Plan): PPL offers investors the opportunity to acquire shares of PPL common stock through its Plan. Through the Plan, participants are eligible to invest up to \$25,000 per calendar month in PPL common stock. Shareowners may choose to have dividends on their PPL common stock fully or partially reinvested in PPL common stock or can receive full payment of cash dividends by check or electronic funds transfer. Participants in the Plan may choose to have their common stock certificates deposited into their Plan account.

Direct Registration System: PPL participates in the Direct Registration System (DRS). Shareowners may choose to have their common stock certificates converted to book entry form within the DRS by submitting their certificates to PPL's transfer agent.

Listed Securities:

New York Stock Exchange

PPL Corporation:

Common Stock (Code: PPL)

PPL Capital Funding, Inc.:

2007 Series A Junior Subordinated Notes due 2067 (Code: PPL/67)

2013 Series B Junior Subordinated Notes due 2073 (Code: PPX)

Fiscal Agents:

Transfer Agent and Registrar; Dividend Disbursing Agent; Plan Administrator

Equiniti Trust Company
Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120

Toll Free: 1-800-345-3085
Outside U.S.: 651-450-4064
Website: shareowneronline.com

Indenture Trustee

The Bank of New York Mellon
Corporate Trust Administration
500 Ross Street
Pittsburgh, PA 15262

EXHIBIT INDEX

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

- [1\(a\)](#) - Securities Purchase and Registration Rights Agreement, dated March 5, 2014, among PPL Capital Funding, Inc., PPL Corporation, and the several purchasers named in Schedule B thereto (Exhibit 1.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 10, 2014)
- [1\(b\)](#) - Final Terms, dated November 14, 2017, of Western Power Distribution (South West) plc £250,000,000 2.375% Notes due May 2029 (Exhibit 1.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 16, 2017)
- [1\(c\)](#) - Distribution Agreement, dated February 23, 2018, by and among PPL Corporation and J.P. Morgan Securities, LLC, Barclays Capital Inc., Citigroup Global Markets Inc., JPMorgan Chase Bank, National Association, London Branch, Barclays Bank PLC and Citibank N.A. (Exhibit 1.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 23, 2018)
- [1\(d\)](#) - Final Terms, dated March 23, 2018, of Western Power Distribution (South Wales) plc £30,000,000 RPI Index Linked Senior Unsecured Notes due March 2036 (Exhibit 1(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2018)
- [1\(e\)](#) - Final Terms, dated May 11, 2018, of Western Power Distribution (West Midlands) plc £30,000,000 RPI Index Linked Senior Unsecured Notes due March 2036 (Exhibit 1(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2018)
- [1\(f\)](#) - Final Terms, dated September 5, 2019, of Western Power Distribution (East Midlands) plc £250,000 Fixed Rate Notes due 2031 under the £4,000,000,000 Euro Medium Term Note Programme (Exhibit 1(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2019)
- [1\(g\)](#) - Final Terms, dated October 5, 2020, of Western Power Distribution (South Wales) plc £250,000,000 1.625 per cent Fixed Rate Note due 2035 under the £400,000,000 Euro Medium Term Note Programme (Exhibit 1.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 8, 2020)
- [2\(a\)](#) - Separation Agreement among PPL Corporation, Talen Energy Holdings, Inc., Talen Energy Corporation, PPL Energy Supply, LLC, Raven Power Holdings LLC, C/R Energy Jade, LLC and Sapphire Power Holdings LLC., dated as of June 9, 2014 (Exhibit 2.1 to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated June 12, 2014)
- [2\(b\)](#) - Transaction Agreement among PPL Corporation, Talen Energy Holdings, Inc., Talen Energy Corporation, PPL Energy Supply, LLC, Talen Energy Merger Sub, Inc., C/R Energy Jade, LLC, Sapphire Power Holdings LLC. and Raven Power Holdings LLC, dated as of June 9, 2014 (Exhibit 2.2 to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated June 12, 2014)
- [3\(a\)](#) - Amended and Restated Articles of Incorporation of PPL Corporation, effective as of May 25, 2016 (Exhibit 3(i) to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 26, 2016)
- [3\(b\)](#) - Bylaws of PPL Corporation, effective as of March 23, 2020 (Exhibit 3(ii) to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 27, 2020)
- [3\(c\)](#) - Amended and Restated Articles of Incorporation of PPL Electric Utilities Corporation, effective as of October 31, 2013 (Exhibit 3(a) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended September 30, 2013)
- [3\(d\)](#) - Bylaws of PPL Electric Utilities Corporation, effective as of October 27, 2015 (Exhibit 3(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2015)

- [3\(e\)](#) - Articles of Organization of LG&E and KU Energy LLC, effective as of December 29, 2003 (Exhibit 3(a) to Registration Statement filed on Form S-4 (File No. 333-173665))
- [3\(f\)-1](#) - Amended and Restated Operating Agreement of LG&E and KU Energy LLC, effective as of November 1, 2010 (Exhibit 3(b) to Registration Statement filed on Form S-4 (File No. 333-173665))
- [3\(f\)-2](#) - Amendment to Amended and Restated Operating Agreement of LG&E and KU Energy LLC, effective as of November 25, 2013 (Exhibit 3(h)-2) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2013)
- [3\(g\)-1](#) - Amended and Restated Articles of Incorporation of Louisville Gas and Electric Company, effective as of November 6, 1996 (Exhibit 3(a) to Registration Statement filed on Form S-4 (File No. 333-173676))
- [3\(g\)-2](#) - Articles of Amendment to Articles of Incorporation of Louisville Gas and Electric Company, effective as of April 6, 2004 (Exhibit 3(b) to Registration Statement filed on Form S-4 (File No. 333-173676))
- [3\(h\)](#) - Bylaws of Louisville Gas and Electric Company, effective as of December 16, 2003 (Exhibit 3(c) to Registration Statement filed on Form S-4 (File No. 333-173676))
- [3\(i\)-1](#) - Amended and Restated Articles of Incorporation of Kentucky Utilities Company, effective as of December 14, 1993 (Exhibit 3(a) to Registration Statement filed on Form S-4 (File No. 333-173675))
- [3\(i\)-2](#) - Articles of Amendment to Articles of Incorporation of Kentucky Utilities Company, effective as of April 8, 2004 (Exhibit 3(b) to Registration Statement filed on Form S-4 (File No. 333-173675))
- [3\(j\)](#) - Bylaws of Kentucky Utilities Company, effective as of December 16, 2003 (Exhibit 3(c) to Registration Statement filed on Form S-4 (File No. 333-173675))
- [4\(a\)-1](#) - Amended and Restated Employee Stock Ownership Plan, dated December 1, 2016 (Exhibit 4(a) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2016)
- [4\(a\)-2](#) - Amendment No. 1 to PPL Employee Stock Ownership Plan, dated October 2, 2017 (Exhibit 4(c) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2017)
- [4\(a\)-3](#) - Amendment No. 2 to PPL Employee Stock Ownership Plan, dated December 1, 2018 (Exhibit 4(a)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2018)
- [4\(a\)-4](#) - Amendment No. 3 to PPL Employee Stock Ownership Plan, dated January 1, 2019 (Exhibit 4(a)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2018)
- [4\(b\)-1](#) - Indenture, dated as of November 1, 1997, among PPL Corporation, PPL Capital Funding, Inc. and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee (Exhibit 4.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 12, 1997)
- [4\(b\)-2](#) - Supplemental Indenture No. 8, dated as of June 14, 2012, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated June 14, 2012)
- [4\(b\)-3](#) - Supplemental Indenture No. 9, dated as of October 15, 2012, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 15, 2012)
- [4\(b\)-4](#) - Supplemental Indenture No. 10, dated as of May 24, 2013, to said Indenture (Exhibit 4.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 24, 2013)

- [4\(b\)-5](#) - Supplemental Indenture No. 11, dated as of May 24, 2013, to said Indenture (Exhibit 4.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 24, 2013)
- [4\(b\)-6](#) - Supplemental Indenture No. 12, dated as of May 24, 2013, to said Indenture (Exhibit 4.4 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 24, 2013)
- [4\(b\)-7](#) - Supplemental Indenture No. 13, dated as of March 10, 2014, to said Indenture (Exhibit 4.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 10, 2014)
- [4\(b\)-8](#) - Supplemental Indenture No. 14, dated as of March 10, 2014, to said Indenture (Exhibit 4.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 10, 2014)
- [4\(b\)-9](#) - Supplemental Indenture No. 15, dated as of May 17, 2016, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 17, 2016)
- [4\(b\)-10](#) - Supplemental Indenture No. 16, dated as of September 8, 2017, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 6, 2017)
- [4\(b\)-11](#) - Supplemental Indenture No. 17, dated as of April 1, 2020, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 3, 2020)
- [4\(c\)-1](#) - Indenture, dated as of March 16, 2001, among WPD Holdings UK, Bankers Trust Company, as Trustee, Principal Paying Agent, and Transfer Agent and Deutsche Bank Luxembourg, S.A., as Paying and Transfer Agent (Exhibit 4(g) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2009)
- [4\(c\)-2](#) - First Supplemental Indenture constituting the creation of \$200 million 6.75% Notes due 2004, \$200 million 6.875% Notes due 2007, \$225 million 6.50% Notes due 2008, \$100 million 7.25% Notes due 2017 and \$300 million 7.375% Notes due 2028, dated as of March 16, 2001, to said Indenture (Exhibit 4(n)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2004)
- [4\(c\)-3](#) - Second Supplemental Indenture, dated as of January 30, 2003, to said Indenture (Exhibit 4(n)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2004)
- [4\(c\)-4](#) - Third Supplemental Indenture, dated as of October 31, 2014, to said Indenture (Exhibit 4(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2014)
- [4\(c\)-5](#) - Fourth Supplemental Indenture, dated as of December 1, 2016, to said Indenture (Exhibit 4(d)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2016)
- [4\(c\)-6](#) - Fifth Supplemental Indenture, dated as of January 2, 2019, to said Indenture (Exhibit 4(d)-6 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2018)
- [*4\(c\)-7](#) - Sixth Supplemental Indenture, dated as of December 16, 2020, to said Indenture
- [4\(d\)-1](#) - Indenture, dated as of August 1, 2001, by PPL Electric Utilities Corporation and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee (Exhibit 4.1 to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated August 21, 2001)
- [4\(d\)-2](#) - Supplemental Indenture No. 6, dated as of December 1, 2005, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated December 22, 2005)

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- [4\(d\)-3](#) - Supplemental Indenture No. 7, dated as of August 1, 2007, to said Indenture (Exhibit 4(b) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated August 14, 2007)
- [4\(d\)-4](#) - Supplemental Indenture No. 9, dated as of October 1, 2008, to said Indenture (Exhibit 4(c) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated October 31, 2008)
- [4\(d\)-5](#) - Supplemental Indenture No. 10, dated as of May 1, 2009, to said Indenture (Exhibit 4(b) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated May 22, 2009)
- [4\(d\)-6](#) - Supplemental Indenture No. 11, dated as of July 1, 2011, to said Indenture (Exhibit 4.1 to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated July 13, 2011)
- [4\(d\)-7](#) - Supplemental Indenture No. 12, dated as of July 1, 2011, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated July 18, 2011)
- [4\(d\)-8](#) - Supplemental Indenture No. 13, dated as of August 1, 2011, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated August 23, 2011)
- [4\(d\)-9](#) - Supplemental Indenture No. 14, dated as of August 1, 2012, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated August 24, 2012)
- [4\(d\)-10](#) - Supplemental Indenture No. 15, dated as of July 1, 2013, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated July 11, 2013)
- [4\(d\)-11](#) - Supplemental Indenture No. 16, dated as of June 1, 2014, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated June 5, 2014)
- [4\(d\)-12](#) - Supplemental Indenture No. 17, dated as of October 1, 2015, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated October 1, 2015)
- [4\(d\)-13](#) - Supplemental Indenture No. 18, dated as of March 1, 2016, to said Indenture (Exhibit 4(c) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated March 10, 2016)
- [4\(d\)-14](#) - Supplemental Indenture No. 19, dated as of May 1, 2017, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated May 11, 2017)
- [4\(d\)-15](#) - Supplemental Indenture No. 20, dated as of June 1, 2018, to said Indenture (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated June 14, 2018)
- [4\(d\)-16](#) - Supplemental Indenture No. 21, dated as of September 1, 2019, to said Indenture (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 6, 2019)
- [4\(d\)-17](#) - Supplemental Indenture No. 22, dated as of September 15, 2020, to said Indenture (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 1, 2020)
- [4\(e\)-1](#) - Trust Deed constituting £200 million 5.875 percent Bonds due 2027, dated March 25, 2003, between Western Power Distribution (South West) plc and J.P. Morgan Corporate Trustee Services Limited (Exhibit 4(o)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2004)
- [4\(e\)-2](#) - Supplement, dated May 27, 2003, to said Trust Deed, constituting £50 million 5.875 percent Bonds due 2027 (Exhibit 4(o)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2004)

- [4\(f\)-1](#) - Pollution Control Facilities Loan Agreement, dated as of October 1, 2008, between Pennsylvania Economic Development Financing Authority and PPL Electric Utilities Corporation (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated October 31, 2008)
- [4\(f\)-2](#) - Pollution Control Facilities Loan Agreement, dated as of March 1, 2016, between PPL Electric Utilities Corporation and the Lehigh County Industrial Development Authority (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated March 10, 2016)
- [4\(f\)-3](#) - Pollution Control Facilities Loan Agreement, dated as of March 1, 2016, between PPL Electric Utilities Corporation and the Lehigh County Industrial Development Authority (Exhibit 4(b) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated March 10, 2016)
- [4\(g\)](#) - Trust Deed constituting £105 million 1.541 percent Index-Linked Notes due 2053, dated December 1, 2006, between Western Power Distribution (South West) plc and HSBC Trustee (CI) Limited (Exhibit 4(i) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
- [4\(h\)](#) - Trust Deed constituting £120 million 1.541 percent Index-Linked Notes due 2056, dated December 1, 2006, between Western Power Distribution (South West) plc and HSBC Trustee (CI) Limited (Exhibit 4(j) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
- [4\(i\)](#) - Trust Deed constituting £225 million 4.80436 percent Notes due 2037, dated December 21, 2006, between Western Power Distribution (South Wales) plc and HSBC Trustee (CI) Limited (Exhibit 4(k) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
- [4\(j\)-1](#) - Subordinated Indenture, dated as of March 1, 2007, between PPL Capital Funding, Inc., PPL Corporation and The Bank of New York, as Trustee (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 20, 2007)
- [4\(j\)-2](#) - Supplemental Indenture No. 1, dated as of March 1, 2007, to said Subordinated Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 20, 2007)
- [4\(j\)-3](#) - Supplemental Indenture No. 4, dated as of March 15, 2013, to said Subordinated Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 15, 2013)
- [4\(k\)](#) - Trust Deed constituting £200 million 5.75 percent Notes due 2040, dated March 23, 2010, between Western Power Distribution (South Wales) plc and HSBC Corporate Trustee Company (UK) Limited (Exhibit 4(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2010)
- [4\(l\)](#) - Trust Deed constituting £200 million 5.75 percent Notes due 2040, dated March 23, 2010, between Western Power Distribution (South West) plc and HSBC Corporate Trustee Company (UK) Limited (Exhibit 4(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2010)
- [4\(m\)-1](#) - Indenture, dated as of October 1, 2010, between Kentucky Utilities Company and The Bank of New York Mellon, as Trustee (Exhibit 4(q)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(m\)-2](#) - Supplemental Indenture No. 1, dated as of October 15, 2010, to said Indenture (Exhibit 4(q)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(m\)-3](#) - Supplemental Indenture No. 2, dated as of November 1, 2010, to said Indenture (Exhibit 4(q)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)

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- [4\(m\)-4](#) - Supplemental Indenture No. 3, dated as of November 1, 2013, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 13, 2013)
- [4\(m\)-5](#) - Supplemental Indenture No. 4, dated as of September 1, 2015, to said Indenture (Exhibit 4(b) to Kentucky Utilities Company Form 8-K Report (File No. 1-3464) dated September 28, 2015)
- [4\(m\)-6](#) - Supplemental Indenture No. 5, dated as of August 1, 2016, to said Indenture (Exhibit 4(b) to Kentucky Utilities Company Form 8-K Report (File No. 1-3464) dated August 26, 2016)
- [4\(m\)-7](#) - Supplemental Indenture No. 6, dated as of August 1, 2018, to Indenture, dated as of October 1, 2010, between Kentucky Utilities Company and The Bank of New York Mellon, as Trustee (Exhibit 4(a) to PPL Corporation 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2018)
- [4\(m\)-8](#) - Supplemental Indenture No. 7, dated as of March 1, 2019, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 1, 2019)
- [4\(m\)-9](#) - Supplemental Indenture No. 8, dated as of May 15, 2020, to said Indenture (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated June 3, 2020)
- [4\(n\)-1](#) - Indenture, dated as of October 1, 2010, between Louisville Gas and Electric Company and The Bank of New York Mellon, as Trustee (Exhibit 4(r)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(n\)-2](#) - Supplemental Indenture No. 1, dated as of October 15, 2010, to said Indenture (Exhibit 4(r)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(n\)-3](#) - Supplemental Indenture No. 2, dated as of November 1, 2010, to said Indenture (Exhibit 4(r)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(n\)-4](#) - Supplemental Indenture No. 3, dated as of November 1, 2013, to said Indenture (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 13, 2013)
- [4\(n\)-5](#) - Supplemental Indenture No. 4, dated as of September 1, 2015, to said Indenture (Exhibit 4(a) to Louisville Gas and Electric Company Form 8-K Report (File No. 1-2893) dated September 28, 2015)
- [4\(n\)-6](#) - Supplemental Indenture No. 5, dated as of September 1, 2016, to said Indenture (Exhibit 4(b) to Louisville Gas and Electric Company Form 8-K (File No. 1-2893) dated September 15, 2016)
- [4\(n\)-7](#) - Supplemental Indenture No. 6, dated as of May 15, 2017, to said Indenture (Exhibit 4(b) to Louisville Gas and Electric Company Form 8-K Report (File No. 1-2893) dated June 1, 2017)
- [4\(n\)-8](#) - Supplemental Indenture No. 7, dated as of March 1, 2019, to said Indenture (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 1, 2019)
- [4\(o\)-1](#) - Indenture, dated as of November 1, 2010, between LG&E and KU Energy LLC and The Bank of New York Mellon, as Trustee (Exhibit 4(s)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(o\)-2](#) - Supplemental Indenture No. 1, dated as of November 1, 2010, to said Indenture (Exhibit 4(s)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(o\)-3](#) - Supplemental Indenture No. 2, dated as of September 1, 2011, to said Indenture (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 30, 2011)

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- [4\(p\)-1](#) - 2002 Series A Carroll County Loan Agreement, dated February 1, 2002, by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(w)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(p\)-2](#) - Amendment No. 1 dated as of September 1, 2010 to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(w)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(q\)-1](#) - 2002 Series B Carroll County Loan Agreement, dated February 1, 2002, by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(x)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(q\)-2](#) - Amendment No. 1 dated as of September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(x)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(r\)-1](#) - 2004 Series A Carroll County Loan Agreement, dated October 1, 2004 and amended and restated as of September 1, 2008, by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(z)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(r\)-2](#) - Amendment No. 1 dated as of September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(z)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(s\)-1](#) - 2006 Series B Carroll County Loan Agreement, dated October 1, 2006 and amended and restated September 1, 2008, by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(aa)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(s\)-2](#) - Amendment No. 1 dated as of September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(aa)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(t\)-1](#) - 2008 Series A Carroll County Loan Agreement, dated August 1, 2008 by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(cc)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(t\)-2](#) - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(cc)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(u\)](#) - 2016 Series A Carroll County Loan Agreement dated as of August 1, 2016 between Kentucky Utilities Company and the County of Carroll, Kentucky (Exhibit 4(a) to Kentucky Utilities Company Form 8-K Report (File No. 1-3464) dated August 26, 2016)
- [4\(v\)-1](#) - 2000 Series A Mercer County Loan Agreement, dated May 1, 2000 and amended and restated as of September 1, 2008, by and between Kentucky Utilities Company, and County of Mercer, Kentucky (Exhibit 4(dd)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(v\)-2](#) - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Mercer, Kentucky (Exhibit 4(dd)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)

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- [4\(w\)-1](#) - 2002 Series A Mercer County Loan Agreement, dated February 1, 2002, by and between Kentucky Utilities Company, and County of Mercer, Kentucky (Exhibit 4(ee)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(w\)-2](#) - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Mercer, Kentucky (Exhibit 4(ee)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(x\)-1](#) - 2002 Series A Muhlenberg County Loan Agreement, dated February 1, 2002, by and between Kentucky Utilities Company, and County of Muhlenberg, Kentucky (Exhibit 4(ff)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(x\)-2](#) - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Muhlenberg, Kentucky (Exhibit 4(ff)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(y\)](#) - 2018 Series A Carroll County Loan Agreement, dated as of August 1, 2018, by and between Kentucky Utilities Company and County of Carroll, Kentucky (Exhibit 4(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2018)
- [4\(z\)-1](#) - 2001 Series A Jefferson County Loan Agreement, dated November 1, 2001, by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky (Exhibit 4(jj)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(z\)-2](#) - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky (Exhibit 4(jj)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(aa\)-1](#) - 2001 Series B Jefferson County Loan Agreement, dated November 1, 2001, by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky (Exhibit 4(kk)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(aa\)-2](#) - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky (Exhibit 4(kk)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(bb\)-1](#) - 2003 Series A Louisville/Jefferson County Metro Government Loan Agreement, dated October 1, 2003, by and between Louisville Gas and Electric Company and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(ll)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(bb\)-2](#) - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(ll)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(cc\)-1](#) - 2005 Series A Louisville/Jefferson County Metro Government Loan Agreement, dated February 1, 2005 and amended and restated as of September 1, 2008, by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(mm)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(cc\)-2](#) - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(mm)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)

- [4\(dd\)-1](#) - 2007 Series A Louisville/Jefferson County Metro Government Loan Agreement, dated as of March 1, 2007 and amended and restated as of September 1, 2008, by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(nn)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(dd\)-2](#) - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(nn)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(ee\)](#) - 2007 Series B Louisville/Jefferson County Metro Government Amended and Restated Loan Agreement, dated November 1, 2010, by and between Louisville Gas and Electric Company and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(oo) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(ff\)-1](#) - 2001 Series A Trimble County Loan Agreement, dated November 1, 2001, by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky (Exhibit 4(qq)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(ff\)-2](#) - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and the County of Trimble, Kentucky (Exhibit 4(qq)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(gg\)](#) - 2017 Series A Trimble County Loan Agreement, dated as of June 1, 2017, by and between Louisville Gas and Electric Company and the County of Trimble, Kentucky (Exhibit 4(a) to Louisville Gas and Electric Company Form 8-K Report (File No. 1-2893) dated June 1, 2017)
- [4\(hh\)-1](#) - 2001 Series B Trimble County Loan Agreement, dated November 1, 2001, by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky (Exhibit 4(rr)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(hh\)-2](#) - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky (Exhibit 4(rr)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
- [4\(ii\)](#) - 2016 Series A Trimble County Loan Agreement dated as of September 1, 2016 between Louisville Gas and Electric Company and the County of Trimble, Kentucky (Exhibit 4(a) to Louisville Gas and Electric Company Form 8-K (File No. 1-2893) dated September 15, 2016)
- [4\(jj\)](#) - Trust Deed, dated November 26, 2010, between Central Networks East plc and Central Networks West plc, the Issuers, and Deutsche Trustee Company Limited relating to Central Networks East plc and Central Network West plc £3 billion Euro Medium Term Note Programme (Exhibit 4(pp) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2015)
- [4\(kk\)-1](#) - Indenture, dated April 21, 2011, between PPL WEM Holdings PLC, as Issuer, and The Bank of New York Mellon, as Trustee (Exhibit 10.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 21, 2011)
- [4\(kk\)-2](#) - Supplemental Indenture No. 1, dated April 21, 2011, to said Indenture (Exhibit 10.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 21, 2011)
- [4\(kk\)-3](#) - Second Supplemental Indenture, dated as of October 30, 2014, to said Indenture (Exhibit 4(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2014)

- [4\(1\)-1](#) - Trust Deed, dated April 27, 2011, by and among Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc, as Issuers, and HSBC Corporate Trustee Company (UK) Limited as Note Trustee (Exhibit 4.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 17, 2011)
- [4\(1\)-2](#) - Amended and Restated Trust Deed, dated September 10, 2013, by and among Western Power Distribution (East Midlands) plc, Western Power Distribution (West Midlands) plc, Western Power Distribution (South West) plc and Western Power Distribution (South Wales) plc as Issuers, and HSBC Corporate Trustee Company (UK) Limited as Note Trustee (Exhibit 4.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 18, 2013)
- [4\(1\)-3](#) - £3,000,000,000 Euro Medium Term Note Programme entered into by Western Power Distribution (East Midlands) plc, Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc and Western Power Distribution (West Midlands) plc, dated as of September 9, 2016 (Exhibit 4(oo)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2016)
- [4\(1\)-4](#) - £3,000,000,000 Euro Medium Term Note Programme entered into by Western Power Distribution (East Midlands) plc, Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc and Western Power Distribution (West Midlands) plc, dated as of September 15, 2017 (Exhibit 4(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2017)
- [4\(1\)-5](#) - Amended and Restated Trust Deed, relating to the £3,000,000,000 Euro Medium Term Note Programme of the Issuers, dated September 9, 2016, by and among Western Power Distribution (East Midlands) plc, Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc and Western Power Distribution (West Midlands) plc as Issuers, and HSBC Corporate Trustee Company (UK) Limited as Note Trustee (Exhibit 4(a)-1 to PPL Corporation 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2018)
- [4\(1\)-6](#) - Supplement Prospectus, dated March 15, 2018 to the £3,000,000,000 Euro Medium Term Note Programme, entered into by Western Power Distribution (East Midlands) plc, Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc and Western Power Distribution (West Midlands) plc, dated as of September 15, 2017 (Exhibit 4(a)-2 to PPL Corporation 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2018)
- [4\(1\)-7](#) - Amended and Restated Trust Deed, dated August 14, 2018, by and among Western Power Distribution (East Midlands) plc, Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc and Western Power Distribution (West Midlands) plc as Issuers, and HSBC Corporate Trustee Company (UK) Limited as Note Trustee (Exhibit 4(c) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2018)
- [*4\(1\)-8](#) - £4,000,000,000 Euro Medium Term Note Programme entered into by Western Power Distribution (East Midlands) plc, Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc and Western Power Distribution (West Midlands) plc dated as of August 12, 2019
- [4\(1\)-9](#) - Amended and Restated Trust Deed, dated August 12, 2019, by and among Western Power Distribution (East Midlands) plc, Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc and Western Power Distribution (West Midlands) plc as Issuers, and HSBC Corporate Trustee Company (UK) Limited as Note Trustee (Exhibit 4(mm)-8 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2019)
- [4\(1\)-10](#) - £4,000,000,000 Euro Medium Term Note Programme entered into by Western Power Distribution (East Midlands) plc, Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc and Western Power Distribution (West Midlands) plc dated as of August 21, 2020 (Exhibit 4.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 8, 2020)

- [4\(l\)-1](#) - Amended and Restated Trust Deed, dated August 21, 2020, by and among Western Power Distribution (East Midlands) plc, Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc and Western Power Distribution (West Midlands) plc as Issuers, and HSBC Corporate Trustee Company (UK) Limited as Note Trustee (Exhibit 4.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 8, 2020)
- [4\(mm\)](#) - Trust Deed constituting £500 million 3.625% Senior Unsecured Notes due 2023, dated November 6, 2015, by and among Western Power Distribution plc as Issuer, and HSBC Corporate Trustee Company (UK) Limited as Note Trustee (Exhibit 4.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 6, 2015)
- [4\(nn\)](#) - Subscription Agreement, dated November 14, 2017, by and among Western Power Distribution(South West) plc as Issuer, HSBC Bank plc, Mizuho International plc, The Royal Bank of Scotland plc (trading as NatWest Markets), Banco Santander, S.A., Barclays Bank PLC, Lloyds Bank plc, Merrill Lynch International, MUFG Securities EMEA plc and RBC Europe Limited. (Exhibit 4.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 14, 2017).
- [4\(oo\)](#) - Trust Deed, dated October 16, 2018, between Western Power Distribution plc as Issuer, and HSBC Corporate Trustee Company (UK) Limited as Trustee (Exhibit 4(d) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2018)
- [4\(pp\)](#) - Subscription Agreement, dated October 5, 2020, by and among Western Power Distribution (South Wales) plc as Issuer, Barclays Bank plc, Lloyds Bank Corporate Markets plc, MUFG Securities EMEA plc, Natwest Markets plc as Joint Lead Managers (Exhibit 4.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 8, 2020)
- [*4\(qq\)](#) - Description of PPL Corporation's common stock, par value \$0.01 per share
- [4\(rr\)](#) - Description of PPL Capital Funding, Inc.'s Junior Subordinated Notes 2007 Series A due 2067, as guaranteed by PPL Corporation (Exhibit 4(rr) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2019)
- [4\(ss\)](#) - Description of PPL Capital Funding, Inc.'s Junior Subordinated Notes 2013 Series B due 2073, as guaranteed by PPL Corporation (Exhibit 4(ss) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2019)
- [4\(tt\)](#) - Description of PPL Electric Utilities Corporation's common stock, no par value per share (Exhibit 4(tt) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2019)
- [10\(a\)-1](#) - \$150 million Revolving Credit Agreement, dated as of March 26, 2014, among PPL Capital Funding, Inc., as Borrower, PPL Corporation, as Guarantor and The Bank of Nova Scotia, as Administrative Agent, Issuing Lender and Lender (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 1, 2014)
- [10\(a\)-2](#) - First Amendment to said Revolving Credit Agreement, dated as of March 17, 2015 (Exhibit 10(c)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2015)
- [10\(a\)-3](#) - Second Amendment to said Revolving Credit Agreement, dated as of March 17, 2016 (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2016)
- [10\(a\)-4](#) - Third Amendment to said Revolving Credit Agreement, dated as of March 17, 2017 (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2017)
- [10\(a\)-5](#) - Fourth Amendment to said Revolving Credit Agreement, dated as of March 16, 2018 (Exhibit 10(b)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2018)

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- [10\(a\)-6](#) - Fifth Amendment to said Revolving Credit Agreement, dated as of March 8, 2019 (Exhibit 10.2 to PPL Corporation Form 8-K Report (File No. 11459) dated March 8, 2019)
- [10\(a\)-7](#) - Sixth Amendment to said Revolving Credit Agreement, dated as of March 12, 2020 (Exhibit 10(e) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2020)
- [10\(b\)](#) - Employee Matters Agreement, among PPL Corporation, Talen Energy Corporation, C/R Energy Jade, LLC, Sapphire Power Holdings LLC and Raven Power Holdings LLC, dated as of June 9, 2014 (Exhibit 10.1 to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated June 12, 2014)
- [10\(c\)-1](#) - \$300 million Amended and Restated Revolving Credit Agreement, dated as of July 28, 2014, among PPL Electric Utilities Corporation, as the Borrower, the Lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender (Exhibit 10(e) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended June 30, 2014)
- [10\(c\)-2](#) - Notice of Automatic Extension, dated as of September 29, 2014, to said Amended and Restated Credit Agreement (Exhibit 10(b) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended September 30, 2014)
- [10\(c\)-3](#) - Amendment No. 1 to said Credit Agreement, dated as of January 29, 2016 (Exhibit 10.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 3, 2016)
- [10\(c\)-4](#) - Commitment Extension and Increase Agreement and Amendment No. 2 to said Credit Agreement, dated as of December 1, 2016 (Exhibit 10(e)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2016)
- [10\(c\)-5](#) - Commitment Extension Agreement and Amendment No. 3 to said Credit Agreement, dated as of January 26, 2018 (Exhibit 10(e)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2017)
- [10\(c\)-6](#) - Amendment No. 4 to said Credit Agreement, dated as of March 8, 2019 (Exhibit 10.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 8, 2019)
- [10\(d\)-1](#) - \$300 million Revolving Credit Agreement, dated as of July 28, 2014, among PPL Capital Funding, Inc., as the Borrower, PPL Corporation, as the Guarantor, the Lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender (Exhibit 10(d) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
- [10\(d\)-2](#) - Amendment No. 1 to said Credit Agreement, dated as of January 29, 2016 (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 3, 2016)
- [10\(d\)-3](#) - Commitment Extension and Increase Agreement and Amendment No. 2 to said Credit Agreement, dated as of December 1, 2016 (Exhibit 10(f)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2016)
- [10\(d\)-4](#) - Commitment Extension Agreement and Amendment No. 3 to said Credit Agreement, dated as of January 26, 2018 (Exhibit 10(f)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2017)
- [10\(d\)-5](#) - Amendment No. 4 to said Credit Agreement, dated as of March 8, 2019 (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 8, 2019)

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- [10\(e\)-1](#) - \$400 million Amended and Restated Revolving Credit Agreement, dated as of July 28, 2014, among Kentucky Utilities Company, as the Borrower, the Lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender (Exhibit 10(f) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
- [10\(e\)-2](#) - Amendment No. 1 to said Credit Agreement, dated as of January 29, 2016 (Exhibit 10.4 to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 3, 2016)
- [10\(e\)-3](#) - Commitment Extension Agreement and Amendment No. 2 to said Credit Agreement, dated as of January 4, 2017 (Exhibit 10(g)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2016)
- [10\(e\)-4](#) - Commitment Extension Agreement and Amendment No. 3 to said Credit Agreement, dated as of January 26, 2018 (Exhibit 10(g)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2017)
- [10\(e\)-5](#) - Amendment No. 4 to said Credit Agreement, dated as of March 8, 2019 (Exhibit 10.5 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 8, 2019)
- [10\(f\)-1](#) - \$500 million Amended and Restated Revolving Credit Agreement, dated as of July 28, 2014, among Louisville Gas and Electric Company, as the Borrower, the Lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender (Exhibit 10(g) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
- [10\(f\)-2](#) - Amendment No. 1 to said Credit Agreement, dated as of January 29, 2016 (Exhibit 10.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 3, 2016)
- [10\(f\)-3](#) - Commitment Extension Agreement and Amendment No. 2 to said Credit Agreement, dated as of January 4, 2017 (Exhibit 10(h)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2016)
- [10\(f\)-4](#) - Commitment Extension Agreement and Amendment No. 3 to said Credit Agreement, dated as of January 26, 2018 (Exhibit 10(h)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2017)
- [10\(f\)-5](#) - Amendment No. 4 to said Credit Agreement, dated as of March 8, 2019 (Exhibit 10.4 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 8, 2019)
- [10\(g\)](#) - £210 million Multicurrency Revolving Credit Facility Agreement, dated January 13 2016, among Western Power Distribution plc and HSBC Bank PLC and Mizuho Bank, Ltd. as Joint Coordinators and Bookrunners, Mizuho Bank, Ltd. as Facility Agent and the other banks party thereto as Mandated Lead Arrangers (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated January 19, 2016)
- [10\(h\)](#) - £5,000,000 Letter of Credit Facility entered into between Western Power Distribution (South West) plc and Svenska Handelsbanken AB dated as of February 20, 2018 (Exhibit 10(e) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2018)
- [10\(i\)](#) - £75,000,000 Facility Letter entered into between Western Power Distribution (South West) plc and Svenska Handelsbanken AB dated as of February 28, 2018 (Exhibit 10(f) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2018)
- [10\(j\)](#) - Confirmation of Forward Sale Transaction, dated May 8, 2018, between the Company and JPMorgan Chase Bank, National Association, London Branch (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 11, 2018)

- [10\(k\)](#) - Confirmation of Forward Sale Transaction, dated May 8, 2018, between the Company and Barclays Bank PLC (Exhibit 10.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 11, 2018)
- [10\(l\)](#) - Additional Confirmation of Forward Sale Transaction, dated May 10, 2018, between the Company and JPMorgan Chase Bank, National Association, London Branch (Exhibit 10.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 11, 2018)
- [10\(m\)](#) - Additional Confirmation of Forward Sale Transaction, dated May 8, 2018, between the Company and Barclays Bank PLC (Exhibit 10.4 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 11, 2018)
- [10\(n\)](#) - £50,000,000 Facility Agreement dated as of June 7, 2019, among Western Power Distribution plc, as the Borrower, National Westminster Bank plc as Original Lender, and National Westminster Bank plc as Agent (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2019)
- [10\(o\)](#) - \$100,000,000 Term Loan Credit Agreement, dated as of April 1, 2020, among PPL Capital Funding, Inc., as Borrower, PPL Corporation, as Guarantor, and Canadian Imperial Bank of Commerce, New York Branch, as Administrative Agent and Lender (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2020)
- [10\(p\)](#) - \$100,000,000 Term Loan Credit Agreement, dated as of April 1, 2020, among PPL Capital Funding, Inc., as Borrower, PPL Corporation, as Guarantor, and U.S. Bank National Association, as Administrative Agent and Lender (Exhibit 10(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2020)
- [10\(q\)](#) - \$200,000,000 Credit Agreement, dated as of March 27, 2020, among PPL Capital Funding, Inc., as Borrower, PPL Corporation, as Guarantor, and The Bank of Nova Scotia, as Administrative Agent and Lender (Exhibit 10(c) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2020)
- [10\(r\)](#) - \$50,000,000 Revolving Credit Agreement, dated as of March 12, 2020, among PPL Capital Funding, Inc., as Borrower, PPL Corporation, as Guarantor, and The Bank of Nova Scotia, as Administrative Agent and Lender (Exhibit 10(d) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2020)
- [10\(s\)](#) - £845 million Multicurrency Revolving Facilities Agreement, dated May 13, 2020, among Western Power Distribution (East Midlands) plc, Western Power Distribution (West Midlands) plc, Western Power Distribution (South West) plc, and Western Power Distribution (South Wales) plc as the Borrowers, Mizuho Bank, Ltd and National Westminster Bank plc as Joint Coordinators, HSBC UK Bank plc, Lloyds Bank plc, Mizuho Bank Ltd, National Westminster Bank plc, Royal Bank of Canada plc and Santander UK plc as Bookrunners and Mandated Lead Arrangers, MUFG Bank, Ltd as Mandated Lead Arranger, and Lloyds Bank plc as Facility Agent (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2020)
- [*10\(t\)](#) - Amendment and Restatement Agreement, dated September 30, 2020, related to £100,000,000 Term Loan Agreement, dated May 24, 2016, between Western Power Distribution (East Midlands) plc and MUFG Bank, Ltd (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd)
- [10\(u\)-1](#) - Amended and Restated Directors Deferred Compensation Plan, dated June 12, 2000 (Exhibit 10(h) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2000)
- [10\(u\)-2](#) - Amendment No. 1 to said Directors Deferred Compensation Plan, dated December 18, 2002 (Exhibit 10(m)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2002)
- [10\(u\)-3](#) - Amendment No. 2 to said Directors Deferred Compensation Plan, dated December 4, 2003 (Exhibit 10(q)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2003)

- [110\(u\)-4](#) - Amendment No. 3 to said Directors Deferred Compensation Plan, dated as of January 1, 2005 (Exhibit 10(cc)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2005)
- [110\(u\)-5](#) - Amendment No. 4 to said Directors Deferred Compensation Plan, dated as of May 1, 2008 (Exhibit 10(x)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2008)
- [110\(u\)-6](#) - Amendment No. 5 to said Directors Deferred Compensation Plan, dated May 28, 2010 (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2010)
- [110\(u\)-7](#) - Amendment No. 6 to said Directors Deferred Compensation Plan, dated as of April 15, 2015 (Exhibit 10(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2015)
- [110\(v\)-1](#) - PPL Corporation Directors Deferred Compensation Plan Trust Agreement, dated as of April 1, 2001, between PPL Corporation and Wachovia Bank, N.A. (as successor to First Union National Bank), as Trustee (Exhibit 10(hh)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
- [110\(v\)-2](#) - PPL Officers Deferred Compensation Plan, PPL Supplemental Executive Retirement Plan and PPL Supplemental Compensation Pension Plan Trust Agreement, dated as of April 1, 2001, between PPL Corporation and Wachovia Bank, N.A. (as successor to First Union National Bank), as Trustee (Exhibit 10(hh)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
- [110\(v\)-3](#) - PPL Revocable Employee Nonqualified Plans Trust Agreement, dated as of March 20, 2007, between PPL Corporation and Wachovia Bank, N.A., as Trustee (Exhibit 10(c) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
- [110\(v\)-4](#) - PPL Employee Change in Control Agreements Trust Agreement, dated as of March 20, 2007, between PPL Corporation and Wachovia Bank, N.A., as Trustee (Exhibit 10(d) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
- [110\(v\)-5](#) - PPL Revocable Director Nonqualified Plans Trust Agreement, dated as of March 20, 2007, between PPL Corporation and Wachovia Bank, N.A., as Trustee (Exhibit 10(e) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
- [110\(w\)-1](#) - Amended and Restated Officers Deferred Compensation Plan, dated December 8, 2003 (Exhibit 10(r) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2003)
- [110\(w\)-2](#) - Amendment No. 1 to said Officers Deferred Compensation Plan, dated as of January 1, 2005 (Exhibit 10(ee)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2005)
- [110\(w\)-3](#) - Amendment No. 2 to said Officers Deferred Compensation Plan, dated as of January 22, 2007 (Exhibit 10(bb)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
- [110\(w\)-4](#) - Amendment No. 3 to said Officers Deferred Compensation Plan, dated as of June 1, 2008 (Exhibit 10(z)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2008)
- [110\(w\)-5](#) - Amendment No. 4 to said Officers Deferred Compensation Plan, dated as of February 15, 2012 (Exhibit 10(ff)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2011)

- [\[\]10\(w\)-6](#) - Amendment No. 5 to said Executive Deferred Compensation Plan, dated as of May 8, 2014 (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
- [\[\]10\(w\)-7](#) - Amendment No. 6 to said Executive Deferred Compensation Plan, dated as of December 16, 2015 (Exhibit []10(q)-7 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2015)
- [\[\]10\(w\)-8](#) - Amendment No. 7 to said Executive Deferred Compensation Plan, dated as of January 1, 2019 (Exhibit []10(x)-8 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2018)
- [\[\]10\(x\)-1](#) - Amended and Restated Supplemental Executive Retirement Plan, dated December 8, 2003 (Exhibit 10(s) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2003)
- [\[\]10\(x\)-2](#) - Amendment No. 1 to said Supplemental Executive Retirement Plan, dated December 16, 2004 (Exhibit 99.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated December 17, 2004)
- [\[\]10\(x\)-3](#) - Amendment No. 2 to said Supplemental Executive Retirement Plan, dated as of January 1, 2005 (Exhibit 10(ff)-3 to PPL Corporation Form 10-K Report (File 1-11459) for the year ended December 31, 2005)
- [\[\]10\(x\)-4](#) - Amendment No. 3 to said Supplemental Executive Retirement Plan, dated as of January 22, 2007 (Exhibit 10(cc)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
- [\[\]10\(x\)-5](#) - Amendment No. 4 to said Supplemental Executive Retirement Plan, dated as of December 9, 2008 (Exhibit 10(aa)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2008)
- [\[\]10\(x\)-6](#) - Amendment No. 5 to said Supplemental Executive Retirement Plan, dated as of February 15, 2012 (Exhibit 10(gg)-6 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2011)
- [\[\]10\(x\)-7](#) - Amendment No. 6 to the Amended and Restated Supplemental Executive Retirement Plan, dated March 23, 2018 (Exhibit 10(g) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2018)
- [\[\]10\(y\)-1](#) - Amended and Restated Incentive Compensation Plan, effective January 1, 2003 (Exhibit 10(p) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2002)
- [\[\]10\(y\)-2](#) - Amendment No. 1 to said Incentive Compensation Plan, dated as of January 1, 2005 (Exhibit 10(gg)-2 to PPL Corporation Form 10-K Report (File 1-11459) for the year ended December 31, 2005)
- [\[\]10\(y\)-3](#) - Amendment No. 2 to said Incentive Compensation Plan, dated as of January 26, 2007 (Exhibit 10(dd)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
- [\[\]10\(y\)-4](#) - Amendment No. 3 to said Incentive Compensation Plan, dated as of March 21, 2007 (Exhibit 10(f) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
- [\[\]10\(y\)-5](#) - Amendment No. 4 to said Incentive Compensation Plan, effective December 1, 2007 (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2008)
- [\[\]10\(y\)-6](#) - Amendment No. 5 to said Incentive Compensation Plan, dated as of December 16, 2008 (Exhibit 10(bb)-6 to PPL Corporation Form 10-K Report (File 1-11459) for the year ended December 31, 2008)

- [10\(y\)-7](#) - Form of Stock Option Agreement for stock option awards under the Incentive Compensation Plan (Exhibit 10(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 1, 2006)
- [10\(y\)-8](#) - Form of Restricted Stock Unit Agreement for restricted stock unit awards under the Incentive Compensation Plan (Exhibit 10(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 1, 2006)
- [10\(y\)-9](#) - Form of Performance Unit Agreement for performance unit awards under the Incentive Compensation Plan (Exhibit 10(ss) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2007)
- [10\(z\)](#) - Amended and Restated Incentive Compensation Plan for Key Employees, effective October 25, 2018 (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2018)
- [10\(aa\)](#) - Short-term Incentive Plan (Annex B to Proxy Statement of PPL Corporation, dated April 12, 2016)
- [10\(bb\)](#) - Employment letter, dated May 31, 2006, between PPL Services Corporation and William H. Spence (Exhibit 10(pp) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
- [10\(cc\)](#) - Form of Retention Agreement entered into between PPL Corporation and Gregory N. Dudkin (Exhibit 10(h) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
- [10\(dd\)-1](#) - Form of Severance Agreement entered into between PPL Corporation and William H. Spence (Exhibit 10(i) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
- [10\(dd\)-2](#) - Amendment to said Severance Agreement (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2009)
- [10\(ee\)](#) - Form of Change in Control Severance Protection Agreement entered into between PPL Corporation and Joseph P. Bergstein, Jr., Gregory N. Dudkin, Joanne H. Raphael, Vincent Sorgi, Philip Swift, and Paul W. Thompson (Exhibit 10(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2012)
- [10\(ff\)-1](#) - PPL Corporation Amended and Restated 2012 Stock Incentive Plan, effective October 25, 2018 (Exhibit 10(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2018)
- [10\(ff\)-2](#) - Form of Performance Unit Agreement for performance unit awards under the Stock Incentive Plan (Exhibit 10(tt)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
- [10\(ff\)-3](#) - Form of Performance Contingent Restricted Stock Unit Agreement for restricted stock unit awards under the Stock Incentive Plan (Exhibit 10(tt)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
- [10\(ff\)-4](#) - Form of Nonqualified Stock Option Agreement for stock option awards under the Stock Incentive Plan (Exhibit 10(tt)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
- [10\(ff\)-5](#) - Form of Total Shareholder Return Performance Unit Agreement for performance units under the Amended and Restated 2012 Stock Incentive Plan (Exhibit 10(dd)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2017)

- [\[\]10\(ff\)-6](#) - Form of Return on Equity Performance Unit Agreement for performance units under the Amended and Restated 2012 Stock Incentive Plan (Exhibit 10(dd)-6 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2017)
- [\[\]10\(gg\)](#) - PPL Corporation Executive Severance Plan, effective as of July 26, 2012 (Exhibit 10(d) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2012)
- [\[\]10\(hh\)](#) - Form of Western Power Distribution Phantom Stock Option Award Agreement for stock option awards under the Western Power Distribution Long-Term Incentive Plan (Exhibit []10(bbb)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2014)
- [\[\]10\(ii\)](#) - Form of Grant Letter dated May 29, 2015 (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated June 1, 2015)
- [\[\]10\(jj\)-1](#) - Amended and Restated Personal Contract dated August 13, 2013, between Western Power Distribution (South West) plc and Philip Swift (Exhibit []10(kk)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2018)
- [\[\]10\(jj\)-2](#) - Ill-Health Retirement Arrangement letter agreement dated March 2, 2016, between Western Power Distribution (South West) plc and Philip Swift (Exhibit []10(kk)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2018)
- [\[\]10\(jj\)-3](#) - Pension Arrangement letter agreement dated March 2, 2016, between Western Power Distribution (South West) plc and Philip Swift (Exhibit []10(kk)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2018)
- [*21](#) - Subsidiaries of PPL Corporation
- [*23\(a\)](#) - Consent of Deloitte & Touche LLP - PPL Corporation
- [*23\(b\)](#) - Consent of Deloitte & Touche LLP - PPL Electric Utilities Corporation
- [*23\(c\)](#) - Consent of Deloitte & Touche LLP - Louisville Gas and Electric Company
- [*23\(d\)](#) - Consent of Deloitte & Touche LLP - Kentucky Utilities Company
- [*24](#) - Power of Attorney
- [*31\(a\)](#) - Certificate of PPL's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- [*31\(b\)](#) - Certificate of PPL's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- [*31\(c\)](#) - Certificate of PPL Electric's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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*31(d)	- Certificate of PPL Electric's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(e)	- Certificate of LKE's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(f)	- Certificate of LKE's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(g)	- Certificate of LG&E's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(h)	- Certificate of LG&E's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(i)	- Certificate of KU's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(j)	- Certificate of KU's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32(a)	- Certificate of PPL's principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32(b)	- Certificate of PPL Electric's principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32(c)	- Certificate of LKE's principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32(d)	- Certificate of LG&E's principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32(e)	- Certificate of KU's principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*99(a)	- PPL Corporation and Subsidiaries Long-term Debt Schedule
101.INS	- XBRL Instance Document for 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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	- XBRL Taxonomy Extension Schema for PPL Corporation, PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company
101.CAL	- XBRL Taxonomy Extension Calculation Linkbase for PPL Corporation, PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

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101.DEF	- XBRL Taxonomy Extension Definition Linkbase for PPL Corporation, PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company
101.LAB	- XBRL Taxonomy Extension Label Linkbase for PPL Corporation, PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company
101.PRE	- XBRL Taxonomy Extension Presentation Linkbase for PPL Corporation, PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company
104	The Cover Page Interactive Data File is formatted as Inline XBRL and contained in Exhibits 101.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PPL Corporation
(Registrant)

By /s/ Vincent Sorgi
Vincent Sorgi -
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ Vincent Sorgi
Vincent Sorgi -
President and Chief Executive Officer
and Director
(Principal Executive Officer)

/s/ Joseph P. Bergstein, Jr.
Joseph P. Bergstein, Jr. -
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

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

Directors:

Arthur P. Beattie
John W. Conway
Steven G. Elliott
Venkata Rajamannar Madabhushi
Craig A. Rogerson

William H. Spence
Natica von Althann
Keith H. Williamson
Phoebe A. Wood
Armando Zagalo de Lima

/s/ Vincent Sorgi
Vincent Sorgi, Attorney-in-fact

February 18, 2021

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PPL Electric Utilities Corporation
(Registrant)

By /s/ Gregory N. Dudkin
Gregory N. Dudkin -
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ Gregory N. Dudkin
Gregory N. Dudkin -
President
(Principal Executive Officer)

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

Directors:

/s/ Joseph P. Bergstein, Jr.
Joseph P. Bergstein, Jr.
/s/ Gregory N. Dudkin
Gregory N. Dudkin

/s/ Joanne H. Raphael
Joanne H. Raphael
/s/ Vincent Sorgi
Vincent Sorgi

Date: February 18, 2021

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LG&E and KU Energy LLC
(Registrant)

By /s/ Paul W. Thompson
Paul W. Thompson -
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ Paul W. Thompson
Paul W. Thompson -
President and Chief Executive Officer
(Principal Executive Officer)

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

Directors:

/s/ Lonnie E. Bellar
Lonnie E. Bellar

/s/ Paul W. Thompson
Paul W. Thompson

/s/ Kent W. Blake
Kent W. Blake

/s/ Joseph P. Bergstein, Jr.
Joseph P. Bergstein, Jr.

/s/ Vincent Sorgi
Vincent Sorgi

Date: February 18, 2021

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Louisville Gas and Electric Company
(Registrant)

By /s/ Paul W. Thompson
Paul W. Thompson -
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ Paul W. Thompson
Paul W. Thompson -
President and Chief Executive Officer
(Principal Executive Officer)

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

Directors:

/s/ Lonnie E. Bellar
Lonnie E. Bellar

/s/ Paul W. Thompson
Paul W. Thompson

/s/ Kent W. Blake
Kent W. Blake

/s/ Joseph P. Bergstein, Jr.
Joseph P. Bergstein, Jr.

Date: February 18, 2021

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Kentucky Utilities Company
(Registrant)

By /s/ Paul W. Thompson
Paul W. Thompson -
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ Paul W. Thompson
Paul W. Thompson -
President and Chief Executive Officer
(Principal Executive Officer)

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

Directors:

/s/ Lonnie E. Bellar
Lonnie E. Bellar

/s/ Paul W. Thompson
Paul W. Thompson

/s/ Kent W. Blake
Kent W. Blake

/s/ Joseph P. Bergstein, Jr.
Joseph P. Bergstein, Jr.

Date: February 18, 2021

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

PPL Corporation's common stock, par value \$0.01 per share (the "Common Stock"), is registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

PPL Corporation Common Stock

The description below is a summary of certain provisions of PPL Corporation's capital stock, including the Common Stock. The Pennsylvania Business Corporation Law, or BCL, and the Amended and Restated Articles of Incorporation (the "Articles") and bylaws of PPL Corporation (the "Bylaws") determine the rights and privileges of holders of PPL Corporation's capital stock. We encourage you to read such documents, which have been filed with the SEC, and the Pennsylvania law for more information regarding such capital stock, and any statement made herein with reference to the Articles, the Bylaws or the BCL is qualified in its entirety by such reference.

Defined terms used in this summary description of the Common Stock shall apply only to this summary description and the Common Stock.

Authorized Capital

The authorized capital stock of PPL Corporation consists of 1,560,000,000 shares of Common Stock, par value \$.01 per share, and 10,000,000 shares of preferred stock, par value \$.01 per share.

Common Stock

Dividends.

Dividends on the Common Stock will be paid if, when and as determined by the Board of Directors of PPL Corporation (the "Board") out of funds legally available for this purpose. The rate and timing of any such future dividends will depend upon the future earnings, financial condition, cash flows, financial and legal requirements of PPL Corporation and its subsidiaries and upon other relevant factors.

As a practical matter, the ability of PPL Corporation to pay dividends will be governed by the ability of PPL Corporation's operating subsidiaries to pay dividends to PPL Corporation. The subsidiaries have no obligation to pay dividends or distributions to PPL Corporation or to make funds available for such a payment. The subsidiaries' ability to pay dividends to PPL Corporation will be subject to the prior rights of the holders of such subsidiaries' outstanding debt and preferred securities, the availability of earnings and the needs of their businesses and may be restricted by their obligations to

holders of their outstanding debt and other creditors, as well as any contractual or legal restrictions in effect at such time, including the requirements of state corporate law applicable to dividends and distributions and regulatory requirements, including restrictions on the ability of the utility subsidiaries to pay dividends under Section 305(a) of the Federal Power Act.

Neither PPL Corporation nor PPL Capital Funding may declare or pay any cash dividend or distribution on its capital stock during any period in which PPL Capital Funding defers interest payments on the 2007 Notes or the 2013 Notes. At December 31, 2019, no interest payments had been deferred on the 2007 Notes or the 2013 Notes.

Voting Rights.

General. Holders of Common Stock are entitled to one vote for each share held by them on matters presented to shareowners. Except as otherwise provided in the BCL, or the Articles or Bylaws, whenever any corporate action is to be taken by vote of PPL Corporation's shareowners, it shall be authorized upon receiving the affirmative vote of a majority of the votes cast by all shareowners entitled to vote thereon and, if any shareowners are entitled to vote thereon as a class, upon receiving the affirmative vote of a majority of the votes cast by the shareowners entitled to vote as a class. Certain provisions of Pennsylvania law would require a supermajority vote of the holders of Common Stock or a majority vote of disinterested directors to approve certain business combinations and other major transactions involving PPL Corporation.

Election of Directors. Pursuant to PPL Corporation's Articles, the holders of Common Stock will not have cumulative voting rights in the election of directors. The Articles provide that in uncontested elections of directors each share of a class or group of classes entitled to vote in an election of directors shall be entitled to vote for or against each candidate for election by the class or group, and that to be elected, a candidate for election to the Board must receive the affirmative vote of a majority of the votes cast with respect to the election of that candidate. In contested elections, the candidates receiving the highest number of votes from each class or group of classes entitled to elect directors separately, up to the number of directors to be elected by the class or group of classes, shall be elected. The Bylaws provide that each director shall be elected for a one-year term and shall hold office until the next annual meeting and until a successor has been selected and qualified or until his or her earlier death, resignation or removal, and that no director may be removed except for cause.

Advance Notice of Shareowner Nominations for Director.

Owners of Common Stock have the right to make nominations for the election of directors provided that they satisfy the requirements specified in the Bylaws. A shareowner must follow the advance notice procedures set out in the Bylaws or, if the shareowner is seeking to call a special meeting of shareowners, the procedures in the Bylaws described under "Shareowners' Right to Call a Special Meeting." For notice to be timely, the shareowner must have given notice to PPL Corporation's secretary of its

intent to make such nominations no later than, with respect to an election to be held at an annual meeting, 75 days in advance of such meeting (with a shorter period provided in the event less than 85 days' notice of the annual meeting is given to shareowners) and, with respect to an election at a special meeting, the close of business on the earlier of the seventh day after the day on which notice of such meeting is first given to shareowners or the fourth day prior to the meeting.

PPL Corporation's Bylaws provide that any such notice must include, among other specified requirements, (a) the name and address of the shareowner who intends to make the nomination and of the person or persons to be nominated, (b) a representation that the shareowner is a holder of record of stock of PPL Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, (c) such other information regarding each nominee proposed by such shareowner as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had proxies been solicited with respect to such nominee by the management or Board of PPL Corporation, (d) the consent of each nominee to serve as a director of PPL Corporation if so elected, (e) the class, series and number of shares of PPL Corporation that are owned, directly or indirectly, beneficially and of record by the nominating shareowner, any of its affiliates and/or any others acting in concert with any of the foregoing (collectively, the "Proponent Person"), any option, warrant or Derivative Instrument (as defined in the Bylaws) with respect to any shares of PPL Corporation directly or indirectly owned beneficially by the Proponent Person, any short interest (as defined in the Bylaws) in any security of PPL Corporation held by the Proponent Person and (f) such other information as is specified in the Bylaws or as PPL Corporation may reasonably require.

Advance Notice of Shareowner Proposals of Other Business.

Except as provided with respect to nominations of directors, under the Bylaws shareowners have the right to bring business to be transacted before an annual meeting only if the shareowners satisfy the requirements specified in the Bylaws. In order to bring business properly before an annual meeting, a shareowner must be the shareowner of record on the date of giving notice provided for in the Bylaws and on the record date for the determination of shareowners entitled to vote at such annual meeting, and must comply with the notice provisions set out in the Bylaws. For notice to be timely, it must be delivered to the secretary of PPL Corporation not later than 75 days in advance of the date of such meeting (with a shorter period provided in the event less than 85 days' notice of the annual meeting is given to shareowners).

PPL Corporation's Bylaws provide that any such notice must include, among other specified requirements, (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business, (b) the name and record address of the shareowner proposing such business, (c) the class, series and number of shares of PPL Corporation's stock beneficially owned by the shareowner, (d) a description of all arrangements or understandings between such shareowner and any other person or persons (including their names) in connection with

the proposal of such business by such shareowner in such business, (e) all other information which would be required to be included in a proxy statement or other filing required to be filed with the Securities and Exchange Commission if, with respect to any such item of business, such shareowner were a participant in a solicitation subject to Regulation 14A under the Exchange Act and (f) a representation that such shareowner intends to appear in person or by proxy at the annual meeting to bring such business before the meeting. Except as provided with respect to nominations of directors, no business shall be conducted at any meeting of shareowners except in accordance with the procedures described above. The presiding officer of a meeting may, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of the Bylaws and any decision by such presiding officer made in good faith shall be conclusive and binding upon all shareowners for any purpose.

Proxy Access.

Pursuant to the Bylaws, a shareowner, or a group of up to 25 shareowners, owning 3% or more of PPL Corporation's outstanding Common Stock continuously for at least three years, have the right, subject to certain exceptions specified in the Bylaws, to nominate, and include in PPL Corporation's proxy materials, directors constituting up to the greater of (a) 20% of the Board and (b) two directors, provided that the shareowner and the nominee satisfies the requirements specified in the Bylaws. For purposes of calculating the required shares, "ownership" shall be deemed, generally, to consist of and include only those shares comprising such person's "net long position," which is determined (a) in accordance with Rule 14e-4 under the Exchange Act or (b) if not covered by Rule 14e-4, the net long position shall be reduced by any shares of Common Stock subject to any "put equivalent position" as defined in Rule 16a-1(h) under the Exchange Act. The determination of the extent of "ownership" of shares for purposes of proxy access shall be made by the Board, which determination shall be conclusive and binding on PPL Corporation, its shareowners and all other parties.

To nominate a person for election and require PPL Corporation to include such nominee in its proxy materials, PPL Corporation must generally receive notice of proxy access nominations by shareowners not less than 120 nor more than 150 days prior to the first anniversary of the date on which PPL Corporation's definitive proxy statement was released to shareowners in connection with the prior year's annual meeting. Notice of proxy access nominations must include, or be accompanied by, among other specified requirements, (a) all of the information required with respect to nominations of directors referred to under "Advance Notice of Shareowner Nominations for Director" above, (b) requisite evidence that the nominating shareowner owns, and has continued to own for the preceding three years, the requisite number of shares required in order to make such a nomination and of the proposed nominees and (c) certain other information concerning, and representations and agreements of, the shareowner and the nominee. If any nominating shareowner or group has failed to comply with the provisions of the Bylaws, the Board or the chair of the meeting shall declare invalid the nominations made by such shareowner or group, and such nominations shall be disregarded.

Shareowners' Right to Call a Special Meeting.

PPL Corporation's Articles and Bylaws provide that shareowners have the right, subject to certain exceptions specified in its Bylaws, to call special meetings provided that the shareowners satisfy the requirements specified in the Bylaws. At any time, a special meeting of shareowners may be called by shareowners having a combined interest in at least 25% of the votes that all voting shareowners, voting as a single class, are entitled to cast at a particular special meeting, measured by such shareowners' net long beneficial ownership. "Net long beneficial ownership" means those shares of Common Stock of PPL Corporation as to which the requesting shareowner possesses (a) the sole power to vote or direct the voting, (b) the sole economic incidents of ownership (including the sole right to profits and the sole risk of loss) and (c) the sole power to dispose of or direct disposition; provided that the number of shares calculated in accordance with the preceding clauses (a), (b) and (c) shall not include any securities that, directly or indirectly, underlie any "derivative security" (as such term is defined in Rule 16a-1(c) under the Exchange Act) that constitutes a "call equivalent position" (as such term is defined in Rule 16a-1(b) under the Exchange Act) and that is, directly or indirectly, held or maintained by a requesting shareowner with respect to any shares of any class or series of shares of PPL Corporation.

PPL Corporation's Bylaws provide the procedures to be followed by shareowners to call a special meeting and require the requesting shareowner to deliver a written petition to the secretary of PPL Corporation that must include, among other specified requirements, (a) a brief description of the business to be conducted at the special meeting, (b) the names of any director nominees, (c) evidence of the class and number of shares of capital stock of PPL Corporation held of record and/or beneficially owned by each requesting shareowner, (d) a description of any agreement, arrangement or understanding (including without limitation, regardless of the form of settlement, any derivatives, long or short positions, profit interests, forwards, futures, swaps, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions and borrowed or loaned shares), the effect or intent of which is to create or mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, the voting securities of PPL Corporation owned by any requesting shareowner that will be a "participant in a solicitation" (as such term is defined in Schedule 14A to Regulation 14A under the Exchange Act) with respect to the requested special meeting, (e) a representation that the requesting shareowner intends to appear in person or by proxy at the requested special meeting to bring the business specified in the special meeting request before the special meeting and (f) such other information as is specified in the Bylaws or as PPL Corporation may reasonably require. The Board shall determine in good faith whether the requirements set forth in the Bylaws have been satisfied.

The secretary of PPL Corporation shall set the record date for the special meeting not more than 90 days following the receipt of a special meeting request that complies with the Bylaws. A special meeting requested by a shareowner shall not be held under certain circumstances, including, among other circumstances, where the special meeting request relates to an item of business that is not a proper subject for

shareowner action under applicable law or the special meeting request is received during the period that is 90 days prior to the first anniversary of the date of the immediately preceding annual meeting of shareowners and ending on the date of the next annual meeting of shareowners.

Liquidation Rights.

After satisfaction of the preferential liquidation rights of any preferred stock, the holders of Common Stock are entitled to receive any further dividends and shares upon liquidation, dissolution, winding up or distribution.

Preemptive and Other Rights.

The holders of Common Stock do not have preemptive rights as to additional issues of Common Stock or conversion rights.

Other Matters.

The shares of Common Stock are not subject to redemption or to any further calls or assessments and are not entitled to the benefit of any sinking fund provisions.

Preferred Stock

PPL Corporation's Board is authorized, without further shareowner action, to authorize the issuance of preferred stock from time to time in one or more classes or series, and to fix, at the time of issuance, the distinctive designations, terms, relative rights, privileges, qualifications, limitations, options, conversion rights, preferences and voting powers, and such prohibitions, restrictions and qualifications of voting or other rights and powers except as they are fixed and determined in the Articles. No shares of preferred stock have been issued.

Possible Anti-Takeover Effects of the Articles and Bylaws

Certain provisions of the Articles and Bylaws, including provisions requiring advance notice for shareowner nominations for directors or for bringing business before an annual meeting, the absence of cumulative voting in the election of directors and the ability of the Board to create and establish series of preferred stock and the terms thereof, could have the effect of discouraging unilateral tender offers or other attempts to take over and acquire the business of PPL Corporation. These provisions may limit the ability of individuals to bring matters before shareowner meetings, change the composition of the Board and pursue a merger, takeover, business combination or tender offer involving PPL Corporation, and, accordingly, under certain circumstances, could encourage a potentially interested purchaser to negotiate with the Board rather

than pursue a non-negotiated takeover attempt, including one which shareowners might favor, and could reduce the market value of the Common Stock.

In addition to provisions in the Articles and Bylaws, the requirements of applicable law, including Pennsylvania corporation and utility regulatory laws, could make it difficult for a purchaser to acquire PPL Corporation.

Listing

The outstanding shares of Common Stock are listed on the New York Stock Exchange.

Transfer Agents and Registrars

The Transfer Agent and Registrar for the Common Stock is Equiniti Trust Company.

EXECUTION VERSION

SIXTH SUPPLEMENTAL INDENTURE**Dated as of December 16, 2020**

SIXTH SUPPLEMENTAL INDENTURE, dated as of December 16, 2020, among Western Power Distribution plc, a company incorporated under the laws of England and Wales ("**WPD**" or the "**Remaining Obligor**"), PPL UK Resources Limited ("**PPLUK**" or the "**Assigning Obligor**"), PPL WPD Investments Limited ("**PPLWPD**" or the "**New Obligor**"), and Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company), a New York banking corporation, as Trustee under the Indenture, as defined below (the "**Trustee**").

WITNESSETH:

WHEREAS, WPD Holdings UK (the "**Original Issuer**") has heretofore executed and delivered to the Trustee an indenture dated as of March 16, 2001 (as supplemented and amended from time to time, the "**Indenture**"), to provide for the issuance by it of its indebtedness;

WHEREAS, the Original Issuer has heretofore executed and delivered to the Trustee a first supplemental indenture dated as of March 16, 2001, to create multiple series of securities to be issuable under the Indenture, including one series of the Original Issuer's 7.375% Notes due 2028 (the "**Securities**");

WHEREAS, the Original Issuer and PPL UK Distribution Holdings Limited ("**PUDHL**"), (formerly PPL WW Holdings Limited (formerly known as Western Power Distribution Holdings Limited)), have heretofore executed and delivered to the Trustee a second supplemental indenture dated as of January 30, 2003, to convey and transfer the Original Issuer's properties and assets substantially as an entirety under the Indenture, the Securities and all other documents, agreements and instruments related thereto to PUDHL, as the successor entity, which thereby expressly assumed the Original Issuer's applicable obligations on the Securities;

WHEREAS, PUDHL and WPD have heretofore executed and delivered to the Trustee a third supplemental indenture dated as of October 31, 2014, under which WPD assumed, as full and equal co-obligor of PUDHL, all of PUDHL's obligations under the Indenture and the Securities, and the performance or observance of every covenant of the Indenture and the Securities to be performed or observed;

WHEREAS, PUDHL, WPD, and PPL UK Management Partners ("**PLUMP**"), have heretofore executed and delivered to the Trustee a fourth supplemental indenture dated as of December 1, 2016, under which PLUMP assumed, as full and equal co-obligor of PUDHL and WPD, all of PUDHL's and WPD's obligations under the Indenture and the Securities, and the performance or observance of every covenant of the Indenture and the Securities to be performed or observed;

WHEREAS, PUDHL, WPD, PPLUK and PLUMP have heretofore executed and delivered to the Trustee a fifth supplemental indenture dated as of January 2, 2019, under which PPLUK assumed, as full and equal co-obligor of WPD, all of WPD's obligations under the Indenture and the Securities, and the performance or observance of every covenant of the Indenture and the Securities to be performed or observed;

WHEREAS, pursuant to Article One of this Sixth Supplemental Indenture, PPLWPD will assume, as full and equal co-obligor of WPD, all of the Assigning Obligor's rights and obligations under the Indenture, the Securities, any supplemental indenture relating to the Securities, any other documents, agreements, and instruments related thereto, and the performance or observance of every covenant of the Indenture and the Securities to be performed or observed;

WHEREAS, pursuant to Article IX of the Indenture, the Remaining Obligor, the Assigning Obligor, the New Obligor, and the Trustee may enter into this Sixth Supplemental Indenture; and

WHEREAS, all other acts necessary to make this Sixth Supplemental Indenture a valid, binding and enforceable instrument, and all of the conditions and requirements set forth in the Indenture, have been performed and fulfilled and the execution and delivery of this Sixth Supplemental Indenture have been in all respects duly authorized.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the Remaining Obligor, the Assigning Obligor, the New Obligor, and the Trustee hereby agrees for the other parties' benefit, and for the equal ratable benefit of the Holders, as follows:

1. ASSUMPTION OF OBLIGATIONS BY NEW OBLIGOR

- 1.1 Assumption of Obligations by New Obligor. The Assigning Obligor hereby agrees to assign and delegate all of its rights and obligations under the Indenture, the Securities and any supplemental indenture relating to the Securities. The New Obligor hereby agrees that as of the date hereof it expressly, and without any further action being necessary, assumes all of the Remaining Obligor's and the Assigning Obligor's obligations under the Indenture and the Securities and the due and punctual performance and observance of all the covenants and conditions to be performed or observed by the Remaining Obligor pursuant to the Indenture, the Securities and any other documents, agreements, and instruments related thereto, as if originally named the Company under the Indenture.
- 1.2 Waiver of Discharge of Obligations by the Remaining Obligor. The Remaining Obligor hereby agrees to waive the automatic release of its obligations under Section 801 of the Indenture; furthermore, the Remaining Obligor hereby agrees to waive the discharge under Section 802 of the Indenture of its obligations under the Indenture and the Securities; and without any further action being necessary, hereby reaffirms and agrees to comply with its obligations as the Company under the Indenture and the Securities and the due and punctual performance and observance of all the covenants and conditions to be performed or observed pursuant to the Indenture and the Securities in accordance with the Indenture.
- 1.3 Co-Obligors. Each of the Remaining Obligor and New Obligor hereby agrees to act as co-obligors, jointly and severally, and fully and unconditionally liable on the Securities; each shall be considered for purposes of the Indenture to be the issuer of the Securities; and the Indenture and the Securities shall be construed and/or deemed amended in light of, and in order to give full effect to, the foregoing.

2. MISCELLANEOUS

- 2.1 Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.
- 2.2 Execution as Supplemental Indenture. This Sixth Supplemental Indenture is executed as and shall constitute an Indenture supplemental to the Indenture, and the Indenture and this Sixth Supplemental Indenture shall form a part of the Indenture.
- 2.3 Confirmation. The Indenture as amended and supplemented by this Sixth Supplemental Indenture is in all respects confirmed and preserved.
- 2.4 Counterparts. This Sixth Supplemental Indenture may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument.

- 2.5 Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.
- 2.6 Separability Clause. In case any provision in this Sixth Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.
- 2.7 Governing Law. This Sixth Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.
- 2.8 Trustee Makes No Representation. The Trustee makes no representation as to the validity or sufficiency of this Sixth Supplemental Indenture or the statements made in the recitals of this Sixth Supplemental Indenture.

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IN WITNESS WHEREOF, the parties hereof have caused this Sixth Supplemental Indenture to be duly executed by their respective officers or directors duly authorized thereto, all as of the day and year first above written.

Western Power Distribution plc

By: i.l.w.

Name: Ian Williams

Title: Director

PPL WPD Investments Limited

By: I. R. Williams

Name: Ian Williams

Title: Director

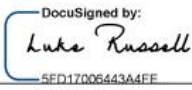
PPL UK Resources Limited

By: I.R.W.


Name: Ian Williams

Title: Director

Deutsche Bank Trust Company Americas,
as Trustee

By: 
5FD17D06443A4FF

Name: Luke Russell
Title: Assistant Vice President

By: 
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Name: Chris Niesz
Title: Vice President

WESTERN POWER DISTRIBUTION (EAST MIDLANDS) PLC

(incorporated and registered with limited liability in England and Wales under registration number 02366923)

and

WESTERN POWER DISTRIBUTION (SOUTH WALES) PLC

(incorporated and registered with limited liability in England and Wales under registration number 02366985)

and

WESTERN POWER DISTRIBUTION (SOUTH WEST) PLC

(incorporated and registered with limited liability in England and Wales under registration number 02366894)

and

WESTERN POWER DISTRIBUTION (WEST MIDLANDS) PLC

(incorporated and registered with limited liability in England and Wales under registration number 03600574)

£4,000,000,000

Euro Medium Term Note Programme

Under this £4,000,000,000 Euro Medium Term Note Programme (the **Programme**), Western Power Distribution (East Midlands) plc (**WPDE**), Western Power Distribution (South Wales) plc (**WPD South Wales**), Western Power Distribution (South West) plc (**WPD South West**) and Western Power Distribution (West Midlands) plc (**WPDW** and, together with WPDE, WPD South Wales and WPD South West, the **Issuers**, and each, an **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer of such Notes (the **Relevant Issuer**) and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £4,000,000,000 (or its equivalent in other currencies calculated as described in the amended and restated dealer agreement dated 12 August 2019, as amended or supplemented from time to time, the **Dealer Agreement**), subject to increase as described in this Prospectus.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Description of the Programme*” and any additional **Dealer** appointed under the Programme from time to time by the Relevant Issuers (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Application has been made to the Financial Conduct Authority (the **FCA**) in its capacity as competent authority for Notes issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the official list of the FCA (the **Official List**) and to be admitted to trading on the London Stock Exchange’s (the **London Stock Exchange**) regulated market. The Prospectus has been approved by the FCA as competent authority under Regulation (EU) 2017/1129 (as amended or superseded) (the **Prospectus Regulation**) and such approval should not be considered as an endorsement of the Issuers or the quality of the Notes that are the subject of this Prospectus. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Investors should make their own assessment as to the suitability of investing in the Notes.

References in this Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2014/65/EU (as amended or superseded) (**MiFID II**).

Notice of the aggregate nominal amount of the Notes, interest (if any) payable in respect of the Notes, and the issue price of the Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of the Notes will (other than in the case of Exempt Notes, as defined below) be set out in a separate document containing the final terms for that Tranche (**Final Terms**) which, with respect to the Notes to be admitted to the Official List and admitted to trading by the London Stock Exchange on the regulated market, will be delivered to the FCA and the London Stock Exchange on or before the date of issue of the Notes of such Tranche. Copies of Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service. In the case of Exempt Notes, notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of the Notes, and the issue price of the Notes and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the **Pricing Supplement**). In this Prospectus, any reference to Final Terms shall, in the case of Exempt Notes, be construed as a reference to the relevant Pricing Supplement.

The Programme provides that the Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or regulated or unregulated markets as may be agreed between the Relevant Issuer, the Note Trustee (as defined below) and the relevant Dealer(s). The Relevant Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any regulated or unregulated market (**Exempt Notes**). The FCA has neither approved nor reviewed information contained in this Prospectus in connection with Exempt Notes.

Each Series (as defined in "*Overview of the Programme*") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a **temporary Global Note**) or a permanent global note in bearer form (each a **permanent Global Note**). Notes in registered form will be represented by registered certificates (each a **Certificate**), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series (a **Global Certificate**). If the global notes (the Global Notes and each a **Global Note**) are stated in the applicable Final Terms to be issued in new global note (**NGN**) form they are intended to be eligible collateral for Eurosystem monetary policy and, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Registered Notes issued in global form will be represented by registered global certificates (**Global Certificates**). If a Global Certificate is held under the New Safekeeping Structure (the **NSS**) the Global Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg.

Global Notes which are not issued in NGN form (**Classic Global Notes** or **CGNs**) and Global Certificates which are not held under the NSS will be deposited on the issue date to of the relevant Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the **Common Depositary**).

The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Form of the Notes*".

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) and are subject to United States tax law requirements. The Notes are being offered outside the United States in accordance with Regulation S under the Securities Act (**Regulation S**), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration

requirements of the Securities Act. See “*Form of the Notes*” for a description of the manner in which Notes will be issued.

Each of the Issuers has been rated by Moody’s Investors Service Limited (**Moody’s**) and/or Standard & Poor’s Credit Market Services Europe Limited (**S&P**). Each of Moody’s and S&P is established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended or superseded) (the **CRA Regulation**). As such each of Moody’s and S&P is included in the list of credit agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Issuer by the relevant rating agency. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Please also refer to “*Risk Factors - Credit ratings assigned to the Notes may not reflect all the risks associated with an investment in those Notes*”.

Prospective investors should consider carefully the risks set forth under Risk Factors on pages 14 to 19 prior to making investment decisions with respect to the Notes.

Arranger
NatWest Markets

Dealers

Barclays
HSBC
Mizuho Securities
NatWest Markets

BofA Merrill Lynch
Lloyds Bank Corporate Markets
MUFG
RBC Capital Markets

Santander Corporate & Investment Banking

The date of this Prospectus is 12 August 2019

IMPORTANT INFORMATION

This Prospectus comprises a base prospectus, in respect of all Notes other than Exempt Notes issued under the Programme, for the purposes of Article 8 of the Prospectus Regulation. When used in this Prospectus, **Prospectus Regulation** means Regulation (EU) 2017/1129 (as amended and/or supplemented from time to time, and includes any relevant implementing measure in a relevant Member State of the European Economic Area) and for the purpose of giving information with regard to the Relevant Issuer and the Notes which, according to the particular nature of the Relevant Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Relevant Issuer.

This Prospectus shall be read and construed in conjunction with any amendment or supplement hereto. Furthermore, in relation to any Series of Notes, this Prospectus should be read and construed together with the relevant Final Terms.

The Issuers have each undertaken to the Arranger and the Dealers in the Programme to comply with section 87G of the Financial Services and Markets Act 2000, as amended (the **FSMA**). Following the publication of this Prospectus, a supplement may be prepared by the Issuers and approved by the FCA which will comprise a supplementary prospectus in accordance with section 87G of the FSMA. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Prospectus.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

This Prospectus is not a prospectus for the purposes of Section 12(a)(2) or any other provision or order under the Securities Act.

Each Issuer accepts responsibility for the information contained in this Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuers, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import. Any information sourced from third parties contained in this Prospectus has been accurately reproduced (and is clearly sourced where it appears in the document) and, as far as the Issuers are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Prospectus in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers, as the case may be.

Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, the rating assigned to such Tranche will be specified in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The rating of certain Tranches of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to the relevant Tranches of Notes has been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms.

Copies of each set of Final Terms will be available from the specified office set out below of each of the Paying Agents (as defined below) and (in the case of Notes to be admitted to the Official List) will be available from the registered office of the Relevant Issuer.

Neither the Arranger, the Dealers nor the Note Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, the Dealers or the Note Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuers in connection with the Programme.

No person is or has been authorised by the Issuers, any of the Arranger, the Dealers or the Note Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, the Arranger, any Dealer or the Note Trustee.

Neither this Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuers, the Arranger, any of the Dealers or the Note Trustee that any recipient of this Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuers. Neither this Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuers, the Arranger, any of the Dealers or the Note Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuers is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger, the Dealers and the Note Trustee expressly do not undertake to review the financial condition or affairs of the Issuers during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

IMPORTANT – EEA RETAIL INVESTORS – If the Final Terms in respect of any Notes include a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Directive 2016/97/EU (as amended or superseded) (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded) (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II product governance / target market – The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) will include a legend entitled “MiFID II product governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect

of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

Benchmarks Regulation - Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/2011 (as amended or superseded) (the **Benchmarks Regulation**). If any such reference rate does constitute such a benchmark, the Final Terms or Pricing Supplement will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (**ESMA**) pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmarks Regulation. Transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms or Pricing Supplement. The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the relevant Final Terms or Pricing Supplement to reflect any change in the registration status of the administrator.

Amounts payable on the Notes are calculated by reference to one of LIBOR or EURIBOR, as specified in the relevant Final Terms. As at the date of this Prospectus, the administrator of LIBOR, ICE Benchmark Administration Limited, and the administrator of EURIBOR, the European Money Markets Institute, are included in ESMA's register of administrators under Article 36 of the Benchmarks Regulation.

As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the European Money Markets Institute (as administrator of EURIBOR), is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuers, the Arranger, the Dealers and the Note Trustee do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, nor assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuers, the Arranger, the Dealers or the Note Trustee which would permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except in circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States and the United Kingdom (see "*Subscription and Sale*"). Neither the Issuers, the Arranger nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuers or any Dealer to publish or supplement a prospectus for such offer. In addition, if a jurisdiction requires that the offer of the Notes be made by a licenced broker or dealer and

the Dealers or any affiliate of the Dealers is a licenced broker or dealer in that jurisdiction, the offer shall be deemed to be made by the Dealers or such affiliates on behalf of the Issuers in such jurisdiction.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

All references in this document to **Sterling** and **£** refer to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland, references to **euro** and **€** refer to the currency introduced at the start of the third stage of the Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, and references to **U.S. Dollars** and **\$** refer to the lawful currency for the time being of the United States of America.

In making an investment decision, investors must rely on their own examination of the Issuers and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is unlawful.

NOTES ISSUED BY AN ISSUER ARE OBLIGATIONS SOLELY OF THAT ISSUER AND ARE ISSUED WITHOUT ANY RECOURSE WHATEVER TO THE OTHER ISSUERS HEREUNDER.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the **Stabilisation Manager(s)**) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules. Any profit or loss sustained as a consequence of any such over-allotment or stabilisation action shall, as against the Issuer, be for the account of the Stabilisation Manager(s).

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OVERVIEW OF THE PROGRAMME

The following description does not purport to be complete and is taken from, and is qualified in its entirety by (i) the remainder of this Prospectus and (ii) in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.

Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” below shall have the same meanings in this Overview.

Issuers	Western Power Distribution (East Midlands) plc
Legal Entity Identifier:	549300KXFU5Q7NZE9L79
	Western Power Distribution (South Wales) plc
Legal Entity Identifier:	549300RHOC SNK1FZ4116
	Western Power Distribution (South West) plc
Legal Entity Identifier:	549300UY9FEOG85HFK93
	Western Power Distribution (West Midlands) plc
Legal Entity Identifier:	549300L22M2RCLXON143
Description	Euro Medium Term Note Programme
Arranger	NatWest Markets Plc
Dealers	Banco Santander, S.A. Barclays Bank PLC HSBC Bank plc Lloyds Bank Corporate Markets plc Merrill Lynch International Mizuho International plc MUFG Securities EMEA plc NatWest Markets Plc RBC Europe Limited and any other Dealers appointed in accordance with the Dealer Agreement.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”).
Note Trustee	HSBC Corporate Trustee Company (UK) Limited
Issuing and Paying Agent, Registrar, Transfer Agent and Calculation Agent	HSBC Bank plc

Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a Series) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a Tranche) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Final Terms.
Programme Size	Up to £4,000,000,000 (or its equivalent in other currencies, calculated as described in the Dealer Agreement) outstanding at any time. The Issuers may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Distribution	Notes may be distributed by way of private or public placement and, in each case, on a syndicated or non-syndicated basis.
Currencies	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Relevant Issuer and the relevant Dealer.
Maturities	Such maturities as may be agreed between the Relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Relevant Issuer or the relevant Specified Currency.
Issue Price	Notes will be issued on a fully-paid basis and may be issued and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	The Notes will be issued in bearer or registered form as described in “ <i>Form of the Notes</i> ”. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year, otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as Global Certificates . A beneficial interest in a Global Certificate may be transferable for a Certificate in definitive form only in accordance with the rules and operating procedures of the relevant clearing system for the time being and in accordance with the detailed regulations in the Agency Agreement.
Fixed Rate Notes	Fixed interest will be payable on such date or dates as may be agreed between the Relevant Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Relevant Issuer and the relevant Dealer.
Floating Rate Notes	Floating Rate Notes will bear interest at a rate determined: <ul style="list-style-type: none"> (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service at the relevant time. <p>The margin (if any) relating to such floating rate will be agreed between the Relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p>

Index Linked Interest Notes and Index Linked Redemption Notes	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to the UK Retail Price Index, the UK Consumer Price Index or the UK Consumer Price Index Including Owner Occupiers' Housing Costs. Index Linked Redemption Notes and Index Linked Interest Notes may also specify a Minimum Indexation Factor or a Maximum Indexation Factor.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest, a step-up in the interest rate after a certain date (or any combination of the foregoing).
Zero Coupon Notes	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Interest Periods and Interest Payment Dates:	The Notes (other than the Zero Coupon Notes) will have such interest periods and interest payment dates as the Issuer and the relevant Dealer may agree in relation to a particular Tranche of Notes.
Redemption by the Relevant Issuer	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the Relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Relevant Issuer and the relevant Dealer.
Redemption at Option of the Noteholders on a Restructuring Event	The Notes issued may also be redeemed at the option of the Noteholders in certain circumstances following the occurrence of a Restructuring Event, as more particularly set out in Condition 6(i) (<i>Redemption at the Option of the Noteholders on a Restructuring Event</i>).
Redemption at the Option of Noteholders	If an Investor Put is specified in the Final Terms, the Relevant Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Relevant Issuer (or such other notice period as may be specified in the Final Terms) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued up to (and including) the date fixed for redemption, as more particularly set out in Condition 6(h) (<i>Redemption at the Option of Noteholders</i>).
Denomination of Notes	Notes will be issued in such denominations as may be agreed between the Relevant Issuer and the relevant Dealer and as specified in the applicable Final Terms save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency as at the date of issue of the Notes).
Taxation	All payments in respect of the Notes will be made without withholding or deduction for or on account of withholding taxes imposed by the United Kingdom, unless such deduction or withholding is required by law. In the event that any such withholding or deduction is required by law, the Relevant Issuer will, save in certain limited circumstances provided in Condition 10 (<i>Taxation</i>), be required to pay additional amounts that result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required.

Negative Pledge and Restriction on Distribution of Dividends	The terms of the Notes will contain a negative pledge provision and a restriction on the distribution of dividends as further described in Condition 4 (<i>Negative Pledge and Restriction on Distribution of Dividends</i>).
Cross Acceleration	The terms of the Notes will contain a cross acceleration provision which applies in respect of each Relevant Issuer (and not in respect of the other Issuers' obligations) as further described in Condition 12 (<i>Events of Default</i>).
Status of the Notes	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (<i>Status</i>)) unsecured obligations of the Relevant Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Relevant Issuer, from time to time outstanding.
Ratings	<p>Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, the rating assigned to such Tranche will be specified in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Where Ratings Downgrade Rate Adjustment is specified as being applicable in the Final Terms, the Rate of Interest applicable to the Notes may be subject to adjustment upon a downgrading of the rating of the Notes as more fully described in the "<i>Terms and Conditions of the Notes</i>".</p> <p>Whether or not each credit rating applied for in relation to the relevant Tranches of Notes has been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms.</p>
Listing and Admission to Trading	<p>Application has been made to the FCA for Notes issued under the Programme to be admitted to the Official List and to admit the Notes to trading on the Regulated Market. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Relevant Issuer and the relevant Dealer in relation to the Series.</p> <p>Notes which are neither listed nor admitted to trading may also be issued. The FCA has neither approved nor reviewed information contained in this Prospectus in connection with such Exempt Notes.</p>
Governing Law	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by English law.
Selling Restrictions	There are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States and the European Economic Area (including the United Kingdom), and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see " <i>Subscription and Sale</i> ").

RISK FACTORS

In purchasing Notes, investors assume the risk that any of the Issuers may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in any of the Issuers becoming unable to make all payments due. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuers may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuers' control. The Issuers have identified in this Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are described below.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. Noteholders may lose the value of their entire investment in certain circumstances.

Words and expressions defined in "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meaning in this section.

Risks related to the Issuer's business activities and industry

Ofgem Requirements

Each Issuer's activities are regulated by the Great Britain Office of Gas and Electricity Markets (**Ofgem**). Failure to operate the network properly could lead to compensation payments or penalties or loss of incentive revenues under incentive arrangements. Failure to invest capital expenditure in line with agreed programmes could also lead to deterioration of the network and clawback of investment deferred if specified outputs are not met. While each Issuer's investment programme is targeted to maintain asset condition and meet the prescribed outputs over the current eight-year period and reduce customer interruptions and customer minutes lost over the period, no guarantee can be given that these regulatory requirements will be met.

Failure by an Issuer to comply with the terms of its distribution licence may lead to Ofgem making an enforcement order or levying a fine on it. In respect of each Issuer, Ofgem has the power to levy fines of up to 10 per cent. of turnover of that Issuer for any breach of its distribution licence, however the distribution licence of an Issuer may be terminated immediately in exceptional circumstances, such as in the event of insolvency proceedings affecting such Issuer.

Under current regulation by Ofgem, each Issuer's allowed revenue is determined by the distribution price controls set out under the terms of its distribution licence, and has typically been set by Ofgem every five years. However from 1 April 2015, the start of the new distribution price control review (**RIIO-ED1**), the period has been extended to eight years. Each Issuer has agreed the price control with Ofgem that covers the eight-year period from 1 April 2015 to 31 March 2023.

Ofgem has indicated that the next price review will revert to a five year period from 1 April 2023 to 31 March 2028. The Issuer is closely watching the developments in the "Revenue = Incentives + Innovation + outputs" (**RIIO**) 2 price control process for Gas Distribution and Gas & Electricity Transmission that will be finalised in the fourth quarter of 2020. Ofgem is due to issue the RIIO-ED2 Open Letter during the third quarter of 2019 following which a period of consultation will take place prior to the submission of the Issuer's business plan during the first half of 2021.

There can be no assurance that future price controls will permit the generation of sufficient revenues to enable the Relevant Issuer to meet its respective payment obligations under the Notes. There can also be no assurance that net operating revenues generated by the Relevant Issuer will be sufficient to meet such payment obligations.

Combined Operating Activities of WPDE, WPDW, WPD South West and WPD South Wales

As required by Ofgem in its regulation of distribution network operators (**DNOs** and each a **DNO**), WPDE, WPDW, WPD South West and WPD South Wales are separate legal entities, which are subject to financial ring-fencing and which hold separate distribution licences. However, on a management and commercial level WPDE, WPDW, WPD South West and WPD South Wales are operated on a combined basis under the commercial brand “Western Power Distribution”, utilising central IT, employee relations and finance functions. As a result, any event which has an adverse impact on Western Power Distribution may affect the management, financial position and delivery of operations for WPDE, WPDW, WPD South West and WPD South Wales and, as a result, may affect each Issuer’s ability to meet its obligations under the Notes.

Procurement Risk

In order to support its core business activities, it is necessary for each of the Issuers to purchase significant quantities of resources and enter into contracts for the supply of other products and services. Although the Issuers routinely enter into long-term contracts (including operational equipment contracts for the purchase of transformers and cables, and service provider contracts for tree trimming services and dig and lay contractors) to protect their commercial position, significant price rises and/or failure to secure key materials could have a significant adverse effect on the operations and/or financial position of the Issuers. Whilst each Issuer receives protection from inflation through its price controls being linked to the retail price index, it will be exposed or benefit from any changes relative to inflation, either as a result of commodity prices or issues around supply and demand for plant and equipment or with its contractors. The Issuers are also exposed to exchange rate fluctuations which may affect each Issuer’s ability to meet its payment obligations under the Notes, as they make overseas purchases equating to approximately U.S.\$2.6 million and EUR 3 million on average per year. A 0.10% move in the exchange rate of U.S. Dollars and euros against the pound would increase costs by £154,000 and £240,000 respectively.

Retail price index movements and cost-base variations

The annual revenues of each Issuer are adjusted by the published retail price index (**RPI**) in the United Kingdom. There is therefore a risk that each Issuer’s cost base may increase at a faster rate than the RPI due to inflation as measured by the RPI being less than the rate of inflation on components of the licensee’s cost base, even though Ofgem’s price control does allow for some cost increases in excess of RPI. The effects of deflation would also be similar. The annual revenue of each Issuer may reduce at a greater degree to any deflationary impact on the component costs of the business. If the above were to happen, each Issuer’s profitability would be reduced and, if the differential between RPI-linked inflation and experienced operating cost inflation was sufficiently large, it could adversely affect each Issuer’s business, financial position and results of operations.

In addition, Ofgem have indicated that the consumer price index including owner occupiers’ housing costs (**CPIH**) measure of inflation will be utilised after the expiry of the RIIO-ED1 period. They have stated this move will be net present value neutral but no detail of the mechanism to achieve this has currently been provided and therefore the impact on each Issuer is uncertain.

Storm Related Supply Interruptions

Failure to manage storm related supply interruptions adequately could lead to negative customer perception, adverse publicity and a potential financial impact on the business. Storm related supply interruptions may negatively impact the Issuer’s CML and CI (each as defined in “*Description of the Issuers - Business Overview*”) key measures which will, in turn, adversely affect the annual financial rewards or penalties received under Ofgem’s Interruptions Incentive Scheme (**IIS**). The Issuers received approximately £49 million in the year 2017-2018, however no assurance can be given that such performance can be delivered in the future.

Ofgem allows supply interruptions from exceptional events (severe weather and one-off supply interruptions) to be excluded from each Issuer's mandatory Ofgem IIS assessment. There are thresholds that have to be met for each exceptional event in order for such event to be excluded from the assessment. For example, the threshold to exclude a supply interruption under the "severe weather" exception is eight times the average number of high voltage faults, so there is a risk that certain supply interruptions may not reach such thresholds, despite adversely affecting the Issuers' performance, and therefore may not be excluded from the IIS assessment. This would adversely affect Ofgem's assessment of each Issuers' performance, and may result the Issuers' receiving a lower financial award as compared to the year 2017 – 2018, or possibly a financial penalty.

Pensions and Personnel Risks

Employees and former employees of the Issuers have pension entitlements from the Central Networks and Western Power Distribution Groups of the Electricity Supply Pension Scheme (the **WPD ESPS Schemes**, further details of which are set out in "*Description of the Issuers: Pensions – WPDE and WPDW and Pensions – WPD South West and WPD South Wales*") which are defined benefit pension schemes. As part of the electricity regulatory framework in the UK, Ofgem currently allows nearly all the costs of new benefit accrual in relation to distribution-related activities for both the WPD ESPS Schemes (which are closed to new members) and the Issuers' defined contribution scheme (the **Western Power Pension Scheme** or **WPPS**) to be charged to customers. Similarly, Ofgem allows approximately 80% of the costs of funding the ESPS Schemes' actuarial deficits to be charged to customers, subject to periodic reasonableness reviews. If Ofgem deem that such pension deficit costs have not have been efficiently and/or reasonably incurred, they may further restrict the amount that can be recovered from customers and/or seek to claw back such allowances in the future, which may affect each Issuer's ability to meet its obligations under the Notes.

Each Issuer's workforce is covered by collective bargaining agreements, which impacts its labour costs. The Issuer's group salary costs including employee salary costs, Pay As You Earn (PAYE) and national insurance contributions amount to just over £556 million per year. The current collective bargaining agreements are renewed on a rolling basis and each Issuer cannot ensure that the collective bargaining agreements will continue without required amendments or that it will reach new agreements with the unions on satisfactory terms if this event occurs. Furthermore, work stoppages, strikes or similar industrial actions could adversely impact each Issuer's business, financial position and results of operations.

Macroeconomic, market and regulatory risks

Renationalisation

The UK's Official Opposition, the UK Labour Party, stated in its manifesto in the 8 June 2017 UK General Election a commitment that, were it to win the General Election, it would renationalise the UK's energy networks. This commitment was reaffirmed in the UK Labour Party's proposal for publicly owned energy networks titled "Bringing Energy Home" published on 15 May 2019. Although the proposal states that, in the event of such a renationalisation event, existing indebtedness of renationalised companies would be honoured in full by the UK Government, the Notes may be assigned a different credit rating, which could negatively affect the trading price of the Notes. Any other intervention by the UK Government in the energy markets, or changes in governmental policy, may affect each Issuer's ability to meet its obligations under the Notes.

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Although application has been made for the Notes to be admitted to listing on the

Official List and to trading on the regulated market, there is no assurance that such application will be accepted or that an active trading market will develop. Illiquidity may have a severely adverse effect on the market value of Notes.

Risks related to the structure of the Notes

Risks related to Notes which are linked to benchmarks

Reference rates and indices, including interest rate benchmarks, such as LIBOR or EURIBOR, which are used to determine the amounts payable under financial instruments or the value of such financial instruments (**Benchmarks**), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on any Notes referencing or linked to such Benchmark.

Any of the specified methods of determining the Alternative Reference Rate or the permitted adjustments to such rates may result in interest payments on the Floating Rate Notes that are lower than or that do not otherwise correlate over time with the payments that would have been made on the Floating Rate Notes if LIBOR or EURIBOR, for example, continued to be available. Other floating rate debt securities issued by other issuers, by comparison, may be subject in similar circumstances to different procedures for the establishment of the Alternative Reference Rate. Any of the foregoing may have a material adverse effect on the amount of interest payable on the Floating Rate Notes, or the market liquidity and market value of the Floating Rate Notes.

Where quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Original Reference Rate), the Rate of Interest may ultimately revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before the Original Reference Rate was discontinued. Uncertainty as to the continuation of the Original Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the Original Reference Rate is discontinued may adversely affect the value of, and return on, the Floating Rate Notes.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, and the Floating Rate Option specified is an "IBOR" Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Notes.

Please also refer to "*Risk Factors - The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders*" for further risks relating to the Benchmarks.

Terms and expressions used but not defined in this risk factor have the respective meanings given to them in the Conditions.

Index Linked Interest Notes and Index Linked Redemption Notes

A Relevant Issuer may issue Notes with principal and/or interest determined by reference to the RPI, CPI or CPIH. The RPI, CPI or CPIH may go down as well as up. Information on the RPI, CPI and CPIH can be found at <https://www.gov.uk/search/research-and-statistics>.

Where the amount of interest payable on a Tranche of Notes is subject to adjustment by reference to the RPI, CPI or CPIH, a decrease in the RPI, CPI or CPIH over the reference period will reduce the amount of interest payable in respect of such Notes. In a deflationary environment, the annual interest received may be lower than the rate of interest specified in the applicable Final Terms.

Where the amount payable upon redemption of any Tranche of Notes is subject to adjustment by reference to the RPI, CPI or CPIH, a decrease in the RPI, CPI or CPIH over the reference period may reduce the amount to be repaid upon redemption of such Notes to less than the nominal amount of such Notes, unless the applicable Final Terms specify a minimum redemption amount which is equal to or higher than the nominal amount of such Notes.

The historical experience of the RPI, CPI or CPIH should not be viewed as an indication of the future performance of the RPI, CPI or CPIH during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to the RPI, CPI or CPIH and the suitability of such Notes in light of its particular circumstances.

There are particular risks associated with an investment in Index Linked Interest Notes and Index Linked Redemption Notes (**Indexed Notes**). In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it.

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders.

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions of the Notes also provide that the Note Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification, waiver or authorisation of any breach, or proposed breach, of any of the provisions of the Notes or the Trust Deed or (ii) determine without the consent of the Noteholders that any Event of Default (as defined in the Trust Deed) shall not be treated as such or (iii) the substitution of another company as principal debtor under the Notes in place of the Relevant Issuer, in the circumstances described in Condition 13 (Meetings of Noteholders, Modification, Waiver and Substitution) or (iv) the Relevant Issuer may, in consultation with an Independent Adviser (as defined in the Conditions), vary the Conditions to ensure the proper operation of a Successor Rate or Alternative Reference Rate to be used in place of LIBOR, EURIBOR or any other Benchmark without any requirement for consent or approval of Noteholders (see “*Risks related to Notes which are linked to benchmarks*”) (provided that, in each case, it is not, in the opinion of the Note Trustee, materially prejudicial to the interests of the Noteholders). Any such amendments made to the Conditions of the Notes, which may be made without the consent of Noteholders and without regard to the interests of particular Noteholders, could negatively affect the trading price of the Notes.

SUPPLEMENTARY PROSPECTUSES

Following the publication of this Prospectus, a supplementary prospectus may be prepared by the Issuers and approved by the FCA, which will comprise a supplementary prospectus in accordance with section 87G of the FSMA. Statements contained in any such supplementary prospectus (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

The Issuers will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplementary prospectus or publish a new Prospectus for use in connection with any subsequent issue of Notes.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the FCA shall be incorporated in, and form part of, this Prospectus:

- (a) The directors' report, the independent auditor's report and financial statements set out at pages 26 to 65 of the annual report and financial statements of WPDE for the year ended 31 March 2018 (the **WPDE 2018 Annual Report**). For the avoidance of doubt, the statement contained on the cover page of the WPDE 2018 Annual Report may be disregarded as irrelevant for the purposes of investors and the WPDE 2018 Annual Report may be read in isolation with regard to the financial position of WPDE;
- (b) The directors' report, the independent auditor's report and financial statements set out at pages 25 to 75 of the annual report and financial statements of WPDE for the year ended 31 March 2019 (the **WPDE 2019 Annual Report**). For the avoidance of doubt, the statement contained on the cover page of the WPDE 2019 Annual Report may be disregarded as irrelevant for the purposes of investors and the WPDE 2019 Annual Report may be read in isolation with regard to the financial position of WPDE;
- (c) The directors' report, the independent auditor's report and financial statements set out at pages 26 to 64 of the annual report and financial statements of WPDW for the year ended 31 March 2018 (the **WPDW 2018 Annual Report**). For the avoidance of doubt, the statement contained on the cover page of the WPDW 2018 Annual Report may be disregarded as irrelevant for the purposes of investors and the WPDW 2018 Annual Report may be read in isolation with regard to the financial position of WPDW;
- (d) The directors' report, the independent auditor's report and financial statements set out at pages 25 to 73 of the annual report and financial statements of WPDW for the year ended 31 March 2019 (the **WPDW 2019 Annual Report**). For the avoidance of doubt, the statement contained on the cover page of the WPDW 2019 Annual Report may be disregarded as irrelevant for the purposes of investors and the WPDW 2019 Annual Report may be read in isolation with regard to the financial position of WPDW;
- (e) The directors' report, the independent auditor's report and financial statements set out at pages 26 to 66 of the annual report and financial statements of WPD South West for the year ended 31 March 2018 (the **WPD South West 2018 Annual Report**). For the avoidance of doubt, the statement contained on the cover page of the WPD South West 2018 Annual Report may be disregarded as irrelevant for the purposes of investors and the WPD South West 2018 Annual Report may be read in isolation with regard to the financial position of WPD South West;
- (f) The directors' report, the independent auditor's report and financial statements set out at pages 25 to 74 of the annual report and financial statements of WPD South West for the year ended 31 March 2019 (the **WPD South West 2019 Annual Report**). For the avoidance of doubt, the statement contained on the cover page of the WPD South West 2019 Annual Report may be disregarded as irrelevant for the purposes of investors and the WPD South West 2019 Annual Report may be read in isolation with regard to the financial position of WPD South West;
- (g) The directors' report, the independent auditor's report and financial statements set out at pages 25 to 68 of the annual report and financial statements of WPD South Wales for the year ended 31 March 2018 (the **WPD South Wales 2018 Annual Report**). For the avoidance of doubt, the statement contained on the cover page of the WPD South Wales 2018 Annual Report may be disregarded as irrelevant for the purposes of investors and the WPD South Wales 2018 Annual Report may be read in isolation with regard to the financial position of WPD South Wales;

- (h) The directors' report, the independent auditor's report and financial statements set out at pages 25 to 76 of the annual report and financial statements of WPD South Wales for the year ended 31 March 2019 (the **WPD South Wales 2019 Annual Report**). For the avoidance of doubt, the statement contained on the cover page of the WPD South Wales 2019 Annual Report may be disregarded as irrelevant for the purposes of investors and the WPD South Wales 2019 Annual Report may be read in isolation with regard to the financial position of WPD South Wales;
- (i) The Terms and Conditions set out on pages 39 to 73 of the prospectus dated 27 April 2011 and issued by WPDE and WPDW;
- (j) The Terms and Conditions set out on pages 52 to 86 of the prospectus dated 10 September 2013 and issued by WPDE, WPDW, WPD Southwest and WPD South Wales;
- (k) The Terms and Conditions set out on pages 49 to 83 of the prospectus dated 14 April 2015 and issued by WPDE, WPDW, WPD Southwest and WPD South Wales;
- (l) The Terms and Conditions set out on pages 52 to 87 of the prospectus dated 9 September 2016 and issued by WPDE, WPDW, WPD Southwest and WPD South Wales;
- (m) The Terms and Conditions set out on pages 52 to 87 of the prospectus dated 15 September 2017 and issued by WPDE, WPDW, WPD Southwest and WPD South Wales; and
- (n) The Terms and Conditions set out on pages 56 to 95 of the prospectus dated 14 August 2018 and issued by WPDE, WPDW, WPD Southwest and WPD South Wales.

If the documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Prospectus for the purposes of the Prospectus Regulation except where such information or other documents are specifically incorporated by reference.

Copies of the documents incorporated by reference in this Prospectus may be viewed electronically and free of charge at www.westernpower.co.uk/about-us/financial-information and will be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

PRESENTATION OF FINANCIAL INFORMATION

The financial information relating to the Issuers, as incorporated by reference into this Prospectus in respect of the financial year ended 31 March 2018 and the financial year ended 31 March 2019, has been prepared in accordance with accounting principles generally accepted in the United Kingdom and the International Financial Reporting Standards (IFRS) adopted by the EU.

FORM OF THE NOTES

1 Issue of Notes

If the Global Notes or the Global Certificates are stated in the applicable Final Terms to be issued in NGN form or to be held under the NSS respectively (as the case may be), the Global Notes or the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes or the Global Certificates with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes which are issued in CGN form and Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a Common Depository.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a Common Depository or if the Global Certificate is not held under the NSS, registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is a NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2 Relationship of accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system (**Alternative Clearing System**) as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Relevant Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Relevant Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

3 Exchange

3.1 Temporary Global Notes

Whilst any Note is represented by a temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the temporary Global Note if the temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent (**Certification**).

In respect of each Tranche initially represented by a temporary Global Note, on and after the date (the **Exchange Date**) which is 40 days after such temporary Global Note is issued, interests in such temporary Global Note will be exchangeable (free of charge) upon a request as described therein for either (i) interests in a permanent Global Note of the same Series or (ii) definitive Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Notes. The holder of a temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the temporary Global Note for an interest in a permanent Global Note or for definitive Notes is improperly withheld or refused.

3.2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an alternative clearing system and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

3.3 Exchange for Definitive Notes

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations. If temporary Global Notes are exchangeable for Definitive Notes upon notice, then such Definitive Notes may only be issued to be held in clearing systems if in denominations equal to €100,000 (or equal to £100,000/\$200,000, as applicable) and integral multiples thereof.

3.4 Global Certificates

If the Final Terms state that the Notes are to be represented by a Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) (*Transfer of Registered Notes*) may only be made in part:

- (i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) if principal in respect of any Notes is not paid when due; or
- (iii) with the consent of the Relevant Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.4(i) or 3.4(ii) above, the registered holder has given the Registrar not less than 30 days' notice at its specified office of the registered holder's intention to effect such transfer.

3.5 Delivery of Notes

If the Global Note is a CGN, on or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Relevant Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes or if the Global Note is a NGN, the Relevant Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Prospectus, **Definitive Notes** means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Relevant Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

4 Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

4.1 Payment

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused by or on behalf of the Issuer. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made in relation to such nominal amount of the temporary Global Note with respect to which there has been Certification dated no earlier than such due date for payment.

All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of

the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent provided for in the Conditions. If the Global Note is in CGN form, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 9(e)(vii) (*Appointment of Agents*) and Condition 10(e) (*Payment by another Paying Agent*) will apply to the Definitive Notes only.

If the Global Note is in NGN form, the Issuer shall procure that details of each such payment shall be entered pro rata in the records of the relevant clearing system and, in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under a Global Note in NGN form will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. For the purpose of any payments made in respect of a Global Note, "in the relevant place of presentation" shall be disregarded in the definition of "business day" set out in Condition 9(h) (*Non-Business Days*).

All payments in respect of Notes represented by a Global Certificate will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Certificate. Such payments will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

4.2 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date.

4.3 Meetings

The holder of a Global Note or of the Notes represented by a Global Certificate or single Certificate shall (so long as at least the required proportion of the aggregate principal amount of the outstanding Notes is represented by such holder) be treated as being two voters for the purposes of forming a quorum. The holder of a Global Note or of the Notes represented by a Global Certificate shall be treated as being entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes.

4.4 Cancellation

On cancellation of any Note represented by a permanent Global Note (other than upon its redemption), the Issuer shall procure that details of such cancellation shall be entered pro rata in the records of the relevant clearing systems and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the relevant clearing systems and represented by this permanent Global Note shall be reduced by the aggregate nominal amount of the Notes so cancelled.

4.5 Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer if they are purchased together with the right to receive all future payments of interest thereon.

4.6 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes shall, while such Notes are represented by a permanent Global Note or a Global Certificate, be exercised by the Issuer

giving notice to the Issuing and Paying Agent, the Noteholders and the relevant clearing systems (or procuring that such notice is given on its behalf) within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the case of a partial exercise of an option, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg and shall be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion. Following the exercise of any such option, the Issuer shall procure that the nominal amount of the Notes recorded in the records of the relevant clearing systems and represented by the permanent Global Note or Global Certificate shall be reduced accordingly.

4.7 Noteholder's Option

Any option of the Noteholders provided for in the Conditions of any Notes may, while such Notes are represented by a permanent Global Note or a Global Certificate, be exercised by the holder of such permanent Global Note or Global Certificate by giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised. Following the exercise of any such option, the Issuer shall procure that the nominal amount of the Notes recorded in the records of the relevant clearing systems and represented by the permanent Global Note or Global Certificate shall be reduced by the aggregate nominal amount stated in the relevant exercise notice.

4.8 Trustee's Powers

So long as any Note is held by or on behalf of Euroclear or Clearstream, Luxembourg, in considering the interests of Noteholders the Note Trustee may consider the interests (either individual or by category) of its accountholders or participants with entitlements to any such Note as if such accountholders or participants were the holder(s) thereof.

4.9 Notices

Notices required to be given in respect of the Notes represented by a Global Note (or Global Certificate, as applicable) may be given by their being delivered (so long as such Global Note or Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg and/or an alternative clearing system) to Euroclear, Clearstream, Luxembourg and/or such alternative clearing system, as the case may be, or otherwise to the holder of the Global Note (or Global Certificate, as applicable), rather than by publication as required by the Conditions.

FORM OF FINAL TERMS

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended or superseded) (**MiFID II**); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended or superseded) (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Regulation (EU) 2017/1129 (as amended or superseded) (the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded) (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)/MiFID II], and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

Prohibition of sales to consumers in Belgium: The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any consumer (*consument/consommateur*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*).

[Date]

[Western Power Distribution (East Midlands) plc]/[Western Power Distribution (South Wales) plc]/ [Western Power Distribution (South West) plc]/ [Western Power Distribution (West Midlands) plc]

Legal Entity Identifier: [●]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the “Notes”)

under the £4,000,000,000
Euro Medium Term Note Programme

Part A Contractual Terms

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 12 August 2019 [and the supplement[s] dated [●] [and [●]], which [together] constitute[s] a base prospectus (the **Prospectus**)] for the purposes of the Prospectus Regulation (EU) 2017/1129 (as amended or superseded) (the **Prospectus Regulation**). This document constitutes the final terms of the Notes described herein (the **Final Terms**) for the purposes of Article 8 of the Prospectus Regulation and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and the supplemental

Prospectus] [is] [are] available for viewing [at www.westernpower.co.uk/about-us/financial-information] [and] during normal business hours at Avonbank, Feeder Road, Bristol BS2 0TB [and copies may be obtained from Avonbank, Feeder Road, Bristol BS2 0TB]. The Prospectus and (in the case of Notes listed and admitted to trading on the regulated market of the London Stock Exchange) the applicable Final Terms will also be published on the website of the London Stock Exchange: www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the Conditions) set forth in the prospectus dated [●], which is incorporated by reference into the Prospectus dated 12 August 2019. This document constitutes the Final Terms of the Notes described herein (the **Final Terms**) for the purposes of Article 8 of the Prospectus Regulation (EU) 2017/1129 (as amended or superseded) (the **Prospectus Regulation**) and must be read in conjunction with the Prospectus dated 12 August 2019 [and the supplement[s] dated [●] [and [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation, including the Conditions incorporated by reference in the Prospectus. The Prospectuses [and the supplement[s]] are available for viewing [at [website of relevant Issuer]] [and] during normal business hours at Avonbank, Feeder Road, Bristol BS2 0TB [and copies may be obtained from Avonbank, Feeder Road, Bristol BS2 0TB. The Prospectus and (in the case of Notes listed and admitted to trading on the regulated market of the London Stock Exchange) the applicable Final Terms will also be Published on the website of the London Stock Exchange: www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.]

- | | |
|-----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Issuer: | [Western Power Distribution (East Midlands) plc/ Western Power Distribution (West Midlands) plc/Western Power Distribution (South West) plc/Western Power Distribution (South Wales) plc] |
| 2. (i) Series Number: | [●] |
| (ii) Tranche Number: | [●] |
| (iii) Date on which the Notes will be consolidated and form a single Series | [The Notes will be consolidated and form a single Series with [●] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 27 below[, which is expected to occur on or about [●]]] [Not Applicable] |
| 3. Specified Currency or Currencies: | [●] |
| 4. Aggregate Nominal Amount: | |
| (i) Series: | [●] |
| (ii) Tranche: | [●] |
| 5. (i) Issue Price of Tranche: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]] |
| 6. (i) Specified Denominations: | [●] [[€/£100,000/\$200,000] and integral multiples of [€/£/\$1,000] in excess thereof up to and including [€/£199,000/\$399,000]. No Notes in definitive form will be issued with a denomination of integral multiples above [€/£199,000/\$399,000].] |
| (ii) Calculation Amount: (Applicable to Notes in definitive form) | [●] |
| 7. (i) Issue Date: | [●] |

- (ii) Interest Commencement Date: [●] [Issue Date] [Not Applicable]
8. Maturity Date: [●]
9. Interest Basis: [[●] per cent. Fixed Rate]
[[Reference Rate] +/- [●] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[(further particulars specified below)]
- 10 Redemption Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per cent. of their nominal amount]
[Index Linked Redemption]
[●]
- 11 Change of Interest Basis or Redemption/
Payment Basis: [●] [Not Applicable]
- 12 Put/Call Options: [Investor Put]
[Restructuring Put Option]
[Issuer Call]
[(further particulars specified in paragraph[s] [20]/[21]/[22] below)]
[Not Applicable]
- 13 [Date approval by Committee of the Board of Directors for issuance of Notes obtained:] [●]

Provisions Relating to Interest (if any) Payable

- 14 Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (i) Rate(s) of Interest: [●] per cent. per annum [payable [annually/semi-annually/ quarterly/other (specify)] in arrear]
- (ii) Interest Payment Date(s): [●] in each year up to and including the Maturity Date/[0]
- (iii) Fixed Coupon Amount{(s)}: [●] per Calculation Amount
(Applicable to Notes in definitive form)
- (iv) Broken Amount(s): [[●] per Calculation Amount, payable on the Interest Payment Date falling on [●]/Not Applicable]
(Applicable to Notes in definitive form)
- (v) Day Count Fraction: [Actual/Actual (ISDA)] / [Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360] / [360/360] / [Bond Basis]
[30E/360] / [Eurobond Basis]
[Actual/Actual ICMA]
[30E/360 (ISDA)]
- (vi) Determination Date(s): [●] in each year
- 15 Floating Rate Note Provisions** [Applicable/Not Applicable]

- (i) Specified Period(s) [●]
- (ii) Specified Interest Payment Dates: [●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in paragraph (iv) below]
- (iii) First Interest Payment Date [●]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (v) Additional Business Centre(s): [●]
- (vi) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [●]
- (viii) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [[●] is provided by [administrator legal name] [repeat as necessary].] [As at the date hereof, [administrator legal name] [appears]/[does not appear] [repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of Regulation (EU) 2016/1011, as amended or superseded]/[As far as the Issuer is aware, as at the date hereof, the [specify benchmark] does not fall within the scope of Regulation (EU) 2016/1011, as amended or superseded] / [Not Applicable]
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [●]
 - Relevant Time: [●]
- (ix) ISDA Determination: [Applicable/Not Applicable]
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
 - *(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*
 - *(N.B The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)*

(x)	Linear Interpolation	[Not Applicable/Applicable – the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (<i>specify for each short or long interest period</i>)]
(xi)	Margin(s):	[+/-] [●] per cent. per annum
(xii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiv)	Day Count Fraction:	[Actual/Actual (ISDA)] / [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] / [360/360] / [Bond Basis] [30E/360] / [Eurobond Basis] [Actual/Actual ICMA] [30E/360 (ISDA)]
16 Zero Coupon Note Provisions		[Applicable/Not Applicable]
(i)	Accrual Yield:	[●] per cent. per annum
(ii)	Amortisation Yield:	[●]
(iii)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Condition 6(b) (Early Redemption) applies] [Actual/Actual (ISDA)] / [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] / [360/360] / [Bond Basis] [30E/360] / [Eurobond Basis] [Actual/Actual ICMA] [30E/360 (ISDA)]
17 Index Linked Interest Note Provisions		[Applicable/Not Applicable]
(i)	Index/Formula:	[UK Retail Price Index][UK Consumer Price Index][UK Consumer Price Index Including Owner Occupiers' Housing Costs]
(ii)	Rate of Interest:	[Fixed, calculated in accordance with paragraph 14 above][Floating, calculated in accordance with paragraph 15 above]
(iii)	Minimum Indexation Factor:	[Not Applicable] [●]
(iv)	Maximum Indexation Factor:	[Not Applicable] [●]
(v)	Base Index Figure:	[●]
(vi)	Limited Indexation Month(s):	[●]/[Not Applicable]
(vii)	Reference Gilt:	[[●] per cent. Index-Linked Treasury Stock due [●]] [Not Applicable]
(viii)	Index Figure applicable	[3][8] months lag
18 Ratings Downgrade Rate Adjustment		[Applicable/Not Applicable]

Provisions Relating to Redemption

19 Index Linked Redemption Provisions	[Applicable/Not Applicable]
(i) Minimum Indexation Factor:	[Not Applicable] [●]
(ii) Maximum Indexation Factor:	[Not Applicable] [●]
(iii) Base Index Figure:	[●]
(iv) Reference Gilt:	[[●] per cent. Index-Linked Treasury Stock due [●]] [Not Applicable]
(v) Index Figure applicable	[3][8] months lag
(vi) Redeemable in part:	[Applicable/Not Applicable]
(1) Minimum Redemption Amount:	[●]
(2) Maximum Redemption Amount:	[●]
20 Issuer Call	[Applicable/Not Applicable]
(i) Optional Redemption Date(s):	[●]
(ii) Optional Redemption Amount(s)	[[●] per Calculation Amount]
(iii) Redeemable in part:	[Applicable/Not Applicable]
(1) Minimum Redemption Amount:	[●]
(2) Maximum Redemption Amount:	[●]
21 Investor Put	[Applicable (Condition [6(h) (Redemption at the Option of Noteholders) applies]/Not Applicable]
(i) Optional Redemption Date(s):	[[●]
(ii) Notice Period:	[●]/[Refer to Condition 6(h) (<i>Redemption at the Option of Noteholders</i>)]
(iii) Optional Redemption Amount(s):	[[●] per Calculation Amount]
22 [Restructuring Put Option	[Applicable [6(i) (<i>Redemption at the Option of the Noteholders on a Restructuring Event</i>) applies]/Not Applicable]
(i) Optional Redemption Amount(s):	[[●] per Calculation Amount]
23 Final Redemption Amount:	[[●] per Calculation Amount]

24	Early Redemption Amount payable on redemption for taxation reasons or on event of default	[[●] per Calculation Amount] <i>(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)</i>
25	Pre-Maturity Call Option:	[Applicable (Condition [6(f) (Pre-Maturity Call Option by the Issuer)] applies/Not Applicable]
26	Clean-up Call Option:	[Applicable (Condition [6(g) (Clean-up Call Option by the Issuer)] applies/Not Applicable]
27	Make-whole Redemption	[Applicable (Condition [6(e) (Redemption at the Option of the Relevant Issuer)] applies/Not Applicable]
(i)	Make-Whole Redemption Margin:	[●]
(ii)	Notice Period:	[●]/[Refer to Condition 6(e) (Redemption at the Option of the Relevant Issuer)]
(iii)	Make-Whole Reference Bond:	[●]
(iv)	Reference Dealers:	[●]
(v)	Quotation Time:	[●]
(vi)	Determination Date:	[●]
(vii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount

General Provisions Applicable to the Notes

28	Form of Notes:	[Bearer/Registered]
(i)	if issued in Bearer form:	[Temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note.] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice.] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note.]
(ii)	if issued in registered form:	[Global Certificate registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and

Clearstream, Luxembourg (that is, held under the NSS) exchangeable for Certificates on [●] days' notice in the circumstances specified in the Global Certificate]

[[New Global Note]/[NSS]]: [Yes] [No]

29 Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/[●]]

30 Talons for future Coupons to be attached to Definitive Notes: [*Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made*]/[No]

THIRD PARTY INFORMATION

[[*Relevant third party information*] has been extracted from [specify source]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of
[Western Power Distribution (East Midlands) plc]
[Western Power Distribution (West Midlands) plc]
[Western Power Distribution (South West) plc]
[Western Power Distribution (South Wales) plc]
By:

Part B
Other Information

1. Listing and Admission to Trading

- (i) Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the FCA with effect from [●].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the FCA and this is expected to be effective from [●].]

[Not Applicable]/ [●]

- (ii) Estimate of total expenses related to admission to trading: [●]

2. Ratings

Ratings: The Notes to be issued [have been] [are expected to be] rated:

[●] by [●]

[The Notes to be issued have not been rated.]

3. Interests of Natural and Legal Persons Involved in the Issue

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.][●]

4. Reasons for the Offer, Estimated Net Proceeds and Total Expenses

- (i) [Reasons for the offer [●]

- (ii) Estimated net proceeds: [●]

- (iii) Estimated total expenses: [●]

5. [Yield (Fixed Rate Notes only)]

Indication of yield: [●]

6. [Performance of Index and Other Information Concerning the Underlying (Indexed Notes only)]

- (i) Name of underlying index: [UK Retail Price Index (RPI) (all items)] [UK Consumer Price Index (CPI)] [UK Consumer Price Index Including Owner Occupiers' Housing Costs (CPIH)] published by the Office of National Statistics

- (ii) Information about the Index, its volatility and past and future performance can be obtained from: Information on [RPI][CPI][CPIH] can be found at www.statistics.gov.uk

- (iii) Final reference price of the underlying: [●]

7. Operational Information

- (i) ISIN Code: [●]
- (ii) Common Code: [●]
- (iii) [CFI: [●] [See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]
- (iv) [FISN: [●] [See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]

(If the CFI and/or FISN is not required, it/they should be specified to be "Not Applicable")

- (v) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable/[●]
- (vi) Delivery: Delivery [against/free of] payment
- (vii) Names and addresses of additional Paying Agent(s) (if any): [●]
- (viii) [Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the international central securities depositories (ICSD) as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS,] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank (the ECB) being satisfied that Eurosystem eligibility criteria have been met.]/[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

8. Distribution

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names and addresses of Managers): [Not Applicable/give names, addresses]
(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)
- (iii) Stabilisation Manager(s) (if any): [Not Applicable/give name]
- (iv) If non-syndicated, name and address of relevant Dealer: [Not Applicable/give name and address]
- (v) U.S. Selling Restrictions: [Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]
- (vi) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended, to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended or superseded) (**MiFID II**); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended or superseded) (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended or superseded) (the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded) (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended or superseded) (**MiFID II**)/MiFID II], and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

Prohibition of sales to consumers in Belgium: The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any consumer (*consument/consommateur*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*).

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH REGULATION (EU) 2017/1129 (AS AMENDED OR SUPERSEDED) FOR THE ISSUE OF NOTES DESCRIBED BELOW.

[Date]

[Western Power Distribution (East Midlands) plc]/[Western Power Distribution (South Wales) plc]/ [Western Power Distribution (South West) plc]/ [Western Power Distribution (West Midlands) plc]
(the “Issuer”)

Legal Entity Identifier: [●]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the “Notes”)

under the £4,000,000,000
Euro Medium Term Note Programme

Part A
Contractual Terms

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Prospectus dated 12 August 2019 [as supplemented by the supplement[s] dated [date[s]]] (the **Prospectus**). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Prospectus. Copies of the Prospectus may be obtained from [address].

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Prospectus [dated [original date] which are incorporated by reference in the Prospectus].

The Notes offered pursuant to this Pricing Supplement are offered pursuant to an exemption to Prospectus Regulation (EU) 2017/1129, as amended or superseded. The FCA has neither approved nor reviewed information contained in the Prospectus or this Pricing Supplement relating to the Notes offered.

1	Issuer:	[Western Power Distribution (East Midlands) plc/ Western Power Distribution (West Midlands) plc/Western Power Distribution (South West) plc/Western Power Distribution (South Wales) plc]
2	(i) Series Number:	[●]
	(ii) Tranche Number:	[●]
	(iii) Date on which the Notes will be consolidated and form a single Series	[The Notes will be consolidated and form a single Series with [●] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 28 below[, which is expected to occur on or about [●]]][Not Applicable]
3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount:	
	(i) Series:	[●]
	(ii) Tranche:	[●]
5	(i) Issue Price of Tranche:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6	(i) Specified Denominations:	[●][[€/\$100,000/\$200,000] and integral multiples of [€/\$1,000] in excess thereof up to and including [€/\$199,000/\$399,000]. No Notes in definitive form will be issued with a denomination of integral multiples above [€/\$199,000/\$399,000].]
	(ii) Calculation Amount: (Applicable to Notes in definitive form)	[●]
7	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[●] [Issue Date] [Not Applicable]

- 8 Maturity Date: [●]
- 9 Interest Basis: [[●] per cent. Fixed Rate]
[[Reference Rate/[●]] +/- [●] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[(further particulars specified below)]
- 10 Redemption Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per cent. of their nominal amount]

[Index Linked Redemption]
[●]
- 11 Change of Interest Basis or Redemption/ Payment Basis: [●] [Not Applicable]
- 12 Put/Call Options: [Investor Put]

[Restructuring Put Option]

[Issuer Call]

[(further particulars specified below)]
- 13 Status of the Notes: Senior
- 14 [Date approval by Committee of the Board of Directors for issuance of Notes obtained:] [●]

Provisions Relating to Interest (if any) Payable

- 15 Fixed Rate Note Provisions [Applicable/Not Applicable]
- (i) Rate(s) of Interest: [●] per cent. per annum [payable [annually/semi-annually/ quarterly/other (specify)] in arrear]
- (ii) Interest Payment Date(s): [●] in each year up to and including the Maturity Date/[●]
- (iii) Fixed Coupon Amount(s): (Applicable to Notes in definitive form) [●] per Calculation Amount
- (iv) Broken Amount(s): (Applicable to Notes in definitive form) [[●] per Calculation Amount, payable on the Interest Payment Date falling on [●]/Not Applicable]
- (v) Day Count Fraction: [Actual/Actual (ISDA)] / [Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360] / [360/360] / [Bond Basis]
[30E/360] / [Eurobond Basis]

		[Actual/Actual ICMA] [30E/360 (ISDA)]
	(vi) Determination Date(s):	<input checked="" type="checkbox"/> in each year
16	Floating Rate Note Provisions	[Applicable/Not Applicable]
	(i) Specified Period(s)	<input checked="" type="checkbox"/>
	(ii) Specified Interest Payment Dates:	<input checked="" type="checkbox"/> in each year[, subject to adjustment in accordance with the Business Day Convention set out in paragraph (iv) below]
	(iii) First Interest Payment Date	<input checked="" type="checkbox"/>
	(iv) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(v) Additional Business Centre(s):	<input checked="" type="checkbox"/>
	(vi) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(vii) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	<input checked="" type="checkbox"/>
	(viii) Screen Rate Determination:	[Applicable/Not Applicable]
	- Reference Rate:	[[<input checked="" type="checkbox"/> is provided by <i>[administrator legal name]</i> [<i>repeat as necessary</i>].] [As at the date hereof, <i>[administrator legal name]</i> [appears]/[does not appear] [<i>repeat as necessary</i>] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (<i>Register of administrators and benchmarks</i>) of Regulation (EU) 2016/1011, as amended or superseded]/[As far as the Issuer is aware, as at the date hereof, the <i>[specify benchmark]</i> does not fall within the scope of Regulation (EU) 2016/1011, as amended or superseded] / [Not Applicable]
	- Interest Determination Date(s):	<input checked="" type="checkbox"/>
	- Relevant Screen Page:	<input checked="" type="checkbox"/>
	- Relevant Time:	<input checked="" type="checkbox"/>
	(ix) ISDA Determination:	[Applicable/Not Applicable]

-	Floating Rate Option:	[●]
-	Designated Maturity:	[●]
-	Reset Date:	[●]
-		(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
		(N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)
(x)	Linear Interpolation	[Not Applicable/Applicable – the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (<i>specify for each short or long interest period</i>)]
(xi)	Margin(s):	[+/-] [●] per cent. per annum
(xii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiv)	Day Count Fraction:	[Actual/Actual (ISDA)] / [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] / [360/360] / [Bond Basis] [30E/360] / [Eurobond Basis] [Actual/Actual ICMA] [30E/360 (ISDA)]
17	Zero Coupon Note Provisions	[Applicable/Not Applicable]
(i)	Accrual Yield:	[●] per cent. Per annum
(ii)	Amortisation Yield:	[●]
(iii)	Any other formulas/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes	[●] [Condition 6(b) (<i>Early Redemption</i>) applies]
(iv)	Day Count Fraction in relation to Early Redemption Amounts:	[Actual/Actual (ISDA)] / [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] / [360/360] / [Bond Basis] [30E/360] / [Eurobond Basis]

		[Actual/Actual ICMA] [30E/360 (ISDA)]
18	Index Linked Interest Note Provisions	[Applicable/Not Applicable]
	(i) Index/Formula:	[UK Retail Price Index][UK Consumer Price Index][UK Consumer Price Index Including Owner Occupiers' Housing Costs]
	(ii) Rate of Interest:	[Fixed, calculated in accordance with paragraph 15 above][Floating, calculated in accordance with paragraph 16 above]
	(iii) Minimum Indexation Factor:	[Not Applicable][●]
	(iv) Maximum Indexation Factor:	[Not Applicable][●]
	(v) Base Index Figure:	[●]
	(vi) Limited Indexation Month(s):	[●]/[Not Applicable]
	(vii) Reference Gilt:	[[●] per cent. Index-Linked Treasury Stock due [●]][Not Applicable]
	(viii) Index Figure applicable	[3][8] months lag
19	Ratings Downgrade Rate Adjustment	[Applicable/Not Applicable]
Provisions Relating to Redemption		
20	Index Linked Redemption Provisions	[Applicable/Not Applicable]
	(i) Index/Formula:	[UK Retail Price Index] [UK Consumer Price Index][UK Consumer Price Index Including Owner Occupiers' Housing Costs]
	(ii) Minimum Indexation Factor:	[Not Applicable][●]
	(iii) Maximum Indexation Factor:	[Not Applicable][●]
	(iv) Base Index Figure:	[●]
	(v) Reference Gilt:	[[●] per cent. Index-Linked Treasury Stock due [●]][Not Applicable]
	(vi) Index Figure applicable	[3][8] months lag

	(vii) Redeemable in part:	[Applicable/Not Applicable]
	(1) Minimum Redemption Amount:	[●]
	(2) Maximum Redemption Amount:	[●]
21	Issuer Call	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s):	[[●] per Calculation Amount]
	(iii) Redeemable in part:	[Applicable/Not Applicable]
	(iv) Minimum Redemption Amount:	[●]
	(v) Maximum Redemption Amount:	[●]
22	Investor Put	[Applicable (Condition [6(h) (<i>Redemption at the Option of Noteholders</i>)]applies)/Not Applicable]
	(i) Optional Redemption Date(s):	[[●]
	(ii) Notice Period:	[●]/[Refer to Condition 6(h) (<i>Redemption at the Option of Noteholders</i>)]
	(iii) Optional Redemption Amount(s):	[[●] per Calculation Amount]
23	[Restructuring Put Option]	[Applicable [6(i) (<i>Redemption at the Option of the Noteholders on a Restructuring Event</i>) applies]/Not Applicable]
	(i) Optional Redemption Date(s):	[On the Put Date (as specified in the relevant Put Event Notice) (where Condition (6(i) (<i>Redemption at the Option of the Noteholders on a Restructuring Event</i>)))]
	(ii) Notice Period:	[●] (in accordance with Condition 18 (<i>Notices</i>))
	(iii) Optional Redemption Amount(s):	[[●] per Calculation Amount]
24	Final Redemption Amount:	[[●] per Calculation Amount]
25	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required):	[[●] per Calculation Amount]

26	Pre-Maturity Call Option:	[Applicable (Condition [6(f) (<i>Pre-Maturity Call Option by the Issuer</i>)] applies/Not Applicable]
27	Clean-up Call Option:	[Applicable (Condition [6(g) (<i>Clean-up Call Option by the Issuer</i>)] applies/Not Applicable]
28	Make-whole:	[Applicable (Condition [6(e) (<i>Redemption at the Option of the Relevant Issuer</i>)] applies/Not Applicable]
	(i) Make-Whole Redemption Margin:	[●]
	(ii) Notice Period:	[●]/[Refer to Condition 6(e) (<i>Redemption at the Option of the Relevant Issuer</i>)]
	(iii) Make-Whole Reference Bond:	[●]
	(iv) Reference Dealers:	[●]
	(v) Quotation Time:	[●]
	(vi) Determination Date:	[●]
	(vii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount [●] per Calculation Amount
	(b) Maximum Redemption Amount:	

General Provisions Applicable to the Notes

29	Form of Notes:	[Bearer/Registered]
	(i) if issued in Bearer form:	[Temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note.] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice.] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note.]
	(ii) if issued in registered form:	[Global Certificate registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS) exchangeable for Certificates on [●] days' notice in the circumstances specified in the Global Certificate]
	New Global Note/NSS:	[Yes] [No]

- 30 Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/[●]]
- 31 Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made]/[No]
- 32 Other terms or special conditions: [Not Applicable/*give details*]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement. [[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of

[Western Power Distribution (East Midlands) plc]
[Western Power Distribution (West Midlands) plc]
[Western Power Distribution (South West) plc]
[Western Power Distribution (South Wales) plc]

Other Information

1 Listing and Admission to Trading

- (i) Listing and admission to trading: [Not Applicable]/[●]
- (ii) Estimate of total expenses related to admission to trading: [●]

2 Ratings

Ratings: The Notes to be issued [have been] [are expected to be] rated:
[●] by [●]
[The Notes to be issued have not been rated.]

3 Interests of Natural and Legal Persons Involved in the Issue

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.]/[●]

4 Reasons for the Offer, Estimated Net Proceeds and Total Expenses

[Reasons for the offer [●]

Estimated net proceeds: [●]

Estimated total expenses: [●]

5 [Yield (Fixed Rate Notes only)]

Indication of yield: [●]

6 [Performance of Index and Other Information Concerning the Underlying (Indexed Notes only)]

- (i) Name of underlying index: [UK Retail Price Index (RPI) (all items)] [UK Consumer Price Index (CPI)] [UK Consumer Price Index Including Owner Occupiers' Housing Costs (CPIH)] published by the Office of National Statistics
- (ii) Information about the Index, its volatility and past and future performance can be obtained from: Information on [RPI][CPI][CPIH] can be found at www.statistics.gov.uk
- (iii) Final reference price of the underlying: [●]

7 Operational Information

- (i) ISIN Code: [●]

- (ii) Common Code:
- (iii) [CFI: [See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]
- (iv) [FISN: [See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]
- (If the CFI and/or FISN is not required, it/they should be specified to be “Not Applicable”)
- (v) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable/
- (vi) Delivery: Delivery [against/free of] payment
- (vii) Names and addresses of additional Paying Agent(s) (if any):
- (viii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]
- [Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS,] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.]
- [Note that whilst the designation is specified as “no” at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

8 Distribution

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers [Not Applicable/[●]]
- (iii) Stabilisation Manager(s) (if any) [Not Applicable/[●]]
- (iv) If non-syndicated, name of relevant Dealer: [●]
- (v) U.S. Selling Restrictions [Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA not applicable]
- (vi) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

(If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes (as defined below) are constituted by, are subject to, and have the benefit of, an amended and restated trust deed dated on 12 August 2019 (as amended or supplemented from time to time, the **Trust Deed**) between Western Power Distribution (East Midlands) plc (**WPDE**), Western Power Distribution (West Midlands) plc (**WPDW**), Western Power Distribution (South West) plc (**WPD South West**) and Western Power Distribution (South Wales) plc (**WPD South Wales** and, together with WPDE, WPDW and WPD South West, the **Issuers** and each an **Issuer**) and HSBC Corporate Trustee Company (UK) Limited (the **Note Trustee**, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). Notes issued by each Issuer are obligations solely of that Issuer (the **Relevant Issuer**) and without recourse whatsoever to any other Issuer. These terms and conditions (the **Conditions**) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Registered Notes, Bearer Notes, Certificates, Coupons and Talons referred to below. An amended and restated agency agreement dated on 10 September 2013 (as amended or supplemented from time to time, the **Agency Agreement**) has been entered into in relation to the Notes between the Issuers, the Note Trustee, HSBC Bank plc as issuing and paying agent and the other agents named in it. The issuing and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the **Issuing and Paying Agent**, the **Paying Agents** (which expression shall include the Issuing and Paying Agent, the **Registrar**, the **Transfer Agents** (which expression shall include the Registrar) and the **Calculation Agent(s)**). Copies of the Trust Deed, the Agency Agreement and the Prospectus are available for inspection during usual business hours at the principal office of the Note Trustee (presently at 8 Canada Square, London E14 5HQ) and at the specified offices of the Paying Agents and the Transfer Agents.

Notes means the euro medium term notes issued by the Issuers constituted by the Trust Deed and for the time being outstanding. References herein to the Notes shall be references to the relevant Series of Notes only.

The Noteholders, the holders of the interest coupons (the **Coupons**) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the **Talons**) (the **Couponholders**) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, **Tranche** means Notes which are identical in all respects and **Series** means a series of Notes comprising of one or more Tranches of Notes which are identical save for the issue date, issue price and/or the first payment of interest.

Any reference in these Conditions to Final Terms shall be deemed to include a reference to Pricing Supplement, where relevant.

1. Form, Denomination and Title

The Notes are issued in bearer form (**Bearer Notes**) or in registered form (**Registered Notes**) in each case in the Specified Denomination(s) shown in the Final Terms provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a Prospectus under the Prospectus Regulation, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

All Registered Notes shall have the same Specified Denomination.

Unless the Note is an Exempt Note, the Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note or a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the Final Terms.

If the Note is an Exempt Note, the Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note or a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the Pricing Supplement.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates (**Certificates**) and, save as provided in Condition 2(c) (*Exercise of Options or Partial Redemption in Respect of Registered Notes*), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuers shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the **Register**). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, **Noteholder** means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), **holder** (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them in the Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Note Trustee and the Agents as the holder of such nominal amount of such Notes for all

purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Note Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions Noteholder and holder of Notes and related expressions shall be construed accordingly.

2. No Exchange of Notes and Transfers of Registered Notes

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Relevant Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuers, with the prior written approval of the Registrar and the Note Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.
- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of a Relevant Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) (*Transfer of Registered Notes*) or (c) (*Exercise of Options or Partial Redemption in Respect of Registered Notes*) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(h) (*Redemption at the Option of Noteholders*)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to

the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d) (*Delivery of New Certificates*), **business day** means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

- (e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Relevant Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Relevant Issuer at its option pursuant to Conditions 6(e) (*Redemption at the Option of the Relevant Issuer*), (f) (*Pre-Maturity Call Option by the Issuer*) or (g) (*Clean-up Call Option by the Issuer*), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3. Status

The Notes and the Coupons relating to them constitute (subject to Condition 4 (*Negative Pledge and Restriction on Distribution of Dividends*)) direct, general, unconditional and unsecured obligations of the Issuers and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuers under the Notes and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 (*Negative Pledge and Restriction on Distribution of Dividends*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness of the Issuers present and future.

4. Negative Pledge and Restriction on Distribution of Dividends

- (a) **Negative Pledge:** So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), the Relevant Issuer will ensure that no Relevant Indebtedness (as defined below) of the Relevant Issuer and no guarantee by the Relevant Issuer of any Relevant Indebtedness of any person will be secured by a mortgage, charge, lien, pledge or other security interest (each a **Security Interest**) upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Relevant Issuer unless the Relevant Issuer, before or at the same time as the creation of the Security Interest, takes any and all action necessary to ensure that:
 - (i) all amounts payable by the Relevant Issuer under the Notes, the Coupons and the Trust Deed are secured equally and rateably with the Relevant Indebtedness or guarantee, as the case may be, by the same Security Interest, in each case to the satisfaction of the Note Trustee; or
 - (ii) such other Security Interest or guarantee or other arrangement (whether or not including the giving of a Security Interest) is provided in respect of all amounts payable by the Relevant Issuer under the Notes, the Coupons and the Trust Deed either (A) as the Note Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or (B) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

(b) **Restriction on distribution of dividends:** So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), the Relevant Issuer shall not at any time declare or make a distribution (as defined in Section 1000 of the Corporation Tax Act 2010) or grant a loan or any other credit facility to any of its shareholders unless (1) immediately following the occurrence of any such event, the Net Debt (as defined below) at such time would not exceed 85 per cent. of the Regulatory Asset Base relating to the year in which the relevant distribution or grant was first declared or made; and (2) written certification thereof, signed by two directors of the Relevant Issuer, has been provided to the Note Trustee on or prior to such distribution or grant. Such certification may be relied upon by the Note Trustee without further enquiry or evidence and, if relied upon by the Note Trustee, shall be conclusive and binding on all parties whether or not addressed to each such party.

(c) **Definitions:** In this Condition:

borrowed money means (i) money borrowed, (ii) liabilities under or in respect of any acceptance or acceptance credit or (iii) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash.

Net Debt at any time, means the aggregate amount of all indebtedness for borrowed money of the Relevant Issuer at such time less the aggregate of:

- (i) amounts credited to current accounts or deposits and certificates of deposit (with a term not exceeding three months) at, or issued by, any bank, building society or other financial institution;
- (ii) cash in hand;
- (iii) the lower of book and market value (calculated, where relevant, by reference to their bid price) of gilts issued by the United Kingdom Government; and
- (iv) subordinated intra-group items, loans from Affiliates (as defined in Condition 7 below) and shareholder loans,

in each case beneficially owned by the Relevant Issuer and in each case so that no amount shall be included or excluded more than once.

Regulatory Asset Base means in respect of any year, the regulatory asset base of the Relevant Issuer most recently published and as last determined and notified to the Relevant Issuer in respect of such year by the Great Britain Office of the Gas and Electricity Markets (**Ofgem**) or any successor of Ofgem (interpolated as necessary and adjusted for additions to the regulatory asset base of the Relevant Issuer and adjusted as appropriate for out-term inflation/regulatory depreciation in respect of the Relevant Issuer).

Relevant Indebtedness means:

- (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) in the form of or represented by bonds, notes, debentures, debenture stock, loan stock or other securities, whether issued for cash or in whole or in part for a consideration other than cash, and which are or are capable of being quoted, listed or ordinarily dealt in on any stock exchange or recognised over-the-counter or other securities market;

- (ii) monies borrowed or raised from, or any acceptance credit opened by, a bank, building society or other financial institution; and
- (iii) any leasing or hire purchase agreement which would be treated as a finance lease in the accounts of the relevant person.

Any reference to an obligation being “guaranteed” shall include a reference to an indemnity being given in respect of that obligation.

5. Interest and other Calculations

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f) (*Calculations*).
- (b) **Interest on Floating Rate Notes:**
 - (i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f) (*Calculations*). Such Interest Payment Date(s) is/are either shown in the Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown in the Final Terms as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
 - (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
 - (iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the Final Terms.
 - (A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), **ISDA Rate** for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified in the relevant Final Terms
- (y) the Designated Maturity is a period specified in the relevant Final Terms and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Final Terms.

For the purposes of this sub-paragraph (A), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity, Reset Date** and **Swap Transaction** have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the Final Terms.

- (y) if the Relevant Screen Page is not available, or if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub paragraph (x)(2) above applies

and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Note Trustee and the Relevant Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last

preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

- (C) **Benchmark Replacement:** In addition, notwithstanding the provisions above in this Condition 5(b)(iii) (*Rate of Interest for Floating Rate Notes*), if the Issuer determines that the relevant Reference Rate specified in the relevant Final Terms has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate (a **Benchmark Event**), then the following provisions shall apply:
- (x) the Issuer shall use reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in good faith and in a commercially reasonable manner), no later than 5 Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Accrual Period (the **IA Determination Cut-off Date**), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Floating Rate Notes. In making such determination, an Independent Adviser appointed pursuant to this Condition shall act in good faith and in a commercially reasonable manner. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Guarantor, the Fiscal Agent, the Paying Agents, the Noteholders or the Couponholders for any determination made by it pursuant to this Condition;
 - (y) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;
 - (z) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Accrual Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(iii)(C) (*Benchmark Replacement*)); provided, however, that if sub-paragraph (y) applies and the Issuer is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the

Floating Rate Notes in respect of the preceding Interest Accrual Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the Initial Interest Rate) (subject, where applicable, to substituting the Margin that applied to such preceding Interest Accrual Period for the Margin that is to be applied to the relevant Interest Accrual Period. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (z) shall apply to the relevant Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(iii)(C) (*Benchmark Replacement*));

- (aa) if the Independent Adviser or the Issuer determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date, Reset Determination Date, Reset Determination Time and/or the definition of Reference Rate applicable to the Floating Rate Notes, and the method for determining the fallback rate in relation to the Floating Rate Notes, in order to follow market practice in relation to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Note Trustee and the Issuing and Paying Agent shall, at the expense of the Issuer, concur with the Issuer in effecting such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 5(b)(iii)(C) (*Benchmark Replacement*) (the **Benchmark Amendments**). Noteholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or the Benchmark Amendments, including for the execution of any documents or other steps by the Note Trustee or the Issuing and Paying Agent in connection therewith (if required)

regardless of whether or not the effecting of the Successor Rate or Alternative Reference Rate (as applicable) or the Benchmark Amendments constitutes one or more of the items specified in Condition 13(a) (*Meetings of Noteholders*).

- (bb) Notwithstanding any other provision of this Condition 5(b)(iii)(C) (*Benchmark Replacement*), neither the Note Trustee nor the Issuing and Payment Agent shall be obliged to agree to any amendments (including any Benchmark Amendments) pursuant to this Condition 5(b)(iii)(C) (*Benchmark Replacement*) which, in the sole opinion of the Note Trustee or the Issuing and Paying Agent (as applicable) would have the effect of (i) exposing the Note Trustee or the Issuing and Payment Agent (as applicable) to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protections, of the Note Trustee or the Issuing and Paying Agent (as applicable) in the Trust Deed, the Agency Agreement and/or these Conditions; and
- (cc) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), give notice thereof to the Note Trustee, the Issuing and Paying Agent and the Noteholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions.
- (dd) No later than notifying the Note Trustee and the Issuing and Paying Agent of the same, the Issuer shall deliver to each of the Note Trustee and the Issuing and Paying Agent a certificate (on which each of the Note Trustee and the Issuing and Paying Agent shall be entitled to rely without further enquiry or liability) signed by two authorised signatories of the Issuer.
 - I. confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as applicable, the Alternative Reference Rate and, (iii) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 5(b)(iii)(C) (*Benchmark Replacement*);
 - II. certifying that the Benchmark Amendments (i) are necessary to ensure that proper operation of such Successor Rate or Alternative Reference Rate and/or Adjustment Spread and (ii) in each case, have been drafted solely to such effect; and
 - III. certifying that (i) the Issuer has duly consulted with an Independent Adviser with respect to each of the matters above or, if that is not the case (ii) explaining, in reasonable detail, why the Issuer has not done so.

For the purposes of this Condition 5(b)(iii)(C) (*Benchmark Replacement*):

Adjustment Spread means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer acting reasonably (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to holders of Floating Rate Notes as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or
- (iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in good faith and in a commercially reasonable manner) to be appropriate.

Alternative Reference Rate means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Accrual Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in good faith and in a commercially reasonable manner) is most comparable to the relevant Reference Rate.

Independent Adviser means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the Issuer at its own expense and the identity of which is approved by the Note Trustee.

Relevant Nominating Body means, in respect of a Reference Rate:

- (i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the Reference Rate relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate, (C) a group of the aforementioned central banks or other supervisory authorities.

Successor Rate means the rate that the Independent Adviser or the Issuer (as applicable), each acting in good faith and in a commercially reasonable manner, determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be zero coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i) (*Early Redemption*)).
- (d) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 (*Interest and other Calculations*) to the Relevant Date (as defined in Condition 10 (*Taxation*)).
- (e) **Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding:**
 - (i) If any Margin is specified in the Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) (Interest on Floating Rate Notes) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.
 - (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified in the Final Terms, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes **unit**

means the lowest amount of such currency that is available as legal tender in the countries of such currency.

- (f) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the Final Terms, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of each denomination of the Notes for the relevant Interest Accrual Period, Interest Period or Interest Payment Date calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation and/or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period, Interest Period or Interest Payment Date and, if required, the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Note Trustee, the Relevant Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii) (*Interest on Floating Rate Notes*), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Note Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 12 (*Events of Default*), the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Note Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.
- (h) **Linear Interpolation:** Where “Linear Interpolation” is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by

reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period *provided however* that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

- (i) **Determination or Calculation by Note Trustee:** If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, or take any action that it is required to do pursuant to these Conditions, the Calculation Agent shall forthwith notify the Relevant Issuer, the Note Trustee and the Issuing and Paying Agent and the Note Trustee (whether or not it receives such notice) shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Note Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.
- (j) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

Business Day means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and in each (if any) Business Centre; and/or
- (ii) in the case of euro, a day on which the TARGET System is operating (a **TARGET Business Day**) and a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in each (if any) Business Centre.

Day Count Fraction means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the **Calculation Period**):

- (i) if **Actual/Actual** or **Actual/Actual (ISDA)** is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)
- (ii) if **Actual/365 (Fixed)** is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365

- (iii) if **Actual/365 (Sterling)** is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Period Date falling in a leap year, 366
- (iv) if **Actual/360** is specified in the Final Terms, the actual number of days in the Calculation Period divided by 360
- (v) if **30/360, 360/360** or **Bond Basis** is specified in the Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y₁ is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D₁ is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30

- (vi) if **30E/360** or **Eurobond Basis** is specified in the Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y₁ is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D₁ is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30

- (vii) if **30E/360 (ISDA)** is specified in the Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1) + (D_2 - D_1)]}{360}$$

where:

Y₁ is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D₁ is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₂ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30

- (viii) if **Actual/Actual-ICMA** is specified in the Final Terms,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

Determination Period means the period from and including a Determination Date in any year to but excluding the next Determination Date and

Determination Date means the date(s) specified as such in the Final Terms or, if none is so specified, the Interest Payment Date(s)

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

Euro-zone means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

Interest Accrual Period means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

Interest Amount means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the Final Terms, shall mean the Fixed Coupon Amount or Broken Amount specified in the Final Terms as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

Interest Commencement Date means the Issue Date or such other date as may be specified in the Final Terms.

Interest Determination Date means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the Final Terms or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

Interest Period means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

Interest Period Date means each Interest Payment Date unless otherwise specified in the Final Terms.

ISDA Definitions means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.

Rate of Interest means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the Final Terms.

Reference Banks means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified in the Final Terms.

Reference Rate means the rate specified as such in the Final Terms (being either LIBOR or EURIBOR or such Alternative Reference Rate or Successor Rate that is applicable in accordance with Condition 5(b)(iii)(C) (*Benchmark Replacement*)).

Relevant Screen Page means such page, section, caption, column or other part of a particular information service as may be specified in the Final Terms.

Specified Currency means the currency specified as such in the Final Terms or, if none is specified, the currency in which the Notes are denominated.

TARGET System means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as **TARGET2**) System or any successor thereto.

- (k) **Calculation Agent:** The Relevant Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the Final Terms and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Relevant Issuer shall (with the prior approval of the Note Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.
- (l) **Adjustment to Rate of Interest:** If, in respect of a Tranche of Notes, **Ratings Downgrade Rate Adjustment** is specified in the relevant Final Terms as being applicable, the Rate of Interest specified in the Final Terms (the **Initial Rate of Interest**) and payable on the Notes will be subject to adjustment from time to time in the event of a Rating Change or Rating Changes, within the period from and including the Issue Date of such Tranche of Notes to and including the date falling 18 months from such Issue Date (the **Rating Change Period**, with the final date of such Rating Change Period being the **Rating Change Period End Date**), which adjustment shall be determined as follows.
- If, following a Rating Change within the Rating Change Period:
- (i) the lowest Rating then assigned to the Notes is A- or A3 or higher, then (unless there is a subsequent Rating Change within the Rating Change Period) from and including the first Interest Payment Date following the Rating Change, the rate of interest payable on the Notes shall be the Initial Rate of Interest;
 - (ii) the lowest Rating then assigned to the Notes is BBB+ or Baa1, then (unless there is a subsequent Rating Change within the Rating Change Period) from

and including the first Interest Payment Date following the Rating Change, the rate of interest payable on the Notes shall be the Initial Rate of Interest plus 0.25 per cent. per annum;

- (iii) the lowest Rating then assigned to the Notes is BBB or Baa2, then (unless there is a subsequent Rating Change within the Rating Change Period) from and including the first Interest Payment Date following the Rating Change, the rate of interest payable on the Notes shall be the Initial Rate of Interest plus 0.50 per cent. per annum; or
- (iv) the lowest Rating then assigned to the Notes is BBB- or Baa3 or lower, or if such Ratings are withdrawn by both of Moody's Investor Services Limited and Standard & Poor's Credit Market Services Europe Limited, then (unless there is a subsequent Rating Change within the Rating Change Period) from and including the first Interest Payment Date following the Rating Change the rate of interest payable on the Notes shall be the Initial Rate of Interest plus 0.75 per cent. per annum

in each case, the **Revised Rate of Interest**.

Following each Rating Change the Relevant Issuer will notify the Noteholders of the Revised Rate of Interest following such Rating Change in accordance with the provisions of Condition 18 (*Notices*) as soon as reasonably practicable after the occurrence of the Rating Change. If, in respect of an Interest Period (the **Relevant Interest Period**), there is more than one Rating Change, the Revised Rate of Interest which will apply for the succeeding Interest Period will be the Revised Rate of Interest resulting from the last Rating Change in the Relevant Interest Period.

There shall be no limit to the number of times that adjustments to the rate of interest payable on the Notes may be made pursuant to this Condition 5(1) during the Rating Change Period, provided always that at no time during the term of the Notes will the rate of interest payable on the Notes be less than the Initial Interest Rate or more than the Initial Interest Rate plus 0.75 per cent. per annum. For the avoidance of doubt, the rate of interest payable on the Notes from and including the first Interest Payment Date following the Rating Change Period End Date to maturity of the Notes shall be determined in accordance with the Ratings assigned to the Notes as of the Rating Change Period End Date.

Rating Agency means Standard & Poor's Credit Market Services Europe Limited or any of its subsidiaries and their successors or Moody's Investors Service Limited or any of its subsidiaries and their successors or any rating agency substituted for any of them (or any permitted substitute of them) by the Relevant Issuer from time to time with the prior written approval of the Note Trustee; and

Rating Change means the public announcement by any Rating Agency assigning a credit rating to the Notes of a change in, or confirmation of, the rating of the Notes or, as the case may be, of a credit rating being applied.

6. **Redemption, Purchase and Options**

(a) **Final Redemption:**

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the Final Terms at its Final Redemption Amount (which, unless otherwise provided in the Final Terms, is its nominal amount).

(b) Early Redemption:

(i) Zero Coupon Notes:

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) (*Redemption for Taxation Reasons*) or upon it becoming due and payable as provided in Condition 12 (*Events of Default*) shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the Final Terms.
- (B) Subject to the provisions of sub-paragraph (C) below, the **Amortised Face Amount** of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) (*Redemption for Taxation Reasons*) or upon it becoming due and payable as provided in Condition 12 (*Events of Default*) is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this subparagraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c) (*Zero Coupon Notes*).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the Final Terms.

- (ii) Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) (*Redemption for Taxation Reasons*) or upon it becoming due and payable as provided in Condition 12 (*Events of Default*), shall be the Final Redemption Amount unless otherwise specified in the Final Terms.

- (c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Relevant Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Indexed Note) or at any time (if this Note is neither a Floating Rate Note nor an Indexed Note), on giving not less than 30 nor more than 60 days' notice to the Note Trustee and the Noteholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) (*Early Redemption*) above) (together with interest accrued to the date fixed for redemption), if (i) the Relevant Issuer satisfies the Note Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which

change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Relevant Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Relevant Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c) (*Redemption for Taxation Reasons*), the Relevant Issuer shall deliver to the Note Trustee a certificate signed by two directors of the Relevant Issuer stating that the obligation referred to in (i) above cannot be avoided by the Relevant Issuer taking reasonable measures available to it and the Note Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on Noteholders and Couponholders.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

- (d) **Redemption for Indexation Reasons:** Upon the occurrence of any Index Event (as defined below), the Relevant Issuer may, upon giving not less than 30 nor more than 60 days' notice to the Note Trustee and the holders of the Indexed Notes in accordance with Condition 18 (*Notices*), redeem all (but not some only) of the Indexed Notes of all Tranches on any Interest Payment Date at the Principal Amount Outstanding (adjusted in accordance with Condition 7(a) (*Application of the Index Ratio*)) plus accrued but unpaid interest. No single Tranche of Indexed Notes may be redeemed in these circumstances unless all the other Tranches of Indexed Notes linked to the same underlying Index are also redeemed at the same time. Before giving any such notice, the Relevant Issuer shall provide to the Note Trustee a certificate signed by two directors of the Relevant Issuer (a) stating that the Relevant Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Relevant Issuer so to redeem have occurred and (b) confirming that the Relevant Issuer will have sufficient funds on such Interest Payment Date to effect such redemption. The Note Trustee shall be entitled to rely on such certificate without liability to any person.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

Index Event means (i) if the Index Figure for three consecutive months falls to be determined on the basis of an Index Figure previously published as provided in Condition 7(b)(ii) (*Delay in publication of Index*) and the Note Trustee has been notified by the Issuing and Paying Agent or Agent Bank that publication of the Index has ceased or (ii) notice is published by Her Majesty's Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt, and (in either case) no amendment or substitution of the Index has been advised by the Indexation Adviser to the Relevant Issuer and such circumstances are continuing.

Principal Amount Outstanding means, in respect of a Note on any date:

- (a) the principal amount of that Note upon issue, minus;
 - (b) the aggregate amount of principal repayments or prepayments made in respect of that Note since the Issue Date.
- (e) **Redemption at the Option of the Relevant Issuer:** If Call Option is specified in the Final Terms, the Relevant Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Note Trustee and the Noteholders redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued up to (and including) the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least

equal to the Minimum Redemption Amount to be redeemed specified in the Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the Final Terms.

If Make-Whole Redemption is specified in the Final Terms, the Relevant Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the Final Terms), redeem all or, if so provided, some of the Notes at any time or from time to time (i) where no particular period during which Make-Whole Redemption is applicable is specified, prior to their Maturity Date, or (ii) where Make-Whole Redemption is specified as only being applicable for a certain period, during such period, in each case on the date for redemption specified in such notice (the **Make-Whole Redemption Date**) at the Make-Whole Redemption Amount.

In the case of Notes other than Index Linked Interest Notes or Index Linked Redemption Notes where CPI is specified as the Index in the relevant Final Terms, the Make-Whole Redemption Amount will be calculated by the Financial Adviser and will be the greater of:

- (i) 100 per cent. of the principal amount of the Notes so redeemed (where applicable, adjusted for indexation in accordance with Condition 7 (Indexation)); and
- (ii) the sum of the then present values of the remaining scheduled payments of principal and interest on such Notes (not including any interest accrued on the Notes to, but excluding, the relevant Make-Whole Redemption Date) discounted to the relevant Make-Whole Redemption Date on an annual basis at the Make-Whole Redemption Rate plus the Make-Whole Redemption Margin, if any, specified in the applicable Final Terms, plus, in each case, any interest accrued on the Notes to, but excluding, the Make-Whole Redemption Date.

In the case of Index Linked Interest Notes or Index Linked Redemption Notes where CPI is specified as the Index in the relevant Final Terms:

- (i) unless the Financial Adviser advises the Relevant Issuer that an appropriate CPI Gilt is outstanding which would be utilised, at the time of selection and in accordance with customary financial practice at such time, in pricing new issues of corporate debt securities with a similar remaining weighted average life to the Notes, the Make-Whole Redemption Amount will be calculated by the Financial Adviser and will be the greater of:
 - a. 100 per cent. of the principal amount of the Notes so redeemed (adjusted for indexation in accordance with Condition 7); and
 - b. the RPI Adjusted Redemption Amount; or
- (ii) if the Financial Adviser advises the Relevant Issuer that an appropriate CPI Gilt is outstanding (the **Redemption Reference CPI Gilt**) which would be utilised, at the time of selection and in accordance with customary financial practice at such time, in pricing new issues of corporate debt securities with a similar remaining weighted average life to the Notes, the Make-Whole Redemption Amount will be calculated by the Financial Adviser and will be the greater of:
 - a. 100 per cent. of the principal amount of the Notes so redeemed (adjusted for indexation in accordance with Condition 7 (Indexation)) and
 - b. the sum of the then present values of the remaining scheduled payments of principal and interest on such Notes (not including any interest accrued on the Notes to, but excluding, the relevant Make-Whole Redemption Date) discounted to the relevant Make-Whole Redemption Date on an annual basis at the CPI Make-Whole Redemption

Rate plus the Make-Whole Redemption Margin, if any, specified in the applicable Final Terms, plus, in each case, any interest accrued on the Notes to, but excluding, the Make-Whole Redemption Date.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place as the Note Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

In the case of a partial redemption of a Tranche of Notes represented by a New Global Note (as defined in the Trust Deed) pursuant to this Condition, the Notes to be redeemed (the **Redeemed Notes**) will be selected in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), not more than 30 days prior to the date fixed for redemption.

For the purposes of this Condition 6(e):

CPI Gilt means a sterling obligation of the UK government listed on the Official List of the Financial Conduct Authority and admitted to trading on the London Stock Exchange which is linked to the CPI;

CPI Make-Whole Redemption Rate means with respect to the Reference Dealers and the Make-Whole Redemption Date, the average of the five quotations of the mid-market annual yield to maturity of the Redemption Reference CPI Gilt at the Quotation Time specified in the Final Terms on the Determination Date specified in the Final Terms quoted in writing to the Relevant Issuer and the Trustee by the Reference Dealers;

Financial Adviser means an independent financial institution of international repute or an independent adviser of recognised standing with appropriate expertise selected by the Relevant Issuer at its own expense after notification of such selection to the Trustee;

Make-Whole Redemption Rate means with respect to the Reference Dealers and the Make-Whole Redemption Date, the average of the five quotations of the mid-market annual yield to maturity of the Make-Whole Reference Bond specified in the Final Terms or, if the Make-Whole Reference Bond is no longer outstanding, a similar security in the reasonable judgment of the Reference Dealers, at the Quotation Time specified in the Final Terms on the Determination Date specified in the Final Terms quoted in writing to the Relevant Issuer and the Trustee by the Reference Dealers;

Notional RPI Bond means a bond issued by the Relevant Issuer, the terms of which are the same as those of the Notes to be redeemed, save only that payments of principal and interest are adjusted for indexation by reference to RPI (rather than CPI);

Real Yield means a yield, expressed as a percentage, calculated by the Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 5, Section One: Price/Yield Formulae (Index-Linked Gilts) (published on 8 June, 1998 and updated on 15 January, 2002 and 16 March, 2005) (as updated, amended or supplemented from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to five decimal places). Such method requires the adoption of an assumed inflation rate which shall be such rate as the

Financial Adviser may determine and notify to the Trustee and the Issue and Paying Agent to be appropriate and, for the avoidance of doubt, the assumed inflation rate shall be a long-term UK inflation rate for the remaining life of the Notes. If such formula does not reflect generally accepted market practice at the time of redemption, a yield calculated in accordance with generally accepted market practice at such time, all as advised to the Relevant Issuer by the Financial Adviser;

Redemption Reference RPI Gilt means such RPI Gilt as the Financial Adviser determines would be utilised, at the time of selection and in accordance with customary financial practice at such time, in pricing new issues of corporate debt securities of comparable maturity and amortisation profile to the remaining term of the Notes (or, where the Financial Adviser advises the Relevant Issuer) that, for reasons of illiquidity or otherwise, such stock is not appropriate for such purpose, such other government stock as the Financial Adviser may recommend as appropriate for this purpose;

Reference Dealers means those Reference Dealers specified in the Final Terms;

RPI Adjusted Redemption Amount is an amount equal to the sum of:

- (i) the product (adjusted for indexation in accordance with Condition 6) of the outstanding principal amount of the Notes to be redeemed and the price, expressed as a percentage (rounded to five decimal places, with 0.000005 being rounded upwards), (as reported in writing to the Relevant Issuer by the Financial Adviser) at which the Real Yield on the Notes on the Yield Calculation Date is equal to the sum of (x) the Real Yield at 11.00 a.m. (London time) on such date of the Redemption Reference RPI Gilt (or, where the Financial Adviser determines in good faith and advises to the Relevant Issuer that, for reasons of illiquidity or otherwise, such stock is not appropriate for such purpose, such other government stock as advised to the Relevant Issuer by the Financial Adviser) and (y) 0.1 per cent.; and
- (ii) the Wedge Value (which may be positive or negative and, if negative, the absolute value shall be deducted for the purpose of calculating the RPI Adjusted Redemption Amount);

RPI Gilt means a sterling obligation of the UK government listed on the Official List of the Financial Conduct Authority and admitted to trading on the London Stock Exchange which is linked to the RPI;

Wedge Value means the market value to a market counterparty on the Yield Calculation Date (based on three (or such lower number as the Relevant Issuer and the Financial Adviser may agree as appropriate) third party quotes) of a notional swap (where the parties are deemed to have a bilateral, daily, zero-threshold, no initial amount, ISDA Credit Support Annex) under which the market counterparty:

- (i) receives the remaining cashflows of the Notes; and
- (ii) pays the remaining cashflows of the Notional RPI Bond,

and where, in providing such quotes, such third parties are asked to use discount factors calculated from the zero coupon curve derived from the interest rate used to calculate payments on GBP cash collateral, provided that, if the Financial Adviser determines and advises the Relevant Issuer that it is not reasonably practicable to determine the Wedge Value on such basis (including, without limitation, because it is not reasonably practicable to obtain third party quotes) the Wedge Value shall be determined by the Financial Adviser and advised to the Relevant Issuer; and

Yield Calculation Date means the date which is the second Business Day prior to the date on which the notice to redeem is dispatched; and

in the case of Index Linked Interest Notes and/or Index Linked Redemption Notes only, the **then present values of the remaining scheduled payments of principal and interest on such Notes** shall be calculated in accordance with the customary conventions applied to the calculation of such amounts in the inflation linked debt transactions from time to time.

- (f) **Pre-Maturity Call Option by the Issuer:** If Pre-Maturity Call Option is specified as being applicable in the Final Terms, the Relevant Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Note Trustee and the Noteholders redeem all (but not some only) of the outstanding Notes of the relevant Series on the Pre-Maturity Call Option Date. Any such redemption of Notes shall be at par together with unpaid interest accrued up to (and including) the Pre-Maturity Call Option Date.

Pre-Maturity Call Option Date means the date that is 3 calendar months prior to the Maturity Date specified in the Final Terms for the relevant Series of Notes.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

- (g) **Clean-up Call Option by the Issuer:** If Clean-up Call Option is specified as being applicable in the Final Terms, the Relevant Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Note Trustee and the Noteholders redeem all (but not some only) of the outstanding Notes of the relevant Series, provided that at least 80 per cent. of the initial aggregate principal amount of the Notes of such Series has been purchased or redeemed by the Relevant Issuer (except where such redemption was pursuant to Condition 6(e) (*Redemption at the Option of the Relevant Issuer*)). Any such redemption of Notes shall be at par together with unpaid interest accrued up to (and including) the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

- (h) **Redemption at the Option of Noteholders:** If Investor Put is specified in the Final Terms, the Relevant Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Relevant Issuer (or such other notice period as may be specified in the Final Terms) redeem such Note on the Optional Redemption Date(s) (specified in the Final Terms) at its Optional Redemption Amount (specified in the Final Terms) together with interest accrued up to (and including) the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (**Exercise Notice**) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Relevant Issuer.

- (i) **Redemption at the Option of the Noteholders on a Restructuring Event**

- (i) If Restructuring Put Option is specified in the Final Terms, and:
- (a) if, at any time while any of the Notes remains outstanding, a Restructuring Event (as defined below) occurs and prior to the commencement of or during the Restructuring Period (as defined below):

- (A) an independent financial adviser (as described below) shall have certified in writing to the Note Trustee that such Restructuring Event will not be or is not, in its opinion, materially prejudicial to the interests of the Noteholders; or
- (B) if there are Rated Securities (as defined below), each Rating Agency (as defined below) that at such time has assigned a current rating to the Rated Securities confirms in writing to the Relevant Issuer at its request (which it shall make as set out below) that it will not be withdrawing or reducing the then current rating assigned to the Rated Securities by it from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or, if the Rating Agency shall have already rated the Rated Securities below investment grade (as described above), the rating will not be lowered by one full rating category or more, in each case as a result, in whole or in part, of any event or circumstance comprised in or arising as a result of the applicable Restructuring Event,

the following provisions of this Condition 6(i) (*Redemption at the Option of the Noteholders on a Restructuring Event*) shall cease to have any further effect in relation to such Restructuring Event.

- (b) if, at any time while any of the Notes remains outstanding, a Restructuring Event occurs and (subject to Condition 6(i)(i)(a) (*Redemption at the Option of the Noteholders on a Restructuring Event*)):
 - (A) within the Restructuring Period, either:
 - (i) if at the time such Restructuring Event occurs there are Rated Securities, a Rating Downgrade (as defined below) in respect of such Restructuring Event also occurs; or
 - (ii) if at such time there are no Rated Securities, a Negative Rating Event (as defined below) in respect of such Restructuring Event also occurs; and
 - (B) an independent financial adviser shall have certified in writing to the Note Trustee that such Restructuring Event is, in its opinion, materially prejudicial to the interests of the Noteholders (a **Negative Certification**),

then, unless at any time the Relevant Issuer shall have given notice under Conditions 6(e) (*Redemption at the Option of the Relevant Issuer*), (f) (*Pre-Maturity Call Option by the Issuer*) or (g) (*Clean-up Call Option by the Issuer*) or the holder shall have given notice under Condition 6(h) (*Redemption at the Option of Noteholders*) (if applicable), the holder of each Note will, upon the giving of a Put Event Notice (as defined below), have the option (the **Restructuring Put Option**) to require the Relevant Issuer to redeem or, at the option of the Relevant Issuer, purchase (or procure the purchase of) that Note on the Put Date (as defined below), at its Optional Redemption Amount (specified in the Final Terms) together with (or, where purchased, together with an amount equal to) interest (if any) accrued to (but excluding) the Put Date.

A Restructuring Event shall be deemed not to be materially prejudicial to the interests of the Noteholders if, notwithstanding the occurrence of a Rating Downgrade or a Negative Rating Event, the rating assigned to the Rated Securities by any Rating Agency (as defined below) is

subsequently increased to, or, as the case may be, there is assigned to the Notes or other unsecured and unsubordinated debt of the Relevant Issuer having an initial maturity of five years or more by any Rating Agency, an investment grade rating (BBB-/Baa3) or their respective equivalents for the time being) or better prior to any Negative Certification being issued.

Any Negative Certification shall be conclusive and binding on the Note Trustee, the Relevant Issuer and the Noteholders. The Relevant Issuer may, at any time, with the approval of the Note Trustee appoint an independent financial adviser for the purposes of this Condition 6(i) (*Redemption at the Option of the Noteholders on a Restructuring Event*). If, within five Business Days following the occurrence of a Rating Downgrade or a Negative Rating Event, as the case may be, in respect of a Restructuring Event, the Relevant Issuer shall not have appointed an independent financial adviser for the purposes of Condition 6(i)(i)(b)(B) and (if so required by the Note Trustee) the Note Trustee is indemnified and/or prefunded and/or secured to its satisfaction against the costs of such adviser, the Note Trustee may appoint an independent financial adviser for such purpose following consultation with the Relevant Issuer.

- (ii) Promptly upon the Relevant Issuer becoming aware that a Put Event (as defined below) has occurred, and in any event not later than 14 days after the occurrence of a Put Event, the Relevant Issuer shall, and at any time upon the Note Trustee if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding shall, give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 18 (*Notices*) specifying the nature of the Put Event and the procedure for exercising the Restructuring Put Option.
- (iii) To exercise the Restructuring Put Option, the holder of a Note must comply with the provisions of Condition 6(h) (*Redemption at the Option of Noteholders*). The applicable notice period for the purposes of Condition 6(h) (*Redemption at the Option of Noteholders*), as applied to a Restructuring Put Option, shall be the period (the **Put Period**) of 45 days after that on which a Put Event Notice is given. Subject to the relevant Noteholder having complied with Condition 6(h) (*Redemption at the Option of Noteholders*), the Relevant Issuer shall redeem or, at the option of that Relevant Issuer, purchase (or procure the purchase of) the relevant Note on the fifteenth day after the date of expiry of the Put Period (the **Put Date**) unless previously redeemed or purchased.
- (iv) For the purposes of these Conditions:
 - (a) **Distribution Services Area** means, in respect of a Relevant Issuer, the area specified as such in the distribution licence granted to it on 1 October 2001 under section 6(1)(c) of the Electricity Act 1989 (as amended by section 30 of the Utilities Act 2000), as of the date of such distribution licence.
 - (b) A **Negative Rating Event** shall be deemed to have occurred if (1) a Relevant Issuer does not, either prior to or not later than 14 days after the date of the relevant Restructuring Event, seek, and thereupon use all reasonable endeavours to obtain, a rating of the Notes or any other unsecured and unsubordinated debt of that Relevant Issuer having an initial maturity of five years or more from a Rating Agency or (2) if it does so seek and use such endeavours, it is unable, as a result of such Restructuring Event, to obtain such a rating of at least investment grade (BBB-/Baa3, or their respective equivalents for the time being).
 - (c) A **Put Event** occurs on the date of the last to occur of (1) a Restructuring Event, (2) either a Rating Downgrade or, as the case may be, a Negative Rating Event and (3) the relevant Negative Certification.
 - (d) **Rating Agency** means Standard & Poor's Credit Market Services Europe Limited or any of its subsidiaries and their successors (**Standard & Poor's**) or Moody's Investors

Service Limited or any of its subsidiaries and their successors (**Moody's**) or any rating agency substituted for any of them (or any permitted substitute of them) by the Relevant Issuer from time to time with the prior written approval of the Note Trustee.

- (e) A **Rating Downgrade** shall be deemed to have occurred in respect of a Restructuring Event if the then current rating assigned to the Rated Securities by any Rating Agency (whether provided by a Rating Agency at the invitation of the Relevant Issuer or by its own volition) is withdrawn or reduced from an investment grade rating (BBB-/Baa3), or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Bal), or their respective equivalents for the time being, or worse) or, if the Rating Agency shall then have already rated the Rated Securities below investment grade (as described above), the rating is lowered one full rating category or more.
- (f) **Rated Securities** means the Notes, if at any time and for so long as they have a rating from a Rating Agency, and otherwise any other unsecured and unsubordinated debt of a Relevant Issuer having an initial maturity of five years or more which is rated by a Rating Agency.
- (g) **Restructuring Event** means the occurrence of any one or more of the following events:
 - (A) (i) the Secretary of State for Business, Innovation and Skills (or any successor) giving the Relevant Issuer written notice of any revocation of its Distribution Licence; or
 - (ii) the Relevant Issuer agreeing in writing with the Secretary of State for Business, Innovation and Skills (or any successor) to any revocation or surrender of its Distribution Licence; or
 - (iii) any legislation (whether primary or subordinate) being enacted which terminates or revokes the Distribution Licence of the Relevant Issuer;

except, in each such case, in circumstances where a licence or licences on substantially no less favourable terms is or are granted to the Relevant Issuer or a wholly-owned subsidiary of the Relevant Issuer where such subsidiary at the time of such grant either executes in favour of the Note Trustee an unconditional and irrevocable guarantee in respect of all Notes issued by the Relevant Issuer in such form as the Note Trustee may approve or becomes the primary obligor under the Notes issued by the Relevant Issuer in accordance with Condition 13(c) (*Substitution*); or
- (B) any modification (other than a modification which is of a formal, minor or technical nature) being made to the terms and conditions upon which a Relevant Issuer is authorised and empowered under relevant legislation to distribute electricity in the Distribution Services Area unless two directors of such Issuer have certified in good faith to the Note Trustee that the modified terms and conditions are not materially less favourable to the business of that Relevant Issuer;
- (C) any legislation (whether primary or subordinate) is enacted which removes, qualifies or amends (other than an amendment which is of a formal, minor or technical nature) the duties of the Secretary of State for Business, Innovation and Skills (or any successor) and/or the Gas and Electricity Markets Authority (or any successor) under section 3A of the Electricity Act 1989 (as amended by the Utilities Act 2000) (as this may be amended from time to time) unless two directors of such Relevant Issuer have certified in good faith to the Note Trustee

that such removal, qualification or amendment does not have a materially adverse effect on the financial condition of that Relevant Issuer.

- (h) **Restructuring Period** means:
- (A) if at the time a Restructuring Event occurs there are Rated Securities, the period of 90 days starting from and including the day on which that Restructuring Event occurs; or
 - (B) if at the time a Restructuring Event occurs there are no Rated Securities, the period starting from and including the day on which that Restructuring Event occurs and ending on the day 90 days following the later of (aa) the date (if any) on which the Relevant Issuer shall seek to obtain a rating as contemplated by the definition of Negative Rating Event; (bb) the expiry of the 14 days referred to in the definition of Negative Rating Event and (cc) the date on which a Negative Certification shall have been given to the Note Trustee in respect of that Restructuring Event.
- (i) A Rating Downgrade or a Negative Rating Event or a non-investment grade rating shall be deemed not to have occurred as a result or in respect of a Restructuring Event if the Rating Agency making the relevant reduction in rating or, where applicable, refusal to assign a rating of at least investment grade as provided in this Condition 6(i) (*Redemption at the Option of the Noteholders on a Restructuring Event*), does not announce or publicly confirm or inform the Relevant Issuer in writing at its request (which it shall make as set out in the following paragraph) that the reduction or, where applicable, declining to assign a rating of at least investment grade, was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of the applicable Restructuring Event.
- The Relevant Issuer undertakes to contact the relevant Rating Agency immediately following that reduction, or where applicable the refusal to assign a rating of at least investment grade, to confirm whether that reduction, or refusal to assign a rating of at least investment grade was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of the applicable Restructuring Event. The Relevant Issuer shall notify the Note Trustee immediately upon receipt of any such confirmation from the relevant Rating Agency.
- (j) **Purchases:** The Relevant Issuer may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.
- (k) **Cancellation:** All Notes purchased by or on behalf of the Relevant Issuer or its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Relevant Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Relevant Issuer in respect of any such Notes shall be discharged.

7. **Indexation**

This Condition 7 (*Indexation*) is applicable only if the relevant Final Terms specifies that the Notes are Index Linked Interest Notes and/or Index Linked Redemption Notes.

(a) **Application of the Index Ratio**

Each payment of interest in respect of the Index Linked Interest Notes shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio (or Limited Index Ratio in the case of Limited Indexed Notes) applicable to the month in which such payment falls to be made and rounded in accordance with Condition 5(e) (*Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding*).

Unless otherwise specified hereon, the Final Redemption Amount, the Early Redemption Amount and the Optional Redemption Amount in respect of the Index Linked Interest Notes and/or Index Linked Redemption Notes shall be the nominal amount of the Index Linked Interest Notes and/or Index Linked Redemption Notes multiplied by the Index Ratio applicable to the date on which the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount (as the case may be) becomes payable, provided that:

- (i) if a Minimum Final Redemption Amount, Minimum Early Redemption Amount and/or Minimum Optional Redemption Amount is specified in the applicable Final Terms and such amount is greater than the amount of principal in respect of the Notes determined in accordance with this Condition 7(a) (expressed on a per Calculation Amount basis), the Final Redemption Amount, Early Redemption Amount and/or Optional Redemption Amount (as applicable) shall be, respectively, the Minimum Final Redemption Amount, Minimum Early Redemption Amount and/or Minimum Optional Redemption Amount (as applicable) so specified in the applicable Final Terms; and/or
- (ii) if a Maximum Final Redemption Amount, Maximum Early Redemption Amount and/or Maximum Optional Redemption Amount is specified in the applicable Final Terms and such amount is less than the amount of principal in respect of the Notes determined in accordance with this Condition 7(a) (expressed on a per Calculation Amount basis), the Final Redemption Amount, Early Redemption Amount and/or Optional Redemption Amount (as applicable) shall be, respectively, the Maximum Final Redemption Amount, Maximum Early Redemption Amount or Maximum Optional Redemption Amount (as applicable) so specified in the applicable Final Terms; and
- (iii) the Calculation Agent will calculate the Final Redemption Amount, Early Redemption Amount and Optional Redemption Amount (as the case may be) as set out in Condition 5(g) (*Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts*).

Each payment of principal in respect of the Index Linked Redemption Notes shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio (or Limited Index Ratio in the case of Limited Indexed Notes) applicable to the month in which such payment falls to be made and rounded in accordance with Condition 5(e) (*Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding*).

(b) **Changes in Circumstances Affecting the Index**

- (i) **Change in base:** If at any time and from time to time the Index is changed by the substitution of a new base therefore, then with effect from the calendar month from and including that in which such substitution takes effect (1) the definition of “Index” and “Index Figure” in Condition 8 (*Definitions*) shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefore); and (2) the new Base Index Figure shall be the product of the existing Base Index Figure and the Index Figure immediately following such substitution, divided by the Index Figure immediately prior to such substitution.

- (ii) **Delay in publication of Index:** If the Index Figure relating to any month (the **relevant month**) which is required to be taken account for the purposes of the determination of the Index Figure applicable for any date is not published on or before the fourteenth business day before the date on which any payment of interest or principal on the Notes is due (the **date for payment**), the Index Figure relating to the relevant month shall be (1) such substitute index figure (if any) as an Indexation Adviser considers to have been published by the Bank of England or, as the case may be, the United Kingdom Debt Management Office (or such other designated debt manager of Her Majesty's Treasury, from time to time) for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by the Indexation Adviser (and approved by the Note Trustee); or (2) if no such determination is made by such Indexation Adviser within 7 days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 7(b)(i) (*Change in base*)) before the date for payment.

(c) **Application of Changes**

Where the provisions of Condition 7(b)(ii) (*Delay in publication of Index*) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 7(b)(ii)(2), the Index Figure relating to the relevant month is subsequently published while a Note is still outstanding, then:

- (i) in relation to a payment of principal or interest in respect of such Note other than upon final redemption of such Note, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced by an amount equal to (respectively) the shortfall or excess of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 7(b)(ii)(2), below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the fourteenth Business Day before the date for payment; and
- (ii) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

(d) **Cessation of or Fundamental Changes to the Index**

- (i) If (1) the Note Trustee has been notified by the Agent Bank (or the Calculation Agent, if applicable) that the Index has ceased to be published; or (2) the Note Trustee has been notified by the Agent Bank (or the Calculation Agent, if applicable) when any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would, in the opinion of the Note Trustee acting solely on the advice of an Indexation Adviser, be materially prejudicial to the interests of the Noteholders, the Note Trustee will give written notice of such occurrence to the Relevant Issuer, and the Relevant Issuer and the Note Trustee together shall seek to agree for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Relevant Issuer and the Noteholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made.
- (ii) If the Relevant Issuer and the Note Trustee fail to reach agreement as mentioned above within 20 Business Days following the giving of notice as mentioned in paragraph (i), a bank or other person in London shall be appointed by the Relevant Issuer and the Note Trustee or, failing agreement on and the making of such appointment within 20 Business Days following the expiry of the day period referred to above, by the Note

Trustee (in each case, such bank or other person so appointed being referred to as the **Expert**), to determine for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Relevant Issuer and the Noteholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of any Indexation Adviser and of any of the Relevant Issuer and the Note Trustee in connection with such appointment shall be borne by the Relevant Issuer.

- (iii) The Index shall be adjusted or replaced by a substitute index as agreed by the Relevant Issuer and the Note Trustee or as determined by the Expert pursuant to the foregoing paragraphs, as the case may be, and references in these Conditions to the Index and to any Index Figure shall be deemed amended in such manner as the Note Trustee and the Relevant Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be effective from the date of such notification and binding upon the Relevant Issuer, the other Secured Creditors, the Note Trustee and the Noteholders, and the Relevant Issuer shall give notice to the Noteholders in accordance with Condition 18 (*Notices*) of such amendments as promptly as practicable following such notification.

8. Definitions

In these Conditions:

Affiliate means in relation to any person, any entity controlled, directly or indirectly, by that person, any entity that controls directly or indirectly, that person or any entity, directly or indirectly under common control with that person and, for this purpose, **control** means control as defined in the Companies Act;

Base Index Figure means (subject to Condition 7(b)(i) (*Change in base*)) the base index figure as specified in the relevant Final Terms;

Calculation Date means any date when a payment of interest or, as the case may be, principal falls due;

Capital and Reserves means the aggregate of:

- (i) the amount paid up or credited as paid up on the share capital of the Relevant Issuer; and
- (ii) the total of the capital, revaluation and revenue reserves of the Group (as defined below), including any share premium account, capital redemption reserve and credit balance on the profit and loss account, but excluding sums set aside for taxation and amounts attributable to outside shareholders in Subsidiary Undertakings (as defined below) and deducting any debit balance on the profit and loss account,

all as shown in the then latest audited consolidated balance sheet and profit and loss account of the Group prepared in accordance with the historical cost convention (as modified by the revaluation of certain fixed assets) for the purposes of the Companies Act 2006, but adjusted as may be necessary in respect of any variation in the paid up share capital or share premium account of the Relevant Issuer since the date of that balance sheet and further adjusted as may be necessary to reflect any change since the date of that balance sheet in the Subsidiary Undertakings comprising the Group and/or as the Auditors (as defined in the Trust Deed) may consider appropriate.

consolidated means in relation to the financial statements and accounts of the Relevant Issuer and/or the Group, those statements and accounts as consolidated under International Financial Reporting Standards, provided that if such consolidated accounts are not prepared, it shall mean the non-consolidated financial statements and accounts of the Relevant Issuer prepared in accordance with generally accepted accounting principles in the United Kingdom.

Distribution Licence means an electricity distribution licence granted under section 6(1)(c) of the Electricity Act 1989, as amended from time to time.

Group means the Relevant Issuer and, if and to the extent it has any, its Subsidiary Undertakings and “member of the Group” shall be construed accordingly.

Index or **Index Figure** means, in relation to any relevant month (as defined in Condition 7(b)(ii) (*Delay in publication of Index*)), subject as provided in Condition 7(b)(i) (*Change in base*), either (i) the UK Retail Price Index (**RPI**) (for all items) published by the Office for National Statistics (January 1987=100) (currently contained in the Monthly Digest of Statistics) or any comparable index which may replace RPI for the purpose of calculating the amount payable on repayment of the Reference Gilt as specified in the relevant Final Terms (ii) the UK Consumer Price Index (**CPI**) (for all items) published by the Office for National Statistics (2015=100) or any comparable index which may replace such index for the purpose of calculating the amount payable on repayment of the Indexed Benchmark Gilt (if any); or (iii) the UK Consumer Price Index Including Owner Occupiers’ Housing Costs (**CPIH**) (for all items) published by the Office for National Statistics (2015=100), or any comparable index which may replace such index for the purpose of calculating the amount payable on repayment of the Index Benchmark Gilt (if any).

Where RPI is specified as the Index in the relevant Final Terms, any reference to the **Index Figure applicable (IFA)** to a particular Calculation Date shall, in the case of (i) above, subject as provided in Condition 7(b) (*Changes in Circumstances Affecting the Index*) and Condition 7(d) (*Cessation of or Fundamental Changes to the Index*), and if “3 months lag” is specified in the relevant Final Terms, be calculated in accordance with the following formula:

$$IFA = RPI_{m-3} + \frac{(Day\ of\ Calculation\ Date - 1)}{(Days\ in\ month\ of\ Calculation\ Date)} \times (RPI_{m-2} - RPI_{m-3})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

RPI_{m-3} means the Index Figure for the first day of the month that is three months prior to the month in which the payment falls due;

RPI_{m-2} means the Index Figure for the first day of the month that is two months prior to the month in which the payment falls due;

Where RPI is specified as the Index in the relevant Final Terms, any reference to the **IFA** to a particular Calculation Date shall, subject as provided in Condition 7(b) (*Changes in Circumstances Affecting the Index*) and Condition 7(d) (*Cessation of or Fundamental Changes to the Index*), and if “8 months lag” is specified in the relevant Final Terms, be construed as a reference to the Index Figure published in the seventh month prior to that particular month and relating to the month before that of publication.

Where CPI is specified as the Index in the relevant Final Terms, any reference to the **IFA** to a particular Calculation Date shall, in the case of (ii) above, subject as provided in Condition 7(b) (*Changes in Circumstances Affecting the Index*) and Condition 7(d) (*Cessation of or Fundamental Changes to the Index*), be calculated in accordance with the following formula:

$$IFA = CPI_{m-t} + \frac{(Day\ of\ Calculation\ Date - 1)}{(Days\ in\ month\ of\ Calculation\ Date)} \times (CPI_{m-(t-1)} - CPI_{m-t})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

CPI_{m-t} means the Index Figure for the first day of the month that is t months prior to the month in which the payment falls due, where the lag period “t” has a value of 2 to 24 as specified in the applicable Final Terms.

Where CPIH is specified as the Index in the relevant Final Terms, any reference to the **IFA** to a particular Calculation Date shall, in the case of (iii) above, subject as provided in Condition 7(b) (*Changes in Circumstances Affecting the Index*) and Condition 7(d) (*Cessation of or Fundamental Changes to the Index*), be calculated in accordance with the following formula:

$$IFA = CPIH_{m-t} + \frac{(Day\ of\ Calculation\ Date - 1)}{(Days\ in\ month\ of\ Calculation\ Date)} \times (CPIH_{m-(t-1)} - CPIH_{m-t})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

CPIH_{m-t} means the Index Figure for the first day of the month that is t months prior to the month in which the payment falls due, where the lag period “t” has a value of 2 to 24 as specified in the applicable Final Terms;

Index Linked Interest Notes means Notes with an Interest Basis specified as being Index Linked Interest in the relevant Final Terms;

Index Linked Redemption Notes means Notes with a Redemption Basis specified as being Index Linked Redemption in the relevant Final Terms;

Index Ratio applicable to any Calculation Date means the Index Figure applicable to such date divided by the Base Index Figure;

Indexed Benchmark Gilt means the index-linked sterling obligation of the United Kingdom Government listed on the Official List of the Financial Conduct Authority (in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended) and traded on the London Stock Exchange that is indexed to the same Index as the Notes and whose average maturity most closely matches that of the Notes as the Expert shall determine to be appropriate;

Indexed Notes means Index Linked Interest Notes and Index Linked Redemption Notes;

Limited Index Ratio means (a) in respect of any month prior to the relevant Issue Date, the Index Ratio for that month; (b) in respect of any Limited Indexation Month after the relevant Issue Date, the product of the Limited Indexation Factor for that month and the Limited Index Ratio as previously calculated in respect of the month twelve months prior thereto; and (c) in respect of any other month, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

Limited Indexation Factor means, in respect of a Limited Indexation Month, the ratio of the Index Figure applicable to that month divided by the Index Figure applicable to the month twelve months prior thereto, provided that (a) if such ratio is greater than the Maximum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

Limited Indexation Month means any month specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

Limited Indexed Notes means Indexed Notes to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the relevant Final Terms) applies;

Maximum Indexation Factor means the indexation factor specified as such in the relevant Final Terms;

Minimum Indexation Factor means the indexation factor specified as such in the relevant Final Terms;

Reference Gilt means the Treasury Stock specified as such in the relevant Final Terms for so long as such stock is in issue, and thereafter such issue of index-linked Treasury Stock determined to be appropriate by a gilt-edged market maker or other adviser selected by the Relevant Issuer and approved by the Note Trustee (an **Indexation Adviser**);

Subsidiary means a subsidiary within the meaning of section 1159 of the Companies Act 2006; and

Subsidiary Undertaking shall have the meaning given to it by section 1162 of the Companies Act 2006 (but, in relation to the Relevant Issuer, shall exclude any undertaking (as defined in section 1161 of the Companies Act 2006) whose accounts are not included in the then latest published audited consolidated accounts of the Relevant Issuer, or (in the case of an undertaking which has first become a subsidiary undertaking of a member of the Group since the date as at which any such audited accounts were prepared) would not have been so included or consolidated if it had become so on or before that date).

9. **Payments and Talons**

(a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 9(f)(v) (*Unmatured Coupons and unexchanged Talons*)) or Coupons (in the case of interest, save as specified in Condition 9(f)(ii) (*Unmatured Coupons and unexchanged Talons*)), as the case may be, at the specified office of any Paying Agent outside the United States by transfer to an account denominated in such currency with, a Bank. **Bank** means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Registered Notes:**

- (i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the day before the due date for payment thereof (the **Record Date**). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Relevant Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Relevant Issuer, any adverse tax consequence to the Relevant Issuer.
- (d) **Payments subject to Fiscal Laws:** All payments are subject in all cases (i) to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to Condition 10 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuers are listed in the Agency Agreement. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuers and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuers reserve the right at any time with the approval of the Note Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuers shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities, and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Note Trustee.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

- (f) **Unmatured Coupons and unexchanged Talons:**
- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Indexed Notes), such Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 11 (*Prescription*)).

- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note or Indexed Notes, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
 - (iv) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Relevant Issuer may require.
 - (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 11 (*Prescription*)).
- (h) **Non-Business Days:** Subject as provided in the relevant Final Terms, if any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, **business day** means a day (other than a Saturday or a Sunday) on which banks are open for presentation and payment of debt securities and for dealings in foreign currency in the relevant place of presentation in such jurisdiction as shall be specified as **Additional Financial Centre(s)** in the relevant Final Terms and (in the case of a payment in a currency other than euro), where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which dealings may be carried on in the relevant currency in the principal financial centre of the country of such currency and, in relation to any sum payable in euro, a day on which the TARGET System is open.

10. Taxation

All payments of principal and interest by or on behalf of the Relevant Issuer in respect of the Notes, and the Coupons shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Relevant Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of the Note or Coupon; or

- (b) **Lawful avoidance of withholding:** to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note (or the Certificate representing it) or Coupon is presented for payment; or
- (c) **Presentation more than 30 days after the Relevant Date:** presented or surrendered (or in respect of which the Certificate representing it is presented or surrendered) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

As used in these Conditions, **Relevant Date** in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) **principal** shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 (*Redemption, Purchase and Options*) or any amendment or supplement to it, (ii) **interest** shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 (*Interest and other Calculations*) or any amendment or supplement to it and (iii) **principal** and/or **interest** shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

11. Prescription

Claims against the Relevant Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

12. Events of Default

If any of the following events (**Events of Default**) occurs and is continuing, the Note Trustee at its discretion may, and if so requested by holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, give notice to the Relevant Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

- (i) **Non-Payment:** if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 14 days in the case of principal and 21 days in the case of interest or, where relevant, the Relevant Issuer, having become obliged to redeem, purchase or procure the purchase of (as the case may be) any Notes pursuant to Condition 6 (*Redemption, Purchase and Options*) fails to do so within a period of 14 days of having become so obliged; or
- (ii) **Breach of Other Obligations:** the Relevant Issuer does not perform, observe or comply with any one or more of its other obligations, covenants, conditions or provisions under the Notes or the Trust Deed and (except where the Note Trustee shall have certified to the Issuer in writing that it considers such failure to be incapable of remedy in which case no such notice or continuation as is hereinafter mentioned will

be required) the failure continues for the period of 30 days (or such longer period as the Note Trustee may in its absolute discretion permit) next following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or

- (iii) **Cross-Acceleration:** if (A) any other indebtedness for borrowed money (as defined in Condition 4 (*Negative Pledge and Restriction on Distribution of Dividends*) but, for the purposes of this paragraph (iii), excluding Non-recourse Indebtedness) of the Relevant Issuer or any Principal Subsidiary becomes due and repayable prior to its stated maturity by reason of a default or (B) any such indebtedness for borrowed money is not paid when due or, as the case may be, within any applicable grace period (as originally provided) or (C) the Relevant Issuer or any Principal Subsidiary fails to pay when due (or, as the case may be, within any originally applicable grace period) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any indebtedness for borrowed money of any person or (D) any security given by the Relevant Issuer or any Principal Subsidiary for any indebtedness for borrowed money of any person or any guarantee or indemnity of indebtedness for borrowed money of any person becomes enforceable by reason of default in relation thereto and steps are taken to enforce such security save in any such case where there is a *bona fide* dispute as to whether the relevant indebtedness for borrowed money or any such guarantee or indemnity as aforesaid shall be due and payable, provided that the aggregate amount of the relevant indebtedness for borrowed money in respect of which any one or more of the events mentioned above in this paragraph (iii) has or have occurred equals or exceeds whichever is the greater of £20,000,000 or its equivalent in other currencies (on the basis of the middle spot rate for the relevant currency against pounds sterling as quoted by any leading bank on the day on which this paragraph (iii) applies) and two per cent. of the Capital and Reserves; or
- (iv) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any substantial part of the property, assets or revenues of the Relevant Issuer and is not discharged or stayed within 90 days; or
- (v) **Insolvency:** the Relevant Issuer is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of its debts generally or a material part of a particular type of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting its debts generally or any part of a particular type of the debts of the Relevant Issuer; or
- (vi) **Winding-up:** (A) an administrator or liquidator is appointed in relation to the Relevant Issuer (and, in each case, not discharged within 90 days) or (B) an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Relevant Issuer, or (C) the Relevant Issuer shall apply or petition for a winding-up or administration order in respect of itself or (D) the Relevant Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, in each case ((A) to (D) inclusive) except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Note Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; or
- (vii) **Nationalisation:** the seizure, compulsory acquisition, expropriation or nationalisation (whether compulsory or otherwise, of a material part, and whether or not for fair compensation) of all or a material part of the assets of the Relevant Issuer by a Governmental Agency; or

- (viii) **Illegality:** it is or will become unlawful for the Relevant Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed,

provided that in the case of paragraph (ii) the Note Trustee shall have certified (without liability on its part) that in its opinion such event is materially prejudicial to the interests of the Noteholders.

- (ix) **Definitions:** in this Condition:

Excluded Subsidiary means any Subsidiary (as defined in Condition 4 (*Negative Pledge and Restriction on Distribution of Dividends*)) of the Relevant Issuer:

- (A) which is a single purpose company whose principal assets and business are constituted by the ownership, acquisition, development and/or operation of an asset;
- (B) none of whose indebtedness for borrowed money in respect of the financing of such ownership, acquisition, development and/or operation of an asset is subject to any recourse whatsoever to any member of the Group (other than another Excluded Subsidiary) in respect of the repayment thereof, except as expressly referred to in subparagraph (B)(II). of the definition of Non-recourse Indebtedness below; and
- (C) which has been designated as such by the Relevant Issuer by written notice to the Note Trustee, provided that the Relevant Issuer may give written notice to the Note Trustee at any time that any Excluded Subsidiary is no longer an Excluded Subsidiary, whereupon it shall cease to be an Excluded Subsidiary.

Governmental Agency includes, in relation to a state or supranational organisation, any agency, authority, central bank, department, government, legislature, ministry, official or public person (whether autonomous or not) of, or the government of, that state or supranational organisation.

Non-recourse Indebtedness means any indebtedness for borrowed money:

- (A) which is incurred by an Excluded Subsidiary; or
- (B) in respect of which the person or persons to whom any such indebtedness for borrowed money is or may be owed by the relevant borrower (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group (other than an Excluded Subsidiary) for the repayment thereof other than:
- I. recourse to such borrower for amounts limited to the cash flow or net cash flow (other than historic cash flow or historic net cash flow) from any specific asset or assets over or in respect of which security has been granted in respect of such indebtedness for borrowed money; and/or
- II. recourse to such borrower for the purpose only of enabling amounts to be claimed in respect of such indebtedness for borrowed money in an enforcement of any encumbrance given by such borrower over any such asset or assets or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure such indebtedness for borrowed money, provided that (aa) the extent of such recourse to such borrower is limited solely to the amount of any recoveries made on any such enforcement, and (bb) such person or persons is/are not entitled, by virtue of any right or claim arising out of or in connection with such indebtedness for borrowed money, to commence proceedings for the winding up or dissolution of the borrower or to appoint or

procure the appointment of any receiver, trustee or similar person or officer in respect of the borrower or any of its assets (save for the assets the subject of such encumbrance); and/or

- III. recourse to such borrower generally, or directly or indirectly to a member of the Group, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect thereof or any obligation to comply or to procure compliance by another with any financial ratios or other tests of financial condition) by the person against whom such recourse is available.

Principal Subsidiary at any time shall mean each Subsidiary of the Relevant Issuer (in each case not being an Excluded Subsidiary or any other Subsidiary of the Relevant Issuer, as the case may be, whose only indebtedness for borrowed money is Non-recourse Indebtedness):

- (A) whose (a) profits on ordinary activities before tax or (b) gross assets, in each case attributable to the Relevant Issuer represent 20 per cent. or more of the consolidated profits on ordinary activities before tax of the Group or, as the case may be, consolidated gross assets of the Group, in each case as calculated by reference to the then latest audited financial statements of such Subsidiary (consolidated in the case of a company which itself has Subsidiaries) and the then latest audited consolidated financial statements of the Group provided that in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Group relate, the reference to the then latest audited consolidated financial statements of the Group for the purposes of the calculation above shall, until consolidated financial statements for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned financial statements as if such Subsidiary had been shown in such financial statements by reference to its then latest relevant audited financial statements, adjusted as deemed appropriate by the Auditors; or
- (B) to which is transferred all or substantially all of the business, undertaking and assets of a Subsidiary of the Relevant Issuer which immediately prior to such transfer is a Principal Subsidiary, whereupon the transferor Subsidiary shall cease to be a Principal Subsidiary and the transferee Subsidiary shall cease to be a Principal Subsidiary under the provisions of this sub-paragraph (B), upon publication of its next audited financial statements (but without prejudice to the provisions of sub-paragraph (A) above) but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary of the Relevant Issuer on or at any time after the date on which such audited financial statements have been published by virtue of the provisions of sub-paragraph (A) above or before, on or at any time after such date by virtue of the provisions of this sub-paragraph (B).

A certificate by two directors of the Relevant Issuer that, in their opinion, a Subsidiary of the Relevant Issuer is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Note Trustee without further enquiry or evidence and the Note Trustee will not be responsible or liable for any loss occasioned by acting on such a certificate and, if relied upon by the Note Trustee, shall be conclusive and binding on all parties, whether or not addressed to each such party.

13. Meetings of Noteholders, Modification, Waiver and Substitution

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders of one or more Series of Notes to consider any matter affecting their interests,

including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the affected Series of Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing one more than 50 per cent. in nominal amount of the affected Series of Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the affected Series of Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*:

- (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes;
- (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes;
- (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes;
- (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown in the Final Terms, to reduce any such Minimum and/or Maximum;
- (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount;
- (vi) to vary the currency or currencies of payment or denomination of the Notes;
- (vii) to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Relevant Issuer, whether or not those rights arise under the Trust Deed; or
- (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution,

in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the affected Series of Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of affected Series of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) **Modification of the Trust Deed:** The Note Trustee may agree, without the consent of the Noteholders or Couponholders, (i) to any modification of any of the provisions of the Trust Deed or the Notes, or Coupons or these Conditions that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) if in the opinion of the Note Trustee the interests of the Noteholders will not be materially prejudiced thereby, to any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed or the Notes, or Coupons or these Conditions,

or determine that any Event of Default shall not be treated as such. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Note Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

- (c) **Substitution:** The Note Trustee may agree, subject to the execution of a deed or undertaking supplemental to the Trust Deed in form and manner satisfactory to the Note Trustee and such other conditions as the Note Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of the Relevant Issuer's successor in business in place of the Relevant Issuer or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Note Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Note Trustee be materially prejudicial to the interests of the Noteholders.
- (d) **Entitlement of the Note Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Note Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Note Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Relevant Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.
- (e) **Modifications**

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

14. **Enforcement**

At any time after the occurrence of an Event of Default which is continuing, and, in the case of paragraph (ii) of Condition 12 (*Events of Default*) where the Note Trustee has certified (without liability on its part) that in its opinion such event is materially prejudicial to the interests of the Noteholders, the Note Trustee may, at its discretion and without further notice, institute such proceedings against the Relevant Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder or Couponholder may proceed directly against the Relevant Issuer unless the Note Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

15. **Indemnification of the Note Trustee**

The Trust Deed contains provisions for the indemnification of the Note Trustee and for its relief from responsibility. The Note Trustee is entitled to enter into business transactions with the Issuers and any entity related to the Issuers without accounting for any profit.

The Note Trustee may rely without liability on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Note Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Note Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report,

confirmation or certificate or advice shall be binding on the Issuers, the Note Trustee and the Noteholders.

16. Replacement of Notes, Certificates, Coupons and Talons

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent in London (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Relevant Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Relevant Issuer on demand the amount payable by the Relevant Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Relevant Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

17. Further Issues

The Relevant Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects save for the Issue Date, Interest Commencement Date and Issue Price) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such different terms as the Relevant Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further issues may be constituted by the Trust Deed or any deed supplemental to it. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Note Trustee so decides.

18. Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). If in the opinion of the Note Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

19. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

20. Governing Law and Jurisdiction

- (a) **Governing Law:** The Trust Deed, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Coupons or Talons (**Proceedings**) may be brought in such courts. The Issuers have in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Relevant Issuer for its general corporate purposes.

DESCRIPTION OF THE ISSUERS

The four Issuers, WPDE, WPDW, WPD South West and WPD South Wales are the regulated monopoly distributors of electricity in the Midlands area of England, the South West of England and South Wales. All four companies are indirectly wholly owned subsidiaries of Western Power Distribution plc., (registered number 09223384) (**WPD**, together with WPD Distribution Network Holdings Ltd (registered number 08857746), WPDE, WPDW, WPD South West and WPD South Wales, the **WPD Group**). The WPD Group is an indirectly wholly owned subsidiary of PPL WPD Ltd whose registered number is 09172857 and whose registered office is Avonbank, Feeder Road, Bristol, BS2 0TB. The ultimate parent of PPL WPD Limited is PPL Corporation (**PPL**), an energy and utility holding company based in Pennsylvania, USA. The WPD Group has been wholly-owned by PPL since 6 September 2002.

Each of the four Issuers is regulated by the Great Britain Office of Gas and Electricity Markets (**Ofgem**).

Key Strengths

The Issuers believe they have possession of key operational and credit strengths outlined below. The offer of Notes under the Programme presents an opportunity to invest in an investment grade regulated UK electricity distribution network business that benefits from:

- A stable, well established transparent regulatory regime;
- Strong and predictable operating cash flow;
- No volume risk;
- Inflation linked earnings and asset base;
- Positive cash flow generation before financing;
- Industry leading delivery of Ofgem output targets; and
- Accurate forecasting and efficient delivery of investment programmes.

Description of WPDE

WPDE is the regulated monopoly distributor of electricity in the East Midlands area of England. WPDE was incorporated as a public limited company under the Companies Act 1985 on 1 April 1989. The registered office of WPDE is at Avonbank, Feeder Road, Bristol, BS2 0TB and its telephone number is + 44-117- 9332000. WPDE joined the WPD Group on 1 April 2011.

At the date of this Prospectus WPDE has no subsidiary companies.

WPDE was formerly known as Central Networks East plc and changed its name to Western Power Distribution (East Midlands) plc on 1 April 2011.

Description of Principal Activity of WPDE

WPDE is one of the 14 regulated electricity distribution network operators (**DNO**) in England, Wales and Scotland. It is the regulated distributor of electricity with a distribution licence authorising it to distribute electricity in the East Midlands area of England and its principal activity is the distribution of electricity to industrial, commercial and domestic customers within its regulated area.

Its network covers approximately 16,000 square kilometres, extending from the Lincolnshire coast to the outskirts of Coventry, and from Milton Keynes in the south to the Derbyshire Peak District in the north. As a result, it serves a diverse customer base including large urban areas such as Nottingham, Derby, Northampton and Leicester, as well as rural communities.

As at 31 March 2019, WPDE distributed electricity to over 2.7 million customers through approximately 100,000 kilometres of network.

Western Power Distribution (East Midlands) plc Distribution Service Area map



Description of WPDW

WPDW is the regulated monopoly distributor of electricity in the West Midlands area of England. WPDW was incorporated as a public limited company under the Companies Act 1985 on 1 April 1989. The registered office of WPDW is at Avonbank, Feeder Road, Bristol, BS2 0TB and its telephone number is + 44-117-9332000. WPDW joined the WPD Group on 1 April 2011.

At the date of this Prospectus WPDW has no subsidiary companies.

WPDW was formerly known as Central Networks West plc and changed its name to Western Power Distribution (West Midlands) plc on 1 April 2011.

Description of Principal Activity of WPDW

WPDW is also one of the 14 DNOs in England, Wales and Scotland. It is the regulated distributor of electricity with a distribution licence authorising it to distribute electricity in the West Midlands area of England and its principal activity is the distribution of electricity to industrial, commercial and domestic customers.

Its network covers approximately 13,300 square kilometres, extending from the outskirts of Bristol in the South to Staffordshire in the North and from approximately the M6 motorway to the Welsh border. As a result, WPDW serves a diverse customer base including England's second largest city, Birmingham, as well as rural communities.

As at 31 March 2019, WPDW distributed electricity to almost 2.5 million customers through approximately 64,000 kilometres of network.

Western Power Distribution (West Midlands) plc Distribution Service Area map



Description of WPD South West

WPD South West is the regulated monopoly distributor of electricity in the south-western area of England. WPD South West was incorporated as a public limited company under the Companies Act 1985 on 1 April 1989. The registered office of WPD South West is Avonbank, Feeder Road, Bristol, BS2 0TB. Its telephone number is + 44-117-933-2000. WPD South West joined the WPD Group on 1 April 2011.

At the date of this Prospectus WPD South West has no subsidiary companies.

WPD South West was formerly known as South Western Electricity plc and changed its name to Western Power Distribution (South West) plc on 31 July 2001.

Description of Principal Activity of WPD South West

WPD South West is also one of the 14 DNOs in England, Wales and Scotland. It is the regulated distributor of electricity with a distribution licence authorising it to distribute electricity in the South West area of England and its principal activity is the distribution of electricity to industrial, commercial and domestic customers.

Its network covers approximately 14,400 square kilometres, extending from Bristol and Bath in the northeast, southwest along the peninsula to Land's End and beyond to the Isles of Scilly. WPD South West serves a diverse customer base from the largest cities and towns in WPD South West's service area of Bath, Bristol, Exeter, Plymouth and Taunton to small rural communities.

As at 31 March 2019, WPD South West distributed electricity to almost 1.6 million customers through approximately 51,000 kilometres of network.

Western Power Distribution (South West) plc Distribution Service Area map



Description of WPD South Wales

WPD South Wales is the regulated monopoly distributor of electricity in South Wales. WPD South Wales was incorporated as a public limited company under the Companies Act 1985 on 1 April 1989. The registered office of WPD South Wales is Avonbank, Feeder Road, Bristol, BS2 0TB. Its telephone number is + 44-117-933-2000. WPD South Wales joined the WPD Group on 1 April 2011.

At the date of this Prospectus WPD South Wales has no subsidiary companies.

WPD South Wales was formerly known as South Wales Electricity plc and changed its name to Western Power Distribution (South Wales) plc on 31 July 2001.

Description of Principal Activity of WPD South Wales

WPD South Wales is also one of the 14 DNOs in England, Wales and Scotland. It is the regulated distributor of electricity with a distribution licence authorising it to distribute electricity in South Wales and its principal activity is the distribution of electricity to industrial, commercial and domestic customers.

Its network covers approximately 11,800 square kilometres. The service area in Wales covers the south of the country. It covers an extremely diverse region including areas such as the Brecon Beacons National Park to the north, the Pembrokeshire Coast National Park in the West and city of Cardiff in the south. The largest cities and towns in WPD South Wales' service area are Cardiff, Swansea and Newport. Most of the population of South Wales is located in the coastal belt region between Newport and Llanelli, (to the east and west of Cardiff), or in the valleys region to the north of this coastal belt. The remainder of the area is sparsely populated.

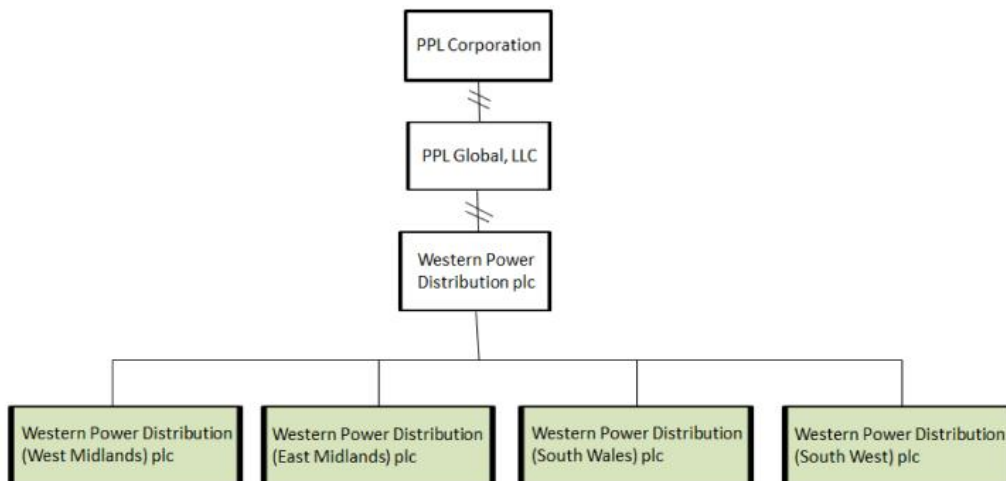
As at 31 March 2019, WPD South Wales distributed electricity to over 1.1 million customers through approximately 36,000 kilometres of network.

Western Power Distribution (South Wales) plc Distribution Service Area map



WPD Summary Group Structure Chart

WPD Summary Group Structure Chart



Please note this is an abbreviated structure chart

Description of PPL Corporation

PPL Corporation, headquartered in Allentown, Pennsylvania, is an energy and utility holding company that was incorporated in 1994. Through its subsidiaries, PPL provides essential energy services to over 10 million customers in the United States and the United Kingdom.

Business Overview

The Western Power Distribution Business

WPDE, WPDW, WPD South West and WPD South Wales are all indirect subsidiaries of WPD which is an indirect subsidiary of PPL and operate together as a single commercial entity under the brand “Western Power Distribution”. “Western Power Distribution”, as used in this Prospectus, means the multiparty commercial operations of WPDE, WPDW, WPD South West and WPD South Wales.

As required by Ofgem in its regulation of DNOs, WPDE, WPDW, WPD South West and WPD South Wales, are separate legal entities, which are subject to financial ring-fencing and which hold separate distribution licences. As a result of this, all four entities are separately assessed by Ofgem and undergo a separate distribution price control review process (as further explained in the section entitled “*Regulation applying to the Issuers*”).

However, on a management and commercial level, WPDE, WPDW, WPD South West and WPD South Wales, are operated on a combined basis through shared divisional management serving more than 7.9 million customers.

As WPDE, WPDW, WPD South West and WPD South Wales are separate entities for legal and regulatory purposes; they each produce accounts. The costs of shared services, employees and operations are allocated back to each entity (as appropriate) in order to produce such accounts.

As at 31 March 2019, WPDE and WPDW had a regulated asset value (**RAV**) of £2.45 billion and £2.45 billion respectively. In addition the WPD South West and WPD South Wales operations had a RAV of £1.67 billion and £1.13 billion respectively. In total Western Power Distribution have a total RAV of £7.70 billion.

Potential investors are also referred to the section entitled “*Risk Factors - Combined Operating Activities of WPDE, WPDW, WPD South West and WPD South Wales*” above.

Strategy

Monitoring the satisfaction of end users connected to the network with the quality of supply provided is a key element of the Western Power Distribution strategy. Each Western Power Distribution entity aims to meet or exceed all the performance criteria established by Ofgem. Network performance is measured by two key criteria:

- (a) *availability*: the number of customer minutes lost per connected customer (**CML**); and
- (b) *security*: the number of supply interruptions (if greater than 3 minutes) recorded per 100 connected customers (**CI**).

All licensees who operate a distribution system are required to report annually to Ofgem on their performance in maintaining system security and availability. The IIS incentive scheme financially incentivises all licensees including WPDE, WPDW, WPD South West and WPD South Wales with respect to both key measures of supply delivered to customers. Ofgem also incentivises the quality of telephone response given to the customers when they contact the licensees, which is assessed by a customer survey carried out on a monthly basis.

For the year 2018/19, the reported adjusted minutes lost per customer and the adjusted interruptions per 100 customers for each of the four companies were:

	WPD South West		WPD South Wales		WPD East Midlands		WPD West Midlands	
	CI	CML	CI	CML	CI	CML	CI	CML

OFGEM IIS Target 2018/19	58.5	43.8	53.1	33.4	51.0	38.0	84.1	52.8
IIS Outturn 2018/19	51.5	40.2	41.3	24.8	39.8	22.9	55.4	32.3
% Out Performance	12.1%	8.2%	22.3%	25.7%	22.0%	39.7%	34.2%	38.8%

(Figures unaudited)

In addition to this in 2018/19, 85.0 per cent of customers off supply in the South West as a result of a High Voltage (HV) fault were restored within one hour of a fault occurring, with the figure being 87.8% for South Wales, 88.7% for WPDE and 89.3% for WPDW.

The Energy Ombudsman has the role of complaint handling and customer representation for the electricity sector in the United Kingdom and replaced energywatch in October 2008.

Directors of WPDE, WPDW, WPD South West and WPD South Wales

All four entities are managed by a Board of Directors comprising the following individuals:

Name	Position	Principal non-Group activities
P Swift	Chief Executive Officer	None
I R Williams	Finance Director	None
A J Sleightholm	Resources and External Affairs Director	None
G Halladay	Operations Director	None
M E Fletcher	Sufficiently Independent Director*	None
A J Cardew	Sufficiently Independent Director*	None

*As required by Ofgem.

The business address of each of the Directors is Avonbank, Feeder Road, Bristol BS2 0TB. No Director has any actual or potential conflict of interest between his duties to WPDE, WPDW, WPD South West and WPD South Wales and his private interests and/or other duties.

Regulation applying to the Issuers

Licences

The distribution licences held by WPDE, WPDW, WPD South West and WPD South Wales authorise the licensees to distribute electricity for the purpose of providing a supply in Great Britain with additional obligations under Section B of the distribution licence for any premises in the distribution services area specified in the distribution licence. The licence exists in perpetuity, and can only be revoked by Ofgem (giving no less than 25 years' notice) or upon a breach of the licence. A failure of an Issuer to comply with its licence could lead to an enforcement order being issued by Ofgem. Ofgem has the power to levy fines of up to 10 per cent. of the turnover of an Issuer for any breach. In certain circumstances, for example, insolvency, the distribution licence itself may be revoked. The licences provide for a distribution services area, equating to the former authorised area of the former public electricity suppliers in the East Midlands and the West Midlands areas of the South West of England and South Wales, respectively, in which the respective licensee has certain specific distribution services obligations.

Each DNO benefits from a regional monopoly and its operations are regulated by its distribution licence. Each DNO is subject to annual limits on its regulated revenues and the quality of supply it must provide, and is provided with financial incentives to minimise its costs and improve the service it provides to its customers.

Distribution Price Controls

Distribution price controls (each a **Distribution Price Control**) are intended to provide companies with sufficient revenues to allow them to finance their efficient operating costs and capital investment. In addition to setting revenues, the price controls also include targets for the overall quality of network performance based upon the average number and duration of supply outages experienced by customers. Companies can be either rewarded or penalised for exceeding or failing these targets.

The charges made for the use of the distribution network are regulated on the basis of annually profiled revenues adjusted for RPI. The RPI is a measure of inflation and in RIIO-ED1 prices are set using a forecast of RPI which is reconciled two years later for the actual RPI observed.

It is then for DNOs to develop a charging regime in accordance with Ofgem's approved methodology in order to recover from suppliers an amount up to the allowed revenue. Historically, these tariffs have been a matter for each company individually but Ofgem has implemented licence conditions which compel distributors to work together and set tariffs based upon a common methodology.

The current distribution price control was agreed with Ofgem in May 2014 for the period from 1 April 2015 to 31 March 2023. This resulted in a reduction in the price for the distribution of electricity in the first year of RIIO-ED1 (2015/16). The decreases, before taking into account inflation, were 9.1 per cent. for WPDE, 9.4 per cent. for WPDW and respective decreases of 17.5 per cent. and 23.8 per cent. for South West and South Wales. For the remaining seven years of RIIO-ED1 the revenues increase annually. All of these annual movements will have RPI inflation applied to them.

DNOs must also meet the standards of performance, which are set by Ofgem to ensure an appropriate level of quality of supply (the **Guaranteed Standards of Performance**). If a company fails to provide the level of service specified, it must make a fixed payment to the end user affected.

The objective of RIIO-ED1 is to drive real benefits for consumers; providing companies with strong incentives to meet the challenges of delivering a sustainable energy sector at a lower cost.

Key features of the regulation of electricity distribution businesses in RIIO-ED1 and beyond, include:

- (a) a move to eight year price controls with mid-point reviews restricted to outputs and whether they remain appropriate;
- (b) the RIIO-ED1 price control including an Annual Iteration Process. This allows base revenues to be updated during the price control for financial adjustments covering tax, pension deficit payments and the cost of debt allowed to be recovered in revenues, adjustments relating to actual and allowed total expenditure (Totex) and the Totex Incentive Mechanism and legacy price control adjustments from preceding price control periods. Under the Annual Iteration Process, the financial model used to calculate base revenue is re-run using a series of revised input values. This process calculates an incremental change to base revenue, the "MOD" term, which is advised by 30th November preceding each regulatory year;
- (c) more closely aligned regulatory and physical asset lives on new assets purchased after 2015. This resulted in a decision to extend the regulatory depreciation lives for new expenditure on assets installed after 1 April 2015 from 20 years to 45 years over the course of RIIO-ED1;

- (d) the delivery of 76 different outputs to customers (both qualitative and quantitative) across the areas of safety, reliability, environment, connections, customer satisfaction and social obligations;
- (e) the introduction of a proportionate treatment concept where the degree of scrutiny of licence holders' business plans for any forthcoming price control period is related to the quality of the business plan and records of previous performance, with the possibility of some companies achieving limited scrutiny and an early settlement decision (to be known as a "Fast Track" decision); and
- (f) more clarity around the cost of capital and capitalisation policies at the beginning of the review period as well as recognising the role of equity in financing network businesses, together with a move to a rolling cost of debt allowance based on trailing averages of corporate bond indices. The allowed cost of equity for each of the Issuers is 6.4 per cent. As fast tracked companies, the cost of debt for the Issuers is calculated from a 10 year rolling average of real rates that will be determined from the arithmetical average of the iBoxx A-rated and BBB-rated non-financial indices (of eligible bonds greater than 10 years) less the implied 10-year gilt inflation break evens published daily by the Bank of England. For the year 2019/20, the cost of debt for the Issuers is set at 1.58 per cent.

The WPD business plan, covering all four DNOs, can be found on the WPD website, <https://www.westernpower.co.uk/customers-and-community/our-riioed1-business-plan>. The comprehensive plan provides details of the level of investment, the improvements in customer service, the financing requirements, the 76 outputs, etc. that will occur within the RIIO-ED1 period.

Potential investors are also referred to the section entitled "*Risk Factors – Macroeconomic, market and regulatory risks - Regulatory Risk*" above.

Customer Information

WPDE's network, which consists of approximately 78,000 kilometres of underground cables and 22,000 kilometres of overhead line (as at 31 March 2019), distributed 25.7 terawatt hours of electricity in the year ended 31 March 2019 to approximately 2.7 million end customers. While over 99 per cent. of these end users are domestic premises and smaller businesses, this group accounts for 55 per cent. of revenues and 49 per cent. of units distributed (for the year ended 31 March 2019). WPDE has approximately 19,500 larger customers as of 31 March 2019 (large commercial and industrial customers based on consumption above 100kW and half hourly metering) who account for the remaining 45 per cent. of revenues and 51 per cent. of units distributed (for the year ended 31 March 2019).

WPDW's network, which consists of approximately 41,000 kilometres of underground cables and 23,000 kilometres of overhead line (as at 31 March 2019), distributed 23.2 terawatt hours of electricity in the year ended 31 March 2019 to approximately 2.5 million end customers. While over 99 per cent. of these end users are domestic premises and smaller businesses, this group accounts for 55 per cent. of revenues and 50 per cent. of units distributed (for the year ended 31 March 2019). WPDW has approximately 19,300 larger customers as of 31 March 2019 (large commercial and industrial customers based on consumption above 100kW and half hourly metering) who account for the remaining 45 per cent. of revenues and 50 per cent. of units distributed (for the year ended 31 March 2019).

WPD South West's network, which consists of approximately 23,000 kilometres of underground cables and 28,000 kilometres of overhead line (as at 31 March 2019), distributed 13.2 terawatt hours of electricity in the year ended 31 March 2019 to approximately 1.6 million end customers. While over 99 per cent. of these end users are domestic premises and smaller businesses, this group accounts for 67 per cent. of revenues and 59 per cent. of units distributed (for the year ended 31 March 2019). WPD South West has approximately 10,800 larger customers as of 31 March 2019 (large commercial and industrial customers based on consumption above 100kW and half hourly metering) who account for

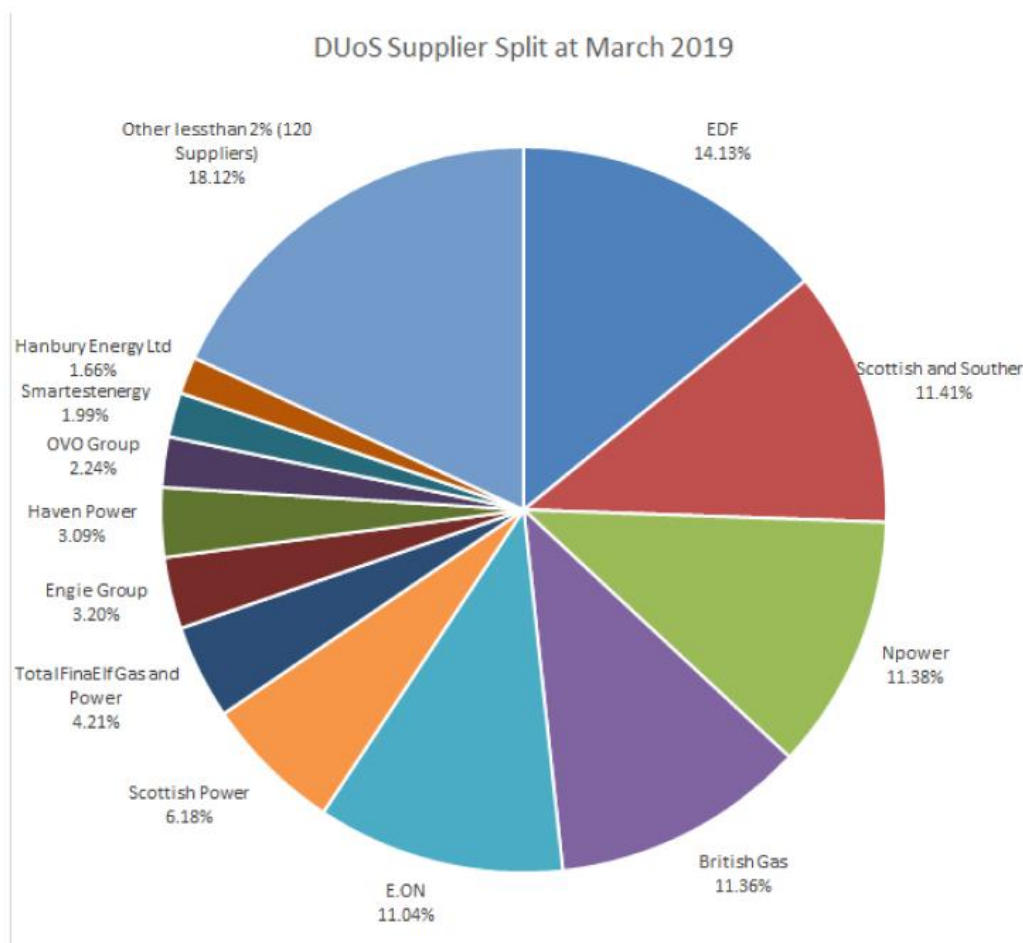
the remaining 33 per cent. of revenues and 41 per cent. of units distributed (for the year ended 31 March 2019).

WPD South Wales' network, which consists of approximately 18,000 kilometres of underground cables and 18,000 kilometres of overhead line (as at 31 March 2019), distributed 11.0 terawatt hours of electricity in the year ended 31 March 2019 to approximately 1.1 million end customers. While over 99 per cent. of these end users are domestic premises and smaller businesses, this group accounts for 58 per cent. of revenues and only 44 per cent. of units distributed (for the year ended 31 March 2019). WPD South Wales has approximately 7,200 larger customers as of 31 March 2019 (large commercial and industrial customers based on consumption above 100kW and half hourly metering) who account for the remaining 42 per cent. of revenues and 56 per cent. of units distributed (for the year ended 31 March 2019).

Transmission and Distribution Facilities

Electricity is transported across National Grid Electricity Transmission plc's transmission system at 400kV or 275kV to 14 Grid Supply Points (**GSPs**) connected to WPDE's distribution network, 16 GSPs connected to WPDW's network and 11 GSPs connected to both the WPD South West and WPD South Wales networks; where it is transformed to 132kV and enters Western Power Distribution's distribution systems. 85 per cent. of all electricity that enters Western Power Distribution's system is received at these 52 GSPs (as at 31 March 2019). Within the last few years there has been a substantial increase in distributed generation within the WPD area, which accounts for the remaining 15 per cent. that is distributed by WPD.

Whilst Western Power Distribution supplies some 7.9 million connected customers, revenue is derived via some 132 electricity suppliers operating in Western Power Distribution's area with the following market shares as of March 2019:



Employee Relations

The WPD Group places considerable value on the involvement of its employees in its affairs. Staff are kept informed of the WPD Group's aims, objectives, performance and plans and their effect on them as employees through newsletters, regular team briefings and other meetings, as well as through the WPD Group's in-house journal. Formal meetings are held regularly between senior managers and representatives of staff and their unions to discuss matters of common interest. A series of roadshow presentations by the directors of the WPD Group each year ensure that all staff are aware of, and can contribute to, the WPD Group's corporate goals.

Pensions – WPDE and WPDW

Background

WPDW and WPDE (together the **Midlands Issuers**) have an obligation to fund pensions in a number of pension arrangements. The pension arrangement which currently represents the majority of the funding the Midlands Issuers will be required to make towards their pension arrangements is the Central Networks Group of the Electricity Supply Pension Scheme (the **Central Networks Group** and **ESPS** respectively). The Central Networks Group is closed to new members and new employees join the Issuers' Defined Contribution Scheme called the Western Power Pension Scheme (or **WPPS**).

The Central Networks Group is a sectionalised group of the ESPS which was established on 1 April 2011 in order to receive a transfer of the assets and liabilities of the current and former employees of the Midlands Issuers or certain of their subsidiaries who were members of the E.On Group of the ESPS. The third actuarial valuation of the Central Networks Group, which determined future cash contributions payable, was completed as at 31 March 2016.

Cash contributions – Central Networks Group

The deficit repair payments currently agreed in relation to the 2016 Valuation (deficit of £603m) are as follows:

- £81.85m per annum payable by the Midlands Issuers between 1 April 2016 to 31 March 2017, with £81.85m plus indexation in line with the increase in RPI over the year to February 2017 for the period from 1 April 2017 to 31 March 2018 payable in equal monthly instalments; plus
- £80m per annum for the period from 1 April 2019 to 31 March 2021 payable in equal monthly instalments; plus
- £48m per annum for the period from 1 April 2021 to 31 March 2026 payable in equal monthly instalments; plus
- £2.0m per annum for the period from 1 April 2017 to 31 March 2026 payable in equal monthly instalments, in relation to the expense loading in respect of non-active members.

The estimated deficit at 31 March 2019 on a “roll-forward” basis was £382m.

Cash contributions - Other

In addition to contributions to eliminate the deficit, the Midlands Issuers will be required to pay contributions at the required contribution rate towards the benefits that members will continue to accrue in the Central Networks Group and the WPPS, along with contributions to meet the running costs of the Central Networks Group and the Pension Protection Fund levies payable.

Pensions – WPD South West and WPD South Wales

Background

WPD South West and WPD South Wales (together the **WW Issuers**) have an obligation to fund pensions in a number of pension arrangements. The pension arrangement requirements in relation to the WPD ESPS Schemes currently represent the majority of the pension funding requirements the WW Issuers will be required to meet. The WPD ESPS Schemes are closed to new members and new employees are to join the WPPS.

In addition, WPD South Wales is the principal employer of the Western Power Utilities Pension Scheme (**WPUPS**), which is a defined benefit scheme providing benefits to previous employees of various Hyder group companies and was transferred from Hyder in April 2002. However PPL WPD Limited has taken financial responsibility for this scheme. Hyder (in liquidation) was acquired by an affiliate of PPL WPD Limited and previously owned WPD South Wales. WPUPS is closed to new members and future accrual.

WPD (South Wales) is also the principal employer of the Infracore 92 Pension Scheme (I92), which is an hybrid defined contribution/defined benefit scheme providing benefits to previous employees of a Hyder group subsidiary company formerly known as Swalec and which was transferred from Swalec in August 2000.

Cash contributions – WPD Group

The deficit repair payments currently agreed in relation to the WPD Group 2016 Valuation (deficit of £507m, including an expense reserve for non-active members)) are as follows:

- £86.966m payable by the WW Issuers between 1 April 2016 to 31 March 2017 payable in equal monthly instalments; plus
- £86.966m plus indexation in line with the increase in the RPI over the year to February 2017 for the period from 1 April 2017 to 31 March 2018 payable in equal monthly instalments; plus
- £86.6m per annum for the period from 1 April 2019 to 31 March 2021 payable in equal monthly instalments; plus
- £20.9m per annum for the period from 1 April 2021 to 31 March 2026 payable in equal monthly instalments; plus
- £1.4m per annum for the period from 1 April 2017 to 31 March 2026 payable in equal monthly instalments, in relation to the expense loading in respect of non-active members.

The estimated deficit at 31 March 2019 on a “roll-forward” basis was £296m.

Cash contributions – WPUPS¹

The deficit repair payments currently agreed in relation to the 2016 Valuation (deficit of £126m) are as follows:

- £1,364,173 per month payable by the WW Issuers between 1 April 2016 to 31 March 2017; plus
- £80.0m lump sum payable on or before 31 January 2017; plus
- £7.0m per annum for the period from 1 April 2020 to 31 March 2026 payable in equal monthly instalments.

The estimated funding position at 31 March 2019 on a “roll-forward” basis was £25.8m surplus. This was mainly due to the lump-sum payment of £80m on 31 January 2017.

Cash contributions – I92

The deficit repair payments currently agreed in relation to the 2016 Valuation (deficit of £3.54m) are as follows:

- A lump sum of £2.5m on or before 31 January 2017; plus
- £235,000 per annum payable by WPD (South Wales) plc between 31 March 2021 and 31 March 2026 (inclusive).

The estimated deficit at 31 March 2019 on a “roll-forward” basis was £0.1m. This was mainly due to the lump-sum payment of £2.5m on 31 January 2017.

¹ (Reimbursed by PPL WPD Limited – See “Pensions - WPD South West and WPD South Wales - Background” above).

Cash contributions – Other

In addition to contributions to eliminate the deficits, the WW Issuers will be required to pay contributions at the required contribution rates towards the benefits that members will continue to accrue in the WPD Group and the WPPS, along with contributions to meet the running costs of the WPD Group, the WPUPS, the WPPS and the Pension Protection Fund levies payable.

TAXATION

UK Taxation

The following is a summary of each Issuer's understanding of current United Kingdom law and published HM Revenue & Customs (HMRC) practice relating only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of the Notes. It does not necessarily apply where income is deemed for tax purposes to be the income of any other person. Some aspects do not apply to certain classes of person to whom special rules may apply and it is not intended to be exhaustive. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of the Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Interest on the Notes

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes carry a right to interest and the Notes are and continue to be listed on a "recognised stock exchange", within the meaning of section 1005 of the Income Tax Act 2007 or are admitted to trading on a multilateral trading facility operated by an EEA-regulated recognised stock exchange within the meaning of section 987 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of, and in accordance with, the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed on a "recognised stock exchange", interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Payments of interest on the Notes may be made without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days and those Notes do not form part of a scheme or arrangement or borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest on the Notes that have a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction or tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as "FATCA", a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on

instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. Federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Notes (as described under “*Terms and Conditions of the Notes – Further Issues*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

The Dealers have, in the Dealer Agreement, agreed with the Issuers a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Dealer Agreement, the Issuers have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations promulgated thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, it will offer and sell Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of any Series of Notes or the closing date related to such Series of Notes (such period the **Distribution Compliance Period**) only in accordance with Rule 903 of Regulation S under the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

Until the end of the Distribution Compliance Period for any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Indexed Notes shall be subject to such additional U.S. selling restrictions as the Relevant Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms (or Pricing Supplement, as the case may be) in respect of any Notes specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II;

- (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Belgium

Each Dealer has represented, warranted and agreed that it has not offered, sold or otherwise made available, and will not offer, sell or otherwise make available, any Notes to consumers (*consumenten/consommateurs*) within the meaning of the Belgian Code of Economic Law, as amended from time to time (*Wetboek van economisch recht/Code de droit économique*) (i.e., any natural person acting for purposes which are outside his/her trade, business or profession).

The Notes may be held only by, and transferred only to, eligible investors referred to in Article 4 of the Belgian Royal Decree of 26 May 1994, holding their securities in an exempt securities account that has been opened with a financial institution that is a direct or indirect participant in the X/N securities and cash clearing system.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) in relation to any Notes which have a maturity of less than one year (i) it is a person whose ordinary activities involve it in acquiring, holding managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Relevant Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Relevant Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction

to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Relevant Issuer, the Note Trustee nor any of the other Dealers shall have any responsibility therefore.

Neither the Relevant Issuer, the Note Trustee nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Relevant Issuer and the relevant Dealer shall agree.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of WPDW passed on 4 September 2013, of WPDE passed on 4 September 2013, of WPD South West passed on 4 September 2013 and of WPD South Wales passed on 4 September 2013. The update of the Programme has been duly authorised by a resolution of the Board of Directors of each of the Issuers passed on 2 August 2019.

Each issue of Notes under the Programme will be authorised by the Committee of the Board of Directors of the Relevant Issuer.

Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Regulated Market of the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. Application has been made to the FCA for Notes issued under the Programme to be admitted to the Official List and to be admitted to trading on the regulated market of the London Stock Exchange. The listing of the Programme in respect of Notes is expected to be granted on or before 15 August 2019.

Documents Available

For the period of 12 months following the date of this Prospectus, copies of the documents referred to in the section “*Documents Incorporated by Reference*” and the following documents will, when published, be available from the registered office of each Issuer and from the specified office of the Paying Agents for the time being in London:

- (a) the memorandum and articles of association of each Issuer;
- (b) the Agency Agreement;
- (c) the Trust Deed; and
- (d) a copy of this Prospectus and of any supplements thereto.

In addition, the documents referred to in the section “*Documents Incorporated by Reference*”, this Prospectus and each Final Terms relative to the Notes which are admitted to trading on the regulated market of the London Stock Exchange are also available at the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L 1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Relevant Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Material Contracts

There are no material contracts entered into other than in the ordinary course of the Issuers' businesses which could result in either being under an obligation or entitlement that is material to the Issuers' ability to meet their obligations to Noteholders in respect of the Notes being issued.

Significant or Material Change

There has been no significant change in the financial position or financial performance of any of the Issuers since 31 March 2019 to the date of this Prospectus and there has been no material adverse change in the prospects of any of the Issuers since 31 March 2019 to the date of this Prospectus.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which any Issuer is aware) of any of the Issuers in the 12 months preceding the date of this document which may have or have in the recent past had a significant effect on the financial position or profitability of any of the Issuers.

Auditors

Deloitte LLP, registered to carry out audit work by the Institute of Chartered Accountants in England and Wales, have audited, without qualification, in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board the financial statements of WPD South West, WPD South Wales, WPDW and WPDE for the financial years ended on 31 March 2018 and 31 March 2019.

Deloitte LLP, as incumbent auditors of the Issuers, do not have any material interest in any Issuer.

The audit reports in respect of the financial years ended 2018 and 2019 for WPD South West, WPD South Wales, WPDW and WPDE contain the statement that such report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and that their audit work has been undertaken so that they might state to the company's members those matters they are required to state to them in an auditor's report and for no other purpose.

Such a statement is recommended in guidance issued by the Institute of Chartered Accountants in England and Wales for inclusion in all Section 235 and Chapter 3 of Part 16 audit reports (as applicable) produced by audit firms.

Post-issuance information

The Issuers do not intend to provide any post-issuance information in relation to any issues of Notes.

Dealers transacting with the Issuers

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuers, other members of the WPD Group and their affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuers, other members of the WPD Group and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers or Issuers' affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers routinely hedge their credit exposure to the Issuers consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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ISSUERS

Western Power Distribution (West Midlands) plc Avonbank Feeder Road Bristol BS2 0TB United Kingdom	Western Power Distribution (East Midlands) plc Avonbank Feeder Road Bristol BS2 0TB United Kingdom
Western Power Distribution (South West) plc Avonbank Feeder Road Bristol BS2 0TB United Kingdom	Western Power Distribution (South Wales) plc Avonbank Feeder Road Bristol BS2 0TB United Kingdom

NOTE TRUSTEE

HSBC Corporate Trustee Company (UK) Limited
8 Canada Square
London E14 5HQ
United Kingdom

ISSUING AND PAYING AGENT, REGISTRAR, TRANSFER AGENT AND CALCULATION AGENT

HSBC Bank plc
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London E14 5HQ
United Kingdom

LEGAL ADVISERS

To the Issuers as to English Law

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London EC2M 3XF
United Kingdom

*To the Arranger, the Dealers
and the Note Trustee as to English Law*

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London EC2Y 9SS
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London EC4A 3TR
United Kingdom

ARRANGER

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London EC2M 4AA
United Kingdom

DEALERS

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Ciudad Grupo Santander
Edificio Encinar
Avenida de Cantabria s/n

Barclays Bank PLC
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Canary Wharf

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MUFG Securities EMEA plc.
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United Kingdom

RBC Europe Limited
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London EC4R 3BF
United Kingdom

London E14 4BB
United Kingdom

Lloyds Bank Corporate Markets plc
10 Gresham Street
London EC2V 7AE
United Kingdom

Mizuho International plc
Mizuho House
30 Old Bailey
London EC4M 7AU
United Kingdom

NatWest Markets Plc
250 Bishopsgate
London EC2M 4AA
United Kingdom

Dated 30 SEPTEMBER 2020

WESTERN POWER DISTRIBUTION
(EAST MIDLANDS) PLC
(as the Company)

and

MUFG BANK, LTD.
(as the Lender)

AMENDMENT AND RESTATEMENT
AGREEMENT
relating to an inflation linked loan dated 24 May 2016

LATHAM & WATKINS

99 Bishopsgate
London EC2M 3XF
United Kingdom
Tel: +44.20.7710.1000
www.lw.com

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AMENDED AND RESTATED FACILITY AGREEMENT	

THIS AMENDMENT AND RESTATEMENT AGREEMENT (the "Agreement") is dated 30 SEPTEMBER 2020

BETWEEN:

- (1) WESTERN POWER DISTRIBUTION (EAST MIDLANDS) PLC (registered number 02366923) (the "Company"); and
- (2) MUFG BANK, LTD. (formerly known as the Bank of Tokyo-Mitsubishi UFJ, Ltd.) (the "Lender").

BACKGROUND

- (A) The Company and the Lender entered into an inflation-linked facility agreement dated 24 May 2016 (the "Original Facility Agreement") pursuant to which the Lender advanced the Loan to the Company in an amount equal to the Commitment on the Drawdown Date.
- (B) The parties hereto have agreed to amend and restate the Original Facility Agreement on the terms set out herein.

IT IS AGREED as follows:

1. INTERPRETATION

1.1 Definitions

In this Agreement:

"Effective Date" means the later of the date upon which:

- (a) each party has signed this Agreement (whether the same or different counterparts); and
- (b) the Lender has notified the Company that it has received the documents and evidence set out in Schedule 1 (Conditions Precedent) in form and substance satisfactory to it (such notification to be given as soon as reasonably practicable upon the Lender being so satisfied).

"Financial Statements" means the audited consolidated financial statements of the Company for the year ended 31 March 2020.

"Original Interest Period" means the Interest Period for the Loan commencing on 31 March 2020 and ending on 30 September 2020.

"Restated Facility Agreement" means the Original Facility Agreement, as amended and restated by this Agreement or, as the context requires, the form of amended and restated facility agreement set out in Schedule 2 (Amendment and Restated Facility Agreement).

1.2 Construction

- (a) Unless otherwise defined in this Agreement, terms defined in the Original Facility Agreement shall have the same meaning when used in this Agreement.
- (b) Clause 1.2 (Construction) of the Original Facility Agreement will be deemed to be set out in full in this Agreement, but as if references in such clauses to "this Agreement" were references to this Agreement.

1.3 Finance Document

The Company and the Lender hereby designate this Agreement as a "Finance Document" under and as defined in the Original Facility Agreement and the Restated Facility Agreement.

2. AMENDMENT AND RESTATEMENT OF THE ORIGINAL FACILITY AGREEMENT

2.1 Facility Agreement

With effect from (and including) the Effective Date, the Original Facility Agreement is amended and restated so that it reads and shall be construed for all purposes as set out in Schedule 2 (Amended and Restated Facility Agreement).

2.2 Continuing Effect

(a) If the Effective Date does not occur, the Original Facility Agreement shall continue in full force and effect.

(b) Any reference in the Restated Facility Agreement or any other Finance Document to the Original Facility Agreement or to any provision of the Original Facility Agreement will be construed as a reference to the Restated Facility Agreement or that provision, as amended and restated by this Agreement.

2.3 Further assurance

The Company shall, at the reasonable request of the Lender and at its own expense, do all such acts and things necessary or desirable to give effect to the amendment and restatement effected or to be effected pursuant to this Agreement.

2.4 No Novation

Each of the parties to this Agreement confirms that the amendment of the Original Facility Agreement pursuant to this Agreement shall not constitute a novation of the Original Facility Agreement.

3. INTEREST AND SWAP BREAK COSTS

3.1 The Original Interest Period in respect of the Loan shall cease to accrue as at the date immediately preceding the Effective Date.

3.2 Any interest payable under Clause 3.1 above:

(a) will be calculated at the relevant rate specified in the Original Facility Agreement for the period from and including the first day of the Original Interest Period to but excluding the Effective Date; and

(b) will be settled by the Company within three Business Days of the Effective Date.

3.3 The parties to this Agreement agree, for the avoidance of doubt, that the Company shall not be liable to the Lender for any Swap Break Costs payable by the Lender as a result of the Lender closing out or unwinding the Related Swap Agreement on or about the date of this Agreement in connection with the entry into of this Agreement by the parties hereto and/or the amendment and restatement of the Original Facility Agreement on the Effective Date contemplated herein.

4. REPRESENTATIONS AND WARRANTIES

On the date of this Agreement and on the Effective Date, in each case by reference to the facts and circumstances then existing, the Company makes the representations set out in Clause 14 (Representations) of the Restated Facility Agreement as if references to “this Agreement” in or incorporated in such Repeating Representations are construed as references to this Agreement.

5. COSTS AND EXPENSES

The Company shall, promptly on demand, pay to the Lender the amount of all costs and expenses (including legal fees) reasonably incurred by it in connection with the negotiation, preparation, printing and execution of this Agreement, in each case not exceeding any applicable caps or other limitations agreed with the Company prior to such costs and expenses being incurred.

6. MISCELLANEOUS

6.1 Counterparts

This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

6.2 Partial Invalidity

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect under any law or regulations, the validity, legality or enforceability of the remaining provisions shall not be affected or impaired in any way.

6.3 Remedies and Waivers

No failure to exercise, nor any delay in exercising, on the part of any party to this Agreement, any right or remedy under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

7. GOVERNING LAW

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law and the provisions of Clause 32.1 (Jurisdiction) of the Original Facility Agreement shall apply to this Agreement as if references in that Clause 32.1 to “this Agreement” were references to this Agreement.

SCHEDULE 1

CONDITIONS PRECEDENT

1. CORPORATE DOCUMENTS

- 1.1 A copy of the constitutional documents of the Company.
- 1.2 A copy of a written resolution of the directors of the Company approving the terms of, and the transactions contemplated by, this Agreement.
- 1.3 A specimen of the signature of each person authorised on behalf of the Company to execute or witness the execution of this Agreement or to sign or send any document or notice in connection with this Agreement.
- 1.4 A certificate of the Company (signed by a director) confirming that borrowing the Commitment (as defined in the Restated Facility Agreement) would not cause any borrowing limit binding on the Company to be exceeded.
- 1.5 A certificate of an authorised signatory of the Company certifying that each copy document relating to it specified in this Schedule 1 is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement.

2. LEGAL OPINIONS

A legal opinion of Latham & Watkins, legal advisers to the Company, addressed to the Lender, substantially in the form distributed to the Lender prior to signing this Agreement.

SCHEDULE 2
AMENDED AND RESTATED FACILITY AGREEMENT

RESTATED VERSION

DATED 24 May 2016
as amended and restated as at the Effective Date (as defined herein)

Between

WESTERN POWER DISTRIBUTION (EAST MIDLANDS) PLC
as the Company

and

MUFG BANK, LTD.
(formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
as Lender

AMENDED AND RESTATED
INFLATION-LINKED TERM LOAN
AGREEMENT

GBP100,000,000

LATHAM & WATKINS

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THIS AGREEMENT is dated 24 May 2016 and amended and restated as at the Effective Date and made

BETWEEN:

- (1) WESTERN POWER DISTRIBUTION (EAST MIDLANDS) PLC (registered number 02366923) (the "Company"); and
- (2) MUFG BANK, LTD. (formerly known as the Bank of Tokyo-Mitsubishi UFJ, Ltd.) (the "Lender");

IT IS AGREED as follows:

1. INTERPRETATION

1.1 Definitions

In this Agreement:

"2008 ISDA Inflation Derivatives Definitions" means the 2008 ISDA Inflation Derivatives Definitions published by the International Swaps and Derivatives Association, Inc. in 2008, as amended, supplemented or substituted prior to the Effective Date.

"Acceptable Bank" means:

- (a) the Lender;
- (b) a bank or financial institution which has a rating for its long-term unsecured and non credit-enhanced debt obligations of A- or higher by Standard & Poor's Rating Services or A- or higher by Fitch Ratings Ltd or A3 or higher by Moody's Investor Services Limited or a comparable rating from an internationally recognised credit rating agency; or
- (c) any other bank or financial institution approved by the Lender (acting reasonably).

"Acceptable Jurisdiction" means:

- (a) the United States of America;
- (b) the United Kingdom; or
- (c) any other member state of the European Union or any Participating Member State where such country has long term sovereign credit rating of A- or higher by Standard & Poor's Rating Services or A3 or higher from Moody's Investor Services Limited or A- or higher from Fitch Ratings Ltd.

"Accretion Mechanism" means, in relation to the Loan, multiplying £100,000,000 (being the Commitment) by the Index Ratio calculated on the Rate Fixing Day for the then current Interest Period, unless:

- (a) such adjustment results in an amount less than £100,000,000, in which case the Loan is £100,000,000; or
- (b) such adjustment results in an amount greater than £200,000,000, in which case the Loan is £200,000,000.

“Act” means the Electricity Act 1989 and, unless the context otherwise requires, all subordinate legislation made pursuant thereto.

“Affiliate” means, in relation to any person, a Subsidiary or a Holding Company of that person or any other Subsidiary of that Holding Company.

“Amendment and Restatement Agreement” means the amendment and restatement agreement dated 30 September 2020 between the Company and the Lender amending and restating this Agreement.

“Applicable Accounting Principles” means those accounting principles, standards and practices generally accepted in the United Kingdom and the accounting and reporting requirements of the Companies Act 2006, in each case as used in the audited consolidated financial statements of the Company for the year ended 31 March 2020.

“Balancing and Settlement Code” means the document, as modified from time to time, setting out the electricity balancing and settlement arrangements designated by the Secretary of State and adopted by National Grid Electricity Transmission plc (Registered No. 2366977) or its successor pursuant to its transmission licence.

“Balancing and Settlement Code Framework Agreement” means the agreement of that title, in the form approved by the Secretary of State, as amended from time to time, to which the Company is a party and by which the Balancing and Settlement Code is made binding upon the Company.

“Bank Levy” means any amount payable by any Lender or any of its Affiliates on the basis of, or in relation to, its balance sheet or capital base or any part of that person or its liabilities or minimum regulatory capital or any combination thereof, including, without limitation, the UK bank levy as set out in the Finance Act 2011, the French tax bancaire de risque systémique as set out in Article 235 ter ZE of the French Code Général des impôts, the German bank levy as set out in the German Restructuring Fund Act 2010 (Restrukturierungsfondsgesetz) (as amended), the Dutch bankenbelasting as set out in the bank levy act (Wet bankenbelasting), the Swedish bank levy as set out in the Swedish Act on State Support to Credit Institutions (Sw. lag (2008:814) (lag om statligt stöd till kreditinstitut)), or the Spanish bank levy (Impuesto sobre los Depósitos en las Entidades de Crédito) as set out in the Law 16/2012 of 27 December 2012 and any levy or other Tax in any jurisdiction levied on a similar basis or for a similar purpose or any financial activities taxes (or other taxes) of a kind contemplated in the European Commission consultation paper on financial sector taxation dated 22 February 2011 in each case, in the form existing on the Effective Date or which has been formally announced as at the Effective Date, or if later the date on which the Lender becomes a Lender under this Agreement.

“Base Index Figure” means the UKRPI figure published for March 2016 by the Office of National Statistics, being 261.1.

“Basel III” means:

- (a) the agreements on capital requirements, a leverage ratio and liquidity standards contained in “Basel III: A global regulatory framework for more resilient banks and banking systems”, “Basel III: International framework for liquidity risk measurement, standards and monitoring” and “Guidance for national authorities operating the countercyclical capital buffer” published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated;
- (b) the rules for global systematically important banks contained in “Global systematically important banks: assessment methodology and the additional loss

absorbency requirement – Rules text” published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated; and

- (c) any further guidance or standards published by the Basel Committee on Banking Supervision relating to “Basel III”.

“Business Day” means a day (other than a Saturday or a Sunday) on which commercial banks are open for general business in London, United Kingdom and Tokyo, Japan.

“Code” means the US Internal Revenue Code of 1986.

“Commitment” means £100,000,000, or zero if the Commitment has been cancelled or transferred by the Lender pursuant to this Agreement.

“Compliance Certificate” means a certificate substantially in the form of Schedule 3 (Form of Compliance Certificate) setting out, among other things, calculations of the financial covenants.

“Confidential Information” means all information relating to the Company, the Group, the Finance Documents or the Loan of which the Lender becomes aware in its capacity as, or for the purpose of becoming, the Lender or which is received by the Lender in relation to, or for the purpose of becoming the Lender under, the Finance Documents or the Loan from any member of the Group or any of its advisers in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

- (a) is or becomes public information other than as a direct or indirect result of any breach by the Lender of Clause 24 (Confidentiality and Disclosure of Information); or
- (b) is identified in writing at the time of delivery as non-confidential by any member of the Group or any of its advisers; or
- (c) is known by the Lender before the date the information is disclosed to it by the relevant member of the Group or is lawfully obtained by the Lender after that date, from a source which is, as far as the Lender is aware, unconnected with the Group and which, in either case, as far as the Lender is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

“Confidentiality Undertaking” means a confidentiality undertaking substantially in a recommended form of the LMA or in any other form agreed between the Company and the Lender.

“Contribution Notice” means a contribution notice issued by the Pensions Regulator under section 38 or section 47 of the Pensions Act 2004.

“CRD IV” means:

- (a) Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms; and
- (b) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

“CTA” means the Corporation Tax Act 2009.

“Default” means:

- (a) an Event of Default; or
- (b) an event specified in Clause 18 (Default) which would be (with the lapse of time, the expiry of a grace period, the giving of notice or the making of any determination under the Finance Documents or any combination of them) an Event of Default.

“Disruption Event” means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Finance Documents (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or
- (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:
 - (i) from performing its payment obligations under the Finance Documents; or
 - (ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

“Dodd-Frank” means the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 stat. 1376 (2010) and all requests, rules, guidelines or directives in connection therewith.

“Drawdown Date” means 31 May 2016.

“Effective Date” has the meaning given to that term in the Amendment and Restatement Agreement.

“Environment” means humans, animals, plants and all other living organisms including the ecological systems of which they form part and the following media:

- (a) air (including, without limitation, air within natural or man-made structures, whether above or below ground);
- (b) water (including, without limitation, territorial, coastal and inland waters, water under or within land and water in drains and sewers); and
- (c) land (including, without limitation, land under water).

“Environmental Claim” means any claim, proceeding, formal notice or investigation by any person in respect of any Environmental Law.

“Environmental Law” means any applicable law or regulation which relates to:

- (a) the pollution or protection of the Environment;
- (b) the conditions of the workplace; or

- (c) the generation, handling, storage, use, release or spillage of any substance which, alone or in combination with any other, is capable of causing harm to the Environment, including, without limitation, any waste.

“Event of Default” means an event specified as such in this Agreement.

“Facility Office” means the office notified by the Lender in writing to the Company on or before the date of this Agreement through which it will perform its obligations under this Agreement (or, in the case of a New Lender, the office notified to the Company in writing on or prior to the date on which it becomes a New Lender) or such other office as it may from time to time select by not less than five Business Days’ notice to the Company.

“FATCA” means:

- (a) sections 1471 to 1474 of the Code or any associated regulations;
- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

“FATCA Application Date” means:

- (a) in relation to a “withholdable payment” described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the US), 1 July 2014; or
- (b) in relation to a “passthru payment” described in section 1471(d)(7) of the Code not falling within paragraph (a) above, the first date from which such payment may become subject to a deduction or withholding required by FATCA.

“FATCA Deduction” means a deduction or withholding from a payment under a Finance Document required by FATCA.

“FATCA Exempt Party” means a Party that is entitled to receive payments free from any FATCA Deduction.

“Final Maturity Date” means 30 September 2030.

“Finance Document” means:

- (a) this Agreement;
- (b) a Transfer Certificate; or
- (c) any other document designated as such by the Lender and the Company.

“Financial Indebtedness” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any acceptance credit;

- (c) any bond, note, debenture, loan stock or other similar instrument;
- (d) any redeemable preference share;
- (e) any finance or capital lease;
- (f) receivables sold or discounted (otherwise than on a non-recourse basis);
- (g) the acquisition cost of any asset to the extent payable after its acquisition or possession by the party liable where the deferred payment is arranged primarily as a method of raising finance or financing the acquisition of that asset;
- (h) any derivative transaction protecting against or benefiting from fluctuations in any rate or price (and, except for non-payment of an amount, the then mark to market value of the derivative transaction will be used to calculate its amount);
- (i) any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing;
- (j) any counter-indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution; or
- (k) any guarantee, indemnity or similar assurance against financial loss of any person in respect of any item referred to in paragraphs (a) to (j) above.

“Financial Support Direction” means a financial support direction issued by the Pensions Regulator under section 43 of the Pensions Act 2004.

“Fixed Rate” means 28.50 bps (being 0.2850 per cent.).

“Group” means the Company and its Subsidiaries.

“Holding Company” means in relation to a person, any other person in respect of which it is a Subsidiary.

“Increased Cost” means:

- (a) an additional or increased cost;
- (b) a reduction in the rate of return under a Finance Document or on the Lender’s (or its Affiliate’s) overall capital; or
- (c) a reduction of an amount due and payable under any Finance Document,

which is incurred or suffered by the Lender or any of its Affiliates but only to the extent attributable to the Lender having entered into any Finance Document or funding or performing its obligations under any Finance Document.

“Index” means the UKRPI or any Successor Index determined in accordance with the terms of this Agreement.

“Index Figure” means, in respect of an Interest Period, the UKRPI figure published by the Office of National Statistics for the Reference Month falling two calendar months prior to the month in which the Interest Payment Date falls for such Interest Period.

“Index Ratio” means the Index Figure divided by the Base Index Figure (rounded to five decimal places).

“Index Sponsor” means the entity that publishes or announces the Index Figure.

“Interest Payment Amount” has the meaning given to that term in Clause 8.1 (Calculation of interest).

“Interest Payment Date” means the last day of each Interest Period.

“Interest Period” means each period determined in accordance with Clause 8.3 (Interest Periods).

“ISDA Master Agreement” means the 1992 Master Agreement as published by the International Swaps and Derivatives Association, Inc.

“ITA” means the Income Tax Act 2007.

“Legal Reservations” means:

- (a) the principle that equitable remedies may be granted or refused at the discretion of a court and the limitation of enforcement by laws relating to insolvency, reorganisation and other laws generally affecting the rights of creditors;
- (b) the time barring of claims under the Limitation Act 1980 and the Foreign Limitation Periods Act 1984, the possibility that an undertaking to assume liability for or indemnify a person against non-payment of UK stamp duty may be void and defences of set-off or counterclaim;
- (c) similar principles, rights and defences under the laws of any jurisdiction in which a member of the Group or a Holding Company of the Company is incorporated; and
- (d) any other matters which are set out as qualifications or reservations as to matters of law of general application in any legal opinion provided under Schedule 1 (Conditions Precedent Documents) or under the Amendment and Restatement Agreement.

“Licence” means:

- (a) the electricity distribution licence made and treated as granted to the Company under Section 6(1)(c) of the Act pursuant to a licensing scheme made by the Secretary of State under Part II of Schedule 7 to the Utilities Act 2000 on 28 September 2001; or
- (b) any statutory amendment or replacement licence or licences granted pursuant to the Utilities Act 2000 which permit the Company to distribute electricity in the area it is certified to operate in.

“LMA” means the Loan Market Association.

“Loan” means the loan made or to be made under this Agreement as adjusted on each Interest Payment Date in accordance with the Accretion Mechanism.

“Mandatory Prepayment Event” has the meaning given to that term in Clause 10.1 (Delay or Cessation of Publication).

“Material Adverse Effect” means a material adverse effect on:

- (a) the business, assets or financial condition of the Group taken as a whole;

- (b) the ability of the Company to perform its payment obligations under the Finance Documents or its obligations under Clauses 16.3 (Interest Cover) or 16.4 (Asset Cover) of this Agreement; or
- (c) the validity or enforceability of the Finance Documents or the rights or remedies of the Lender under any of the Finance Documents.

“Material Subsidiary” means, at any time, a Subsidiary of the Company whose gross assets or gross revenues (on a consolidated basis and excluding intra-Group items) then equal or exceed 10 per cent. of the gross assets or gross revenues of the Group.

For this purpose:

- (a) the gross assets or gross revenues of a Subsidiary of the Company will be determined from its financial statements (consolidated if it has Subsidiaries) upon which the latest audited financial statements of the Group have been based;
- (b) if a Subsidiary of the Company becomes a member of the Group after the date on which the latest audited financial statements of the Group have been prepared, the gross assets or gross revenues of that Subsidiary will be determined from its latest financial statements;
- (c) the gross assets or gross revenues of the Group will be determined from the Company’s latest audited financial statements, adjusted (where appropriate) to reflect the gross assets or gross revenues of any company or business subsequently acquired or disposed of; and
- (d) if a Material Subsidiary disposes of all or substantially all of its assets to another Subsidiary of the Company, it will immediately cease to be a Material Subsidiary and the other Subsidiary (if it is not already) will immediately become a Material Subsidiary; the subsequent financial statements of those Subsidiaries and the Group will be used to determine whether those Subsidiaries are Material Subsidiaries or not.

If there is a dispute as to whether or not a company is a Material Subsidiary, a certificate of the auditors of the Company will be, in the absence of manifest error, conclusive.

“New Lender” has the meaning given to that term in Clause 23 (Changes to the Parties).

“OFGEM” means the Office of Gas and Electricity Markets.

“Original Financial Statements” means the audited consolidated financial statements of the Company for the year ended 31 March 2015.

“Participating Member State” means any member state of the European Union that has the euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union.

“Party” means a party to this Agreement.

“Pensions Regulator” means the body corporate called the Pensions Regulator established under Part I of the Pensions Act 2004.

“PUHCA” means the Public Utility Holding Company Act of 2005, as amended, of the United States of America.

“Qualifying Lender” has the meaning given to such term in Clause 9.1 (Definitions).

“Quasi-Security Interest” has the meaning given to such term in Clause 17.5 (Negative pledge).

“Rate Fixing Day” means, in respect of an Interest Period, the day falling five Business Days prior to the Interest Payment Date for such Interest Period.

“Reference Banks” means the principal London offices of such banks as may be appointed by the Lender in consultation with the Company and with the consent of the bank so appointed.

“Reference Gilt” means such bond selected by the Lender and issued on or before the Effective Date by or on behalf of HM Treasury which pays a coupon or redemption amount which is calculated by reference to the Index with a maturity which falls on:

- (a) the same day as the Final Maturity Date;
- (b) the next longest maturity after the Final Maturity Date if there is no such bond maturing on the Final Maturity Date; or
- (c) the next shortest maturity before the Final Maturity Date if no bond defined in paragraphs (a) or (b) above is available for selection by the Lender;

provided that: (i) if there is more than one inflation-linked bond maturing on the same date, the Reference Gilt shall be selected by the Lender from those bonds; and (ii) if the bond selected by the Lender in accordance with paragraphs (a) to (c) (inclusive) above is redeemed, the Lender will select a new bond on the same basis, but selected from all eligible bonds in issue at the time the originally selected bond redeems (including any bond for which the redeemed bond is exchanged).

“Reference Month” has the meaning given to that term in the 2008 ISDA Inflation Derivatives Definitions.

“Related Fund” in relation to a fund (the “first fund”), means a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an Affiliate of the investment manager or investment adviser of the first fund.

“Related Swap Agreement” means an agreement entered into by the Lender and a counterparty in the form of an ISDA Master Agreement, subject to any amendments and elections as may be agreed between the Lender and such counterparty, provided that such agreement incorporates without amendment and does not contain any provisions which conflicts with or overrides:

- (a) the definition of Settlement Amount and Unpaid Amount (in each case as defined in section 14 of the ISDA Master Agreement); and
- (b) section 6(e) (Payments of Early Termination) of the ISDA Master Agreement and, for such purposes, the application of Second Method and Market Quotation (in each case as defined in the ISDA Master Agreement),

and applies such provisions in the determination of amounts payable upon the occurrence of an Early Termination Date (as defined in section 14 of the ISDA Master Agreement).

“Related Swap Transaction” means any swap transaction entered into by the Lender under the Related Swap Agreement on or around the date of the Amendment and Restatement

Agreement in order to hedge its exposure to the Index in connection with this Agreement, provided that:

- (a) the confirmation in respect of such transaction incorporates without amendment or does not contain any provision which conflicts with or overrides the provisions of the 2008 ISDA Inflation Derivatives Definitions which are equivalent to the provisions of Clause 10.1 (Delay or Cessation of Publication) to Clause 10.4 (Manifest Error in Publication) (inclusive);
- (b) such Related Swap Agreement includes an additional termination event in respect of the Related Swap Transaction which would occur if a party to such swap agreement(s) (or an agent appointed for the purpose) were to determine that there is no appropriate alternative index in accordance with the provisions of such swap agreement(s) which are equivalent to paragraphs (d) to (g) of Clause 10.1 (Delay or Cessation of Publication); and
- (c) the notional amount in respect of such transaction shall not, in aggregate for all such agreements, exceed the amount of the Loan.

“Repeating Representations” means each of the representations and warranties set out in Clause 14.2 (Status) to Clause 14.8 (Financial statements) (inclusive), Clause 14.10 (Litigation), Clause 14.12 (Non-Violation of other Agreements) and Clause 14.13 (Governing Law and Enforcement).

“Representative” means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

“Request” has the meaning given to that term in paragraph 5(a) of Clause 5 (Drawdown).

“Sanctioned Person” means any Person who is: (a) as relevant, listed on and/or targeted by any Sanctions; (b) resident, operating, or organized under the laws of, a country or territory comprehensively subject to Sanctions; or (c) directly or indirectly owned or controlled by any such Person or Person(s).

“Sanctions” means any financial, economic or trade sanctions laws, regulations, rules, decisions, embargoes and/or restrictive measures imposed by the Government of Japan, the Government of the United States, the United Nations Security Council, the European Union or Her Majesty’s Treasury.

“Secretary of State” means the Secretary of State for Business, Energy and Industrial Strategy.

“Security Interest” means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having a similar effect.

“SONIA” means, on any day, the daily Sterling Overnight Index Average (SONIA) rate provided by the then current administrator of SONIA (being, as at the Effective Date, the Bank of England) to authorised distributors and as published by such distributors (either on such day or on the Business Day immediately following such day in accordance with then-current practice of authorised distributors) or, if such rate is not provided by the administrator of SONIA, or such rate is not published by such authorised distributors, the rate determined by the Lender (acting reasonably) to be equal to the average of the rates at which overnight deposits in Sterling are offered to prime banks in the London Interbank Market by the Reference Banks at 11.00a.m. on such day.

“Sterling” and “£” mean the lawful currency of the United Kingdom.

“Subordination Deed” means a document in the form set out in Schedule 4 (Form of Subordination Deed) duly completed and executed by the parties thereto.

“Subsidiary” means:

- (a) a subsidiary within the meaning of section 1159 of the Companies Act 2006; and
- (b) unless the context otherwise requires, a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006.

“Successor Index” has the meaning given to that term in Clause 10.1 (Delay or Cessation of Publication).

“Swap Break Costs” means the amount determined in accordance with paragraph (d) of Clause 20.1 (Indemnity).

“Tax” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty, or interest payable in connection with any failure to pay or any delay in paying any of the same).

“Tax Payment” means either an increase in a payment made by the Company to the Lender under Clause 9.2 (Tax gross-up) or a payment under Clause 9.3 (Tax indemnity).

“Transfer Certificate” means a certificate, substantially in the form of Schedule 2 (Form of Transfer Certificate), or any other form agreed between the Lender and the Company.

“Transfer Date” means, in relation to a transfer, the proposed Transfer Date specified in the relevant Transfer Certificate.

“UK” means the United Kingdom of Great Britain and Northern Ireland.

“UKRPI” has the meaning given to the term “GBP – Non-revised Retail Price Index (UKRPI)” in Annex A to the 2008 ISDA Inflation Derivatives Definitions.

“US” means the United States of America.

“VAT” means:

- (a) any tax charged in accordance with the UK Value Added Tax Act 1994, as may be amended or substituted from time to time;
- (b) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and
- (c) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (b) above, or imposed elsewhere.

1.2 Construction

(a) The following definitions have the meanings given to them in Clause 16 (Financial Covenants):

- (i) Cash;
- (ii) Cash Equivalent Investments;

- (iii) Consolidated EBITDA;
 - (iv) Interest Payable;
 - (v) Measurement Period;
 - (vi) Regulatory Asset Base; and
 - (vii) Total Net Debt.
- (b) In this Agreement, unless the contrary intention appears, a reference to:
- (i) an “amendment” includes a supplement, novation, restatement or re-enactment and “amended” will be construed accordingly;
 - (ii) “assets” includes present and future properties, revenues and rights of every description;
 - (iii) an “authorisation” includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration or notarisation;
 - (iv) “disposal” means a sale, transfer, grant, lease or other disposal, whether voluntary or involuntary, and dispose will be construed accordingly;
 - (v) “indebtedness” includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money;
 - (vi) “know your customer requirements” are the identification checks that a Lender requests in order to meet its obligations under any applicable law or regulation to identify a person who is (or is to become) its customer;
 - (vii) a “person” includes any individual, company, corporation, unincorporated association or body (including a partnership, trust, joint venture or consortium), government, state, agency, organisation or other entity whether or not having separate legal personality;
 - (viii) a “regulation” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, being of a type with which any person to which it applies is accustomed to comply) of any governmental, inter-governmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (ix) the “winding-up” of a person includes the administration, dissolution or liquidation or other like process of that person, any composition or arrangement with the creditors, amalgamation, reconstruction, reorganisation or consolidation pursuant to Part XXVI of the Companies Act 2006 proposed or carried out in respect of that person or a company voluntary arrangement pursuant to the Insolvency Act 1986 carried out or proposed in respect of that person;
 - (x) a currency is a reference to the lawful currency for the time being of the relevant country;
 - (xi) a Default (other than an Event of Default) being “outstanding” means that it has not been remedied or waived and an Event of Default being “outstanding” means that it has not been waived;

- (xii) a provision of law is a reference to that provision as extended, applied, amended or re-enacted from time to time and includes any subordinate legislation;
 - (xiii) a Clause, a Subclause, a paragraph or a Schedule is a reference to a clause, subclause or paragraph of, or a schedule to, this Agreement;
 - (xiv) a person includes its successors in title, permitted assigns and permitted transferees;
 - (xv) a Finance Document or another document is a reference to that Finance Document or other document as amended;
 - (xvi) a time of day is a reference to London time; and
 - (xvii) a reference to “the date of this Agreement” is a reference to the original date of this Agreement, being 24 May 2016.
- (c) Unless the contrary intention appears, a reference to a “month” or “months” is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month or the calendar month in which it is to end, except that:
- (i) if the numerically corresponding day is not a Business Day, the period will end on the next Business Day in that month (if there is one) or the preceding Business Day (if there is not);
 - (ii) if there is no numerically corresponding day in that month, that period will end on the last Business Day in that month; and
 - (iii) notwithstanding paragraph (c)(i) above, a period which commences on the last Business Day of a month will end on the last Business Day in the next month or the calendar month in which it is to end, as appropriate.
- (d) Unless expressly provided to the contrary in a Finance Document, a person who is not a party to a Finance Document has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement and notwithstanding any term of any Finance Document, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.
- (e) Unless the contrary intention appears:
- (i) a reference to a Party will not include that Party if it has ceased to be a Party under this Agreement;
 - (ii) a word or expression used in any other Finance Document or in any notice given in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement; and
 - (iii) any obligation of the Company under the Finance Documents which is not a payment obligation remains in force for so long as any payment obligation of the Company is or may be outstanding under the Finance Documents.
- (f) The headings in this Agreement do not affect its interpretation.

2. THE FACILITY

2.1 The Loan

Subject to the terms of this Agreement, the Lender agrees to make available to the Company a committed term loan in Sterling in an amount equal to the Commitment in one advance only.

2.2 Availability

The Loan may not be made at any time after close of business on the Drawdown Date.

3. PURPOSE

3.1 Purpose

The Company shall apply the proceeds of the Loan towards the general corporate purposes of the Group and in compliance with the Licence.

3.2 No obligation to monitor

Without affecting the obligations of the Company in any way, the Lender is not bound to monitor or verify the application of the proceeds of the Loan.

4. CONDITIONS PRECEDENT

4.1 Conditions Precedent Documents

The Lender will only be obliged to comply with paragraph 5(b) of Clause 5 (Drawdown) if, on or before the date of this Agreement, it has received all of the documents and evidence set out in Schedule 1 (Conditions Precedent Documents) in form and substance satisfactory to it, unless it has waived its entitlement to do so. The Lender shall notify the Company promptly upon being so satisfied.

4.2 Further conditions precedent

The Loan shall not be advanced under this Agreement unless on both the date of the Request and the Drawdown Date:

- (a) the Repeating Representations are correct in all material respects; and
- (b) no Default is outstanding or would result from the Loan.

5. DRAWDOWN

(a) On the date of this Agreement, the Company shall be deemed to have made an irrevocable request (the "Request") to the Lender to borrow the Loan on the following terms:

- (i) the proposed drawdown date will be the Drawdown Date;
- (ii) the amount requested will be equal to the Commitment;
- (iii) the first Interest Period complies with Clause 8.3 (Interest Periods) and the first Interest Period will end on 30 November 2016; and
- (iv) the Company's payment instructions are:

Western Power Distribution (East Midlands) plc
HSBC Bank plc
Account number 32676133
Sort Code 40-14-13.

- (b) The Lender shall, subject to the terms of this Agreement, be obliged, through its Facility Office, to make the Loan available to the Company for value on the Drawdown Date.

6. REPAYMENT

Repayment

- (a) The Company must repay the Loan to the Lender in full on the Final Maturity Date.
- (b) No amount of the Loan, once repaid or prepaid, may be re-borrowed.

7. PREPAYMENT AND CANCELLATION

7.1 Mandatory prepayment

- (a) The Lender must notify the Company promptly if:
 - (i) it becomes aware that it is unlawful in any jurisdiction for it to perform any of its obligations under a Finance Document or to fund or maintain the Loan; or
 - (ii) a Mandatory Prepayment Event occurs under Clause 10.1 (Delay or Cessation of Publication).
- (b) After notification under paragraph (a) above:
 - (i) the Company must repay or prepay the Loan together with all other amounts payable by it under this Agreement on the date specified in paragraph (c) below; and
 - (ii) the Commitment will be immediately cancelled.
- (c) The date for repayment or prepayment of the Loan will be:
 - (i) the last day of the then current Interest Period in respect of the Loan; or
 - (ii) if later, the latest date allowed by the relevant law.
- (d) Clause 20 (Indemnity) applies to any prepayment under this Clause.

7.2 Voluntary prepayment

Without prejudice to Clause 20 (Indemnity), the Company may, if it gives the Lender not less than 15 Business Days' (or such shorter period as the Lender may agree) prior notice, prepay the whole (but not part) of the Loan plus any accrued but unpaid interest.

7.3 Tax and increased costs

- (a) If the Company is, or will be required to pay to the Lender a Tax Payment or an Increased Cost, the Company may, while the requirement continues, give notice to the Lender requesting prepayment of the Loan.

- (b) After notification under paragraph (a) above, the Company must repay or prepay the Loan made to it on the date specified in paragraph (c) below.
- (c) The date for repayment or prepayment of the Loan then outstanding will be the next occurring Interest Payment Date or, if earlier, the date specified by the Company in its notification.

7.4 Miscellaneous provisions

- (a) Any notice of prepayment and/or cancellation under this Agreement is irrevocable and must specify the relevant date(s).
- (b) All prepayments under this Agreement must be made together with accrued interest up to and including the date of prepayment on the amount prepaid and any other amounts due under this Agreement in respect of that prepayment (including, but not limited to, any amounts payable under Clause 20 (Indemnity)) without penalty or premium.
- (c) No prepayment or cancellation is allowed except in accordance with the express terms of this Agreement.
- (d) No amount of the Commitment cancelled under this Agreement may subsequently be reinstated.

8. INTEREST

8.1 Calculation of interest

- (a) The amount of interest payable in respect of any Interest Period shall be the Interest Payment Amount.
- (b) In this Clause 8 (Interest), "Interest Payment Amount" means, for each Interest Period:
 - (i) the Commitment; multiplied by
 - (ii) the Index Ratio; multiplied by
 - (iii) the Fixed Rate; multiplied by
 - (iv) the actual number of days in the relevant Interest Period in respect of which payment is being made divided by 365,rounded to five decimal places.

8.2 Payment of interest

Except where it is provided to the contrary in this Agreement, each Interest Payment Amount is payable by the Company on each Interest Payment Date.

8.3 Interest Periods

- (a) The term of the Loan is divided into successive Interest Periods ending on 30 September and 31 March in each calendar year or such other period as the Parties may agree from time to time (each, an "Interest Period") for the calculation of interest.

- (b) An Interest Period for the Loan shall not extend beyond the Final Maturity Date.
- (c) Each Interest Period and each Interest Payment Date shall be subject to adjustment in accordance with Clause 13.5 (Business Days) except that the final Interest Payment Date shall fall on the Final Maturity Date or on the Business Day immediately preceding the Final Maturity Date if the Final Maturity Date is not a Business Day.

8.4 Interest on overdue amounts

- (a) If the Company fails to pay any amount payable by it under this Agreement (an “overdue amount”), it must promptly on demand by the Lender pay default interest on the overdue amount from the due date up to the date of actual payment, both before, on and after judgment, at a rate (the “Default Rate”) which, subject to paragraph (b) below, is 1% per annum above SONIA, as if the overdue amount had, during such period of non-payment, constituted a Loan for such successive Interest Periods of such duration as the Lender may determine (each a “Default Term”).
- (b) If the overdue amount consists of all or part of the Loan and becomes due and payable on a day which was not the last day of an Interest Period relating to the Loan, then:
 - (i) the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the then current Interest Period relating to the Loan (if any); and
 - (ii) the rate of interest applying to the overdue amount during the first Interest Period shall be 1% above the rate which would have applied if the overdue amount had not become due.
- (c) The Default Rate will be determined on the first day of, or two Business Days before the first day of, the relevant Default Term, as appropriate.
- (d) Default interest (if unpaid) on an overdue amount will be compounded with that overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

8.5 Notification of rates of interest

The Lender must promptly and, in respect of amounts to be paid on each Interest Payment Date, within one Business Day of the relevant Rate Fixing Day, notify the Company of each amount of interest payable by it under this Agreement (together with reasonable details thereof).

9. TAX GROSS-UP AND INDEMNITIES

9.1 Definitions

- (a) In this Agreement:
 - “Qualifying Lender” means:
 - (i) a Lender (other than a Lender within paragraph (ii) below) which is beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document and is:
 - (A) a Lender

- (1) which is a bank (as defined for the purpose of section 879 of ITA) making an advance under a Finance Document and which is within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance or would be within such charge as respects such payments apart from section 18A of the CTA; or
 - (2) in respect of an advance made under a Finance Document by a person that was a bank (as defined for the purpose of section 879 of ITA) at the time that that advance was made and which is within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance; or
- (B) a Lender which is:
- (1) a company resident in the United Kingdom for United Kingdom tax purposes;
 - (2) a partnership each member of which is:
 - (aa) a company so resident in the United Kingdom; or
 - (bb) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or
 - (3) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company; or
- (C) a Treaty Lender; or
- (ii) a Lender which is a building society (as defined for the purpose of section 880 of ITA) making an advance under a Finance Document.

“Tax Confirmation” means a confirmation by a Lender that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either:

- (iii) a company resident in the United Kingdom for United Kingdom tax purposes;
- (iv) a partnership each member of which is:
 - (A) a company so resident in the United Kingdom; or
 - (B) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within

the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or

- (v) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.

“Tax Credit” means a credit against, relief or remission for, or repayment of any Tax.

“Tax Deduction” means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

“Treaty Lender” means a Lender which:

- (vi) is treated as a resident of a Treaty State for the purposes of the Treaty;
- (vii) does not carry on a business in the United Kingdom through a permanent establishment with which that Lender’s participation in the Loan is effectively connected; and
- (viii) meets all other conditions which must be met under the Treaty for residents of such Treaty State to obtain full exemption from tax on interest imposed by the United Kingdom, except that for this purpose it shall be assumed that the following are satisfied:
 - (A) any condition which relates (expressly or by implication) to the amounts or terms of any Loan or the Finance Documents or any condition which relates (expressly or by implication) to there not being a special relationship between the Company and the Lender or between them both and another person; and
 - (B) any necessary procedural formality.

“Treaty State” means a jurisdiction having a double taxation agreement (a “Treaty”) with the United Kingdom which makes provision for full exemption from tax imposed by the United Kingdom on interest.

“UK Non-Bank Lender” means:

- (i) MUFG Bank, Ltd.; and
 - (ii) where a Lender becomes a Party after the day on which this Agreement is entered into, a Lender which gives a Tax Confirmation in the assignment agreement or Transfer Certificate which it executes on becoming a Party.
- (b) Unless a contrary indication appears, in this Clause 9 a reference to “determines” or “determined” means a determination made in the absolute discretion of the person making the determination.

9.2 Tax gross-up

- (a) The Company shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.

- (b) The Company shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Lender accordingly. Similarly, the Lender shall notify the Company on becoming so aware in respect of a payment payable to that Lender.
- (c) If a Tax Deduction is required by law to be made by the Company, the amount of the payment due from the Company shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- (d) A payment shall not be increased under paragraph (c) above by reason of a Tax Deduction on account of Tax imposed by the United Kingdom, if on the date on which the payment falls due:
 - (i) the payment could have been made to the Lender without a Tax Deduction if the Lender had been a Qualifying Lender, but on that date the Lender is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became the Lender under this Agreement in (or in the interpretation, administration, or application of) any law or Treaty, or any published practice or published concession of any relevant taxing authority; or
 - (ii) the Lender is a Qualifying Lender solely by virtue of paragraph (i)(B) of the definition of Qualifying Lender and:
 - (A) an officer of HM Revenue & Customs has given (and not revoked) a direction (a "Direction") under section 931 of the ITA which relates to the payment and the Lender has received from the Company a certified copy of that Direction; and
 - (B) the payment could have been made to the Lender without any Tax Deduction if that Direction had not been made; or
 - (iii) the Lender is a Qualifying Lender solely by virtue of paragraph (i)(B) of the definition of Qualifying Lender and:
 - (A) the Lender has not given a Tax Confirmation to the Company; and
 - (B) the payment could have been made to the Lender without any Tax Deduction if the Lender had given a Tax Confirmation to the Company on the basis that the Tax Confirmation would have enabled the Company to have formed a reasonable belief that the payment was an "excepted payment" for the purpose of section 930 of the ITA; or
 - (iv) the Lender is a Treaty Lender and the Company making the payment is able to demonstrate that the payment could have been made to the Lender without the Tax Deduction had that Lender complied with its obligations under paragraph (g) below.
- (e) If the Company is required to make a Tax Deduction, the Company shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (f) Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Company shall deliver to the Lender a statement under Section 975 of the ITA, or other evidence reasonably satisfactory to

the Lender that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

- (g)
 - (i) Subject to paragraph (ii) below, a Treaty Lender and the Company which makes a payment to which that Treaty Lender is entitled shall co-operate in completing any procedural formalities necessary for that Company to obtain authorisation to make that payment without a Tax Deduction.
 - (ii) Nothing in paragraph (i) above shall require a Treaty Lender to:
 - (A) register under the HMRC DT Treaty Passport scheme;
 - (B) apply the HMRC DT Treaty Passport scheme to any Loan if it has so registered; or
 - (C) file Treaty forms if it has included an indication to the effect that it wishes the HMRC DT Treaty Passport scheme to apply to this Agreement in accordance with paragraph (a) of Clause 9.5 (HMRC DT Treaty Passport scheme confirmation) and the Company making that payment has not complied with its obligations under paragraph (b) of Clause 9.5 (HMRC DT Treaty Passport scheme confirmation).
- (h) A UK Non-Bank Lender which becomes a Party on the day on which this Agreement is entered into gives a Tax Confirmation to the Company by entering into this Agreement.
- (i) A UK Non-Bank Lender shall promptly notify the Company if there is any change in the position from that set out in the Tax Confirmation.
- (j) Any Lender which has confirmed that it is entitled to use its DT Treaty Passport in accordance with paragraph (a) of Clause 9.5 will reasonably promptly notify the Company if at any time it ceases to hold a passport under the HMRC DT Treaty Passport scheme or if it ceases to be able to use such passport as a Lender.
- (k) If a Lender has not included an indication to the effect that it wishes the HMRC DT Treaty Passport scheme to apply to this Agreement in accordance with paragraph (a) of Clause 9.5 (HMRC DT Treaty Passport scheme confirmation), the Company shall not file any form relating to the HMRC DT Treaty Passport scheme in respect of that Lender's Commitment or its participation in any Loan.

9.3 Tax indemnity

- (a) Except as provided below, the Company must, within three Business Days of demand, indemnify the Lender against any loss or liability which the Lender (in its absolute discretion) determines will be or has been suffered (directly or indirectly) by the Lender for or on account of Tax in relation to a payment received or receivable (or any payment deemed for the purposes of Tax to be received or receivable) under a Finance Document.
- (b) Paragraph (a) above does not apply to any Tax assessed on the Lender under the laws of the jurisdiction in which:
 - (i) the Lender is incorporated or, if different, the jurisdiction (or jurisdictions) in which the Lender is treated as resident for tax purposes; or

- (ii) the Lender's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable by the Lender. However, any payment deemed to be received or receivable, including any amount treated as income but not actually received by the Lender, such as a Tax Deduction, will not be treated as net income received or receivable for this purpose.

- (c) Paragraph (a) above does not apply to any Tax assessed on the Lender to the extent the loss or liability:
 - (i) is compensated for by an increased payment under Clause 9.2 (Tax gross-up);
 - (ii) would have been compensated for by an increased payment under Clause 9.2 (Tax gross-up) but was not so compensated solely because one of the exclusions in Clause 9.2 (Tax gross-up) applied;
 - (iii) relates to a FATCA Deduction required to be made by a Party; or
 - (iv) attributable to any Bank Levy (or any payment attributable to, or liability arising as a consequence of, a Bank Levy).
- (d) If the Lender makes or intends to make a claim under paragraph (a) above, it must promptly notify the Company of the event which will give, or has given, rise to the claim.

9.4 Tax Credit

If the Company makes a Tax Payment and the Lender determines (acting reasonably) that:

- (a) Tax Credit is attributable to an increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required; and
- (b) that Lender has obtained and utilised that Tax Credit,

the Lender must pay an amount to the Company which the Lender determines (in its discretion, acting reasonably) will leave it (after that payment) in the same after-Tax position as it would have been in if the Tax Payment had not been required to be made by the Company. The Lender shall take those steps it considers in its opinion reasonable to seek and claim any tax credit.

9.5 HMRC DT Treaty Passport scheme confirmation

- (a) A New Lender that is a Treaty Lender that holds a passport under the HMRC DT Treaty Passport scheme, and which wishes that scheme to apply to this Agreement, shall include an indication to that effect (without liability to the Company) in the Transfer Certificate which it executes by including its scheme reference number and its jurisdiction of tax residence in that Transfer Certificate.
- (b) Where a New Lender includes the indication described in paragraph (a) above of Clause 9.5 in the relevant Transfer Certificate the Company shall file a duly completed form DTTP2 in respect of such Lender with HM Revenue & Customs within 30 days of the date of that Transfer Certificate and shall promptly provide the Lender with a copy of that filing.

9.6 Lender Status Confirmation

- (a) Each Lender which becomes a Party to this Agreement after the date of this Agreement shall indicate (without liability to the Company), in the assignment agreement or Transfer Certificate which it executes on becoming a Party which of the following categories it falls in:
 - (i) not a Qualifying Lender;
 - (ii) a Qualifying Lender (other than a Treaty Lender); or
 - (iii) a Treaty Lender.
- (b) If such a Lender fails to indicate its status in accordance with this Clause 9.6 then such Lender shall be treated for the purposes of this Agreement as if it is not a Qualifying Lender until such time as it notifies the Company which category applies. For the avoidance of doubt, an assignment agreement or Transfer Certificate shall not be invalidated by any failure of a Lender to comply with this Clause 9.6.

9.7 Stamp taxes

The Company shall pay and, within three Business Days of demand, indemnify the Lender against any cost, loss or liability the Lender incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document, except for any such Tax payable in respect of a Transfer Certificate or other transfer or disposal of the Lender's rights or obligations under a Finance Document.

9.8 VAT

- (a) All amounts set out, or expressed in a Finance Document to be payable by any Party to the Lender which (in whole or in part) constitute the consideration for a supply or supplies for VAT purposes shall be deemed to be exclusive of any VAT which is chargeable on such supply or supplies, and accordingly, if VAT is or becomes chargeable on any supply made by the Lender to any Party under a Finance Document, and such Lender is required to account to the relevant tax authority for the VAT, that Party shall pay to the Lender (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of such VAT (and the Lender shall promptly provide an appropriate VAT invoice to such Party).
- (b) Where a Finance Document requires any Party to reimburse or indemnify the Lender for any cost or expense, that Party shall reimburse or indemnify (as the case may be) the Lender for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that the Lender reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority.
- (c) Any reference in this Clause 9.8 to any Party shall, at any time when such Party is treated as a member of a group for VAT purposes, include (where appropriate and unless the context otherwise requires) a reference to the representative member of such group at such time (the term "representative member" to have the same meaning as in the Value Added Tax Act 1994).

9.9 FATCA Information

- (a) Subject to paragraph (c) below, each Party shall, within ten Business Days of a reasonable request by another Party:
 - (i) confirm to that other Party whether it is:

- (A) a FATCA Exempt Party; or
- (B) not a FATCA Exempt Party; and
- (ii) supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA;
- (iii) supply to that other Party such forms, documentation and other information relating to its status as that other Party reasonably requests for the purposes of that other Party's compliance with any other law, regulation, or exchange of information regime.
- (b) If a Party confirms to another Party pursuant to paragraph (a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.
- (c) Paragraph (a) above shall not oblige the Lender to do anything, and paragraph (a)(iii) above shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of:
 - (i) any law or regulation;
 - (ii) any fiduciary duty; or
 - (iii) any duty of confidentiality.
- (d) If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with paragraph (a)(i) or (a)(ii) above (including, for the avoidance of doubt, where paragraph (c) above applies), then such Party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides the requested confirmation, forms, documentation or other information.

9.10 FATCA Deduction

- (a) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction, or otherwise compensate the recipient of the payment for that FATCA Deduction.
- (b) Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction), notify the Party to whom it is making the payment.

10. INDEXATION

10.1 Delay or Cessation of Publication

- (a) If, by the Rate Fixing Day for the relevant Interest Period, the Index Figure for a Reference Month required for the calculation of a payment under this Agreement has not been published or announced by the Index Sponsor, then the Lender shall promptly give notice to the Company stating that such event has occurred and shall

determine the Index Figure applicable for such purposes (the “Substitute Index Figure”) by using the following methodology:

- (i) if applicable, the Lender will take the same action to determine the Substitute Index Figure as that taken by the calculation agent pursuant to the terms and conditions of the Reference Gilt; or
- (ii) if no such Substitute Index Figure is determined pursuant to paragraph (a)(i) above, then the Lender shall determine the Substitute Index Figure as follows:

$$\text{Substitute Index Figure} = \text{Base Level} \times (\text{Latest Level} / \text{Reference Level})$$

where:

“Base Level” means the Index Figure (excluding any “flash” estimates) published or announced by the Index Sponsor for the month falling 12 (twelve) calendar months prior to the month in respect of which the Substitute Index Figure is being determined;

“Latest Level” means the latest Index Figure (excluding any “flash” estimates) published or announced by the Index Sponsor prior to the month in respect of which the Substitute Index Figure is being calculated; and

“Reference Level” means the Index Figure (excluding any “flash” estimates) for the month falling 12 (twelve) calendar months prior to the month referred to in the definition of “Latest Level” above.

- (b) If an Index Figure is published or announced at any time after the Rate Fixing Day, such Index Figure will not be used in any calculations. The Substitute Index Figure so determined pursuant to this Clause 10.1, will be the definitive level for that Reference Month.
- (c) If the Index has not been published or announced for two consecutive months or the Index Sponsor announces that it will no longer continue to publish or announce the Index, then the Lender shall promptly give notice to the Company stating that such event has occurred and shall determine an appropriate successor index (a “Successor Index”) (in lieu of any previously applicable Index) in accordance with the following paragraphs of this Clause 10.1. The determination of any Successor Index, and any such adjustment, shall take effect as of a date decided by the Lender.
- (d) If at any time (other than after a Mandatory Prepayment Event has occurred pursuant to paragraph (h) below) a successor index has been designated for the purposes of the Reference Gilt, such successor index shall be the “Successor Index” in respect of the Loan, notwithstanding that any other Successor Index may previously have been determined under paragraphs (e), (f) or (g) below.
- (e) If a Successor Index has not been determined under paragraph (d) above (and a Mandatory Prepayment Event has not occurred pursuant to paragraph (h) below) and a notice has been given or an announcement has been made by the Index Sponsor specifying that the Index will be superseded by a replacement Index specified by the Index Sponsor, and the Lender determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Index, such replacement index shall be the “Successor Index”.

- (f) If a Successor Index has not been determined under paragraph (d) or (e) above (and a Mandatory Prepayment Event has not occurred pursuant to paragraph (h) below) and a replacement index has been determined under the Related Swap Agreement, such replacement index shall be the “Successor Index”.
- (g) If, by the fifth Business Day prior to the next Interest Payment Date which would be affected by the failure to determine a Successor Index, a Successor Index has not been determined under paragraphs (d), (e) or (f) above, the Lender shall select a “Successor Index”, taking into account the practice in the market for swaps linked to the Index.
- (h) If the Lender determines that there is no appropriate Successor Index, then a “Mandatory Prepayment Event” will be deemed to have occurred.

10.2 Rebasing of the Index

If the Lender determines that the Index has been or will be rebased at any time, the Index as so rebased (the “Rebased Index”) will be used for the purposes of determining the level of an Index from the date of such rebasing, provided however, that the Lender shall make such adjustments as are made by the calculation agent pursuant to the terms and conditions of the Reference Gilt, if any, to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Index before it was rebased. Any such rebasing shall not affect any prior payments made under the Loan.

10.3 Material Modification Prior to an Interest Payment Date

If the Index Sponsor announces that it will make a material change to the Index, then the Lender shall make any such adjustments to the Index consistent with adjustments made to the Reference Gilt. Any change announced by the Index Sponsor later than five Business Days prior to the date on which any payment is due hereunder shall be disregarded for the purposes of that payment.

10.4 Manifest Error in Publication

If, within 30 days of publication, the Lender determines that the Index Sponsor has corrected the level of the Index to remedy a manifest error in its original publication, the Lender will:

- (a) notify the Company of that correction;
- (b) notify the Company of the amount which is payable by the Company or to be refunded to the Company as a result of that correction; and
- (c) take such other action as it may deem necessary to give effect to such correction.

provided that any amount payable pursuant to paragraph (b) above shall be paid or refunded, as applicable (with no interest accruing thereon):

- (i) in connection with an Index Sponsor’s correction to remedy a manifest error in the level of an Index for a Reference Month for which the scheduled Interest Payment Date has occurred, within five Business Days after notice by the Lender of such amount payable by the Lender;
- (ii) in connection with an Index Sponsor’s correction to remedy a manifest error in the level of an Index for a Reference Month for which the scheduled Interest Payment Date has not occurred, as an adjustment to the payment obligation on the next scheduled Interest Payment Date; or

- (iii) if there is no further scheduled Interest Payment Date, within five Business Days after notice of such amount payable by the Lender.

10.5 Correction of the Index

To the extent that the Index Sponsor has corrected the level of the Index in the period from the Final Maturity Date until the date ending three months after the Final Maturity Date, the terms of paragraphs (b) and (c) of Clause 10.4 shall apply and the relevant Party shall, within five Business Days of the notice given by the Lender pursuant to paragraph (b) above of Clause 10.4, make such payments to the other as may be required to put them in the position they would have been in had the corrected Index originally been published.

11. INCREASED COSTS

11.1 Increased Costs

Except as provided below in this Clause, the Company must, within 5 Business Days of demand by the Lender, pay to the Lender the amount of any Increased Cost incurred by the Lender or any of its Affiliates as a result of:

- (a) the introduction of, or any change in, or any change in the interpretation or application of, any law or regulation;
- (b) compliance with any law or regulation made after the date of this Agreement provided that for the purposes of this Agreement and any other Finance Document, Dodd-Frank shall be deemed to be a law or regulation made after the date of this Agreement; or
- (c) the implementation or application of, or compliance with, Basel III or CRD IV or any law or regulation that implements or applies Basel III or CRD IV.

11.2 Exceptions

The Company need not make any payment for an Increased Cost to the extent that the Increased Cost is:

- (a) compensated for under Clause 9.3 (Tax indemnity) or would have been but for an exception to that Clause;
- (b) attributable to a Tax Deduction (as defined in Clause 9.1 (Definitions)) required by law to be made by the Company;
- (c) a Tax on the overall net income of the Lender or any of its Affiliates;
- (d) attributable to a FATCA Deduction required to be made by a Party;
- (e) attributable to any Bank Levy (or any payment attributable to, or liability arising as a consequence of, a Bank Levy);
- (f) attributable to the Lender or its Affiliate wilfully failing to comply with any law or regulation;
- (g) attributable to the implementation or application of or compliance with the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" published by the Basel Committee in June 2004 in the form existing on the date of this Agreement (but excluding any amendment arising out of Basel III) ("Basel II") or any other law or regulation which implements Basel II (whether such

implementation, application or compliance is by a government, regulator, the Lender or any of its Affiliates);

- (h) attributable to Basel III or CRD IV (or any other law or regulation which implements Basel III or CRD IV) where the Lender was or reasonably should have been able to calculate that Increased Cost on the date of this Agreement; or
- (i) not notified by the Lender to the Company within three Months of the Lender becoming aware of such Increased Cost.

11.3 Claims

If the Lender intends to make a claim for an Increased Cost, it must notify the Company promptly of the circumstances giving rise to, and the amount of, the claim.

12. MITIGATION

12.1 Mitigation

- (a) The Lender must, in consultation with the Company, take all reasonable steps to mitigate any circumstances which arise and which result or would result in the Loan ceasing to be available or:
 - (i) any Tax Payment or Increased Cost being payable to the Lender;
 - (ii) the Lender being able to exercise any right of prepayment and/or cancellation under this Agreement by reason of any illegality; or
 - (iii) the Lender incurring any cost of complying with the minimum reserve requirements of the European Central Bank,

including transferring its rights and obligations under the Finance Documents to an Affiliate or changing its Facility Office.
- (b) The Lender is not obliged to take any step under this Clause 12 if, in the opinion of the Lender (acting reasonably), to do so might be prejudicial to it.
- (c) The Lender must promptly notify the Company of any circumstances as described in paragraphs (a)(i) to (a)(iii) of this Clause 12.1.
- (d) The Company must indemnify the Lender for all costs and expenses reasonably incurred by it as a result of any step taken under this Clause 12.1.
- (e) This Clause does not in any way limit the obligations of the Company under the Finance Documents.

12.2 Conduct of business by the Lender

No term of this Agreement will:

- (a) interfere with the right of the Lender to arrange its affairs (Tax or otherwise) in whatever manner it thinks fit or oblige the Lender to investigate or claim any Tax Credit; or
- (b) oblige the Lender to disclose any information relating to its affairs (Tax or otherwise) or any computation in respect of Tax.

13. PAYMENTS

13.1 Place

All payments by the Company under the Finance Documents must be made to the Lender to its account at such office or bank in London as the Lender may notify to the Company for this purpose and by not less than five Business Days' prior notice.

13.2 Funds

Payments under the Finance Documents to the Lender must be made for value on the due date at such times and in such funds as the Lender may specify to the Company as being customary at the time for the settlement of transactions in the relevant currency in the place of payment.

13.3 Currency of account

Each amount payable under the Finance Documents is payable in Sterling.

13.4 No set-off or counterclaim

All payments made by the Company under the Finance Documents must be made without set-off or counterclaim.

13.5 Business Days

- (a) If a payment under the Finance Documents is due on a day which is not a Business Day, the due date for that payment will instead be the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal (or overdue amount) under this Agreement interest is payable on that principal (or overdue amount) at the rate payable on the original due date.

13.6 Partial payments

- (a) If the Lender receives a payment insufficient to discharge all the amounts then due and payable by the Company under this Agreement, the Lender shall apply that payment towards the obligations of the Company under the Finance Documents in any order selected by the Lender.
- (b) This Clause will override any appropriation made by the Company.

13.7 Timing of payments

If a Finance Document does not provide for when a particular payment is due to the Lender, that payment will be due within three Business Days of demand by the Lender.

14. REPRESENTATIONS

14.1 Representations

The representations set out in this Clause are made by the Company to the Lender on the date of this Agreement.

14.2 Status

It is a limited liability company, duly incorporated and validly existing under the Companies Act 2006 in England and Wales.

14.3 Powers and authority

It has the power to enter into and perform, and has taken all necessary action to authorise the entry into and performance of, the Finance Documents to which it is or will be a party and the transactions contemplated by those Finance Documents.

14.4 Legal validity

Subject to the Legal Reservations, each Finance Document to which it is a party is its legally binding, valid and enforceable obligation.

14.5 Non-conflict

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not conflict with any borrowing or other power or restriction granted or imposed by:

- (a) any law or regulation applicable to it and violation of which has or is likely to have a Material Adverse Effect; or
- (b) its constitutional documents.

14.6 No default

- (a) No Event of Default is outstanding or might reasonably be expected to result from the making of the Loan.
- (b) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which might have a Material Adverse Effect.

14.7 Authorisations

All authorisations required by it (including any authorisations required under PUHCA or the Act, if any):

- (a) in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by, the Finance Documents; and
 - (b) to make the Finance Documents admissible in evidence in England and Wales,
- have been obtained or effected (as appropriate) and are in full force and effect.

14.8 Financial statements

Its audited consolidated financial statements most recently delivered to the Lender (which, at the Effective Date, are the audited consolidated financial statements for the year ended 31 March 2020):

- (a) have been prepared in accordance with accounting principles and practices generally accepted in its jurisdiction of incorporation, consistently applied; and

- (b) fairly present its consolidated financial condition as at the date to which they were drawn up,

except, in each case, as disclosed to the contrary in those financial statements.

14.9 No material adverse change

Other than as disclosed in writing to the Lender prior to the Effective Date, there has been no material adverse change in its consolidated financial condition since the date to which audited financial consolidated statements most recently delivered to the Lender (which, at the Effective Date, are the audited consolidated financial statements for the year ended 31 March 2020), were drawn up.

14.10 Litigation

No litigation, arbitration or administrative proceedings are current or, to its knowledge, pending or threatened which are reasonably likely to be adversely determined and, if adversely determined, could reasonably be expected to have a Material Adverse Effect.

14.11 Winding Up

No meeting has been convened for its winding-up and, so far as it is aware, no petition, application or the like is outstanding for its winding-up.

14.12 Non-Violation of other Agreements

Its entry into, exercise of its rights and/or performance of or compliance with its obligations under this Agreement do not and will not violate, to an extent or in a manner which has or is likely to have a Material Adverse Effect on it, any agreement to which it is a party or which is binding on it.

14.13 Governing Law and Enforcement

- (a) The choice of English law as the governing law of the Finance Documents will be recognised and enforced in its jurisdiction of incorporation.
- (b) Any judgement obtained in England in relation to a Finance Document will be recognised and enforced in its jurisdiction of incorporation.

14.14 Deduction of Tax

It is not required to make any deduction for or on account of Tax from any payment it may make under any Finance Document to the Lender if the Lender is:

- (a) a Qualifying Lender:
 - (i) falling within paragraph (i)(A) of the definition of Qualifying Lender; or
 - (ii) except where a Direction has been given under section 931 of the ITA in relation to the payment concerned, falling within paragraph (i)(B) of the definition of Qualifying Lender; or
 - (iii) falling within paragraph (ii) of the definition of Qualifying Lender or;
- (b) a Treaty Lender and the payment is one specified in a direction given by the Commissioners of Revenue & Customs under Regulation 2 of the Double Taxation Relief (Taxes on Income) (General) Regulations 1970 (SI 1970/488).

14.15 No filing or stamp taxes

Under the law of its jurisdiction of incorporation it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents (which for these purposes does not include a Transfer Certificate or other transfer or disposal of the Lender's rights or obligations under a Finance Document) or the transactions contemplated by the Finance Documents.

14.16 No misleading information

Save as disclosed in writing to the Lender prior to the Effective Date:

- (a) any written factual information provided by any member of the Group or on its behalf was true and accurate in all material respects as at the date of the relevant report or document or as at the date (if any) at which it is stated to be given;
- (b) the financial projections provided have been prepared on the basis of recent historical information and on the basis of reasonable assumptions as at the date provided; and
- (c) no event or circumstance has occurred or arisen and no information has been given or withheld that results in the information, opinions, intentions, forecasts or projections contained in such written information being untrue or misleading in any material respect.

14.17 Pari Passu ranking

Its payment obligations under the Finance Documents rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

14.18 Licence

The Licence is in full force and effect and there is no investigation or proceeding current, pending or threatened which could, if adversely determined, result in the termination of the Licence.

14.19 Sanctions

No member of the Group or, to the knowledge of the Company, any director, officer, employee, agent or representative of any member of the Group, is a Sanctioned Person, nor is any member of the Group located, organized or resident in a country or territory that is the subject of country-wide or territory-wide Sanctions. The Company represents for itself and on behalf of other members of the Group that no member of the Group will, directly or indirectly, use the proceeds of the transaction, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person who is a Sanctioned Person, to fund any activities of or business with any such Sanctioned Person, or in Syria, Cuba, Iran, North Korea, Sudan or in any other country or territory, that, at the time of such funding, is the subject of country-wide or territory-wide Sanctions, or in any other manner that will result in a violation by any such Sanctioned Person (including any Person participating in the transaction, whether as underwriter, advisor, investor or otherwise).

14.20 Anti-Corruption

Each member of the Group has conducted its business in compliance with applicable anti-corruption laws and has instituted and maintained policies and procedures designed to promote and achieve compliance by that member of the Group with such laws.

14.21 Times for making representations

- (a) The representations set out in this Clause are made by the Company on the date of this Agreement and the Effective Date.
- (b) The Repeating Representations are deemed to be repeated by the Company on the first date of each Interest Period.
- (c) When a representation is repeated, it is applied to the circumstances existing at the time of repetition.

15. INFORMATION COVENANTS

15.1 Financial statements

- (a) The Company must supply to the Lender:
 - (i) its audited consolidated financial statements for each of its financial years; and
 - (ii) its interim consolidated financial statements for the first half-year of each of its financial years.
- (b) All financial statements must be supplied as soon as they are available and:
 - (i) in the case of the Company's audited consolidated financial statements, within 180 days; and
 - (ii) in the case of the Company's interim financial statements, within 90 days, of the end of the relevant financial period.

15.2 Form of Financial Statement

If any financial statement delivered or to be delivered to the Lender under Clause 15.1 is not to be or, as the case may be, has not been prepared in accordance with Applicable Accounting Principles:

- (a) if either Party so requests, the Parties shall negotiate in good faith with a view to agreeing such amendments to the financial ratios and/or the definitions of the terms used in Clause 16 (Financial Covenants) as are necessary to give the Lender comparable protection to that contemplated at the date of this Agreement;
- (b) if amendments are agreed by the Parties within 25 days, those amendments shall take effect in accordance with the terms of that agreement; and
- (c) if such amendments are not so agreed within 25 days, the Company shall:
 - (i) within 30 days after the end of that 25 day period; and
 - (ii) with all subsequent financial statements to be delivered to the Lender under Clause 15.1,

deliver to the Lender details of all such adjustments as need to be made to the relevant financial statements to bring them into line with the Companies Act 2006 (as in effect on the date of this Agreement) and Applicable Accounting Principles.

15.3 Compliance Certificate

- (a) The Company must supply to the Lender a Compliance Certificate with each set of its financial statements sent to the Lender under this Agreement.
- (b) Each Compliance Certificate must be signed by two directors of the Company.

15.4 Information – miscellaneous

The Company must supply to the Lender:

- (a) copies of all documents despatched by the Company to its creditors generally (or any class of them) in each case at the same time as they are despatched;
- (b) promptly upon becoming aware of them, details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of the Group and which might, if adversely determined, have a Material Adverse Effect;
- (c) promptly, details of the loss of the Licence or any communication from OFGEM or other government agency regarding any potential or threatened loss of the Licence;
- (d) a copy of all material information relating to any matter which is reasonably likely to have a Material Adverse Effect which the Company supplies to, or receives from, any applicable regulatory body (including OFGEM) (at the same time as it is supplied to, or promptly following its receipt from, the applicable regulatory body);
- (e) written notice of the details of any proposed changes to the Licence as soon as reasonably practicable after becoming aware of the same (other than changes of a formal, minor or technical nature);
- (f) within five Business Days of receiving them, details of any change to the rating by Moody's or Standard & Poor's of the long-term, unsecured and non credit-enhanced debt obligations of the Company;
- (g) promptly on request, a list of the then current Material Subsidiaries; and
- (h) promptly on request, such further information regarding the financial condition, business and operations of the Group as the Lender may reasonably request.

15.5 Notification of Default

- (a) The Company must notify the Lender of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.
- (b) Promptly on request by the Lender, the Company must supply to the Lender a certificate signed by two of its directors on its behalf, certifying that no Default is outstanding or, if a Default is outstanding, specifying the Default and the steps, if any, being taken to remedy it.

15.6 Direct electronic delivery by the Company

Except as provided below, the Company may deliver any information under this Agreement to the Lender by delivering that information directly to the Lender in accordance with Clause 29.4 (Electronic communication).

15.7 Know your customer requirements

If:

- (a) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;
- (b) any change in the status of the Company after the date of this Agreement; or
- (c) a proposed assignment or transfer by the Lender of any of its rights and obligations under this Agreement,

obliges the Lender (or, in the case of paragraph (c) above, any prospective new Lender) to comply with “know your customer” or similar identification procedures in circumstances where the necessary information is not already available to it, the Company shall promptly upon the request of the Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Lender (for itself or, in the case of the event described in paragraph (iii) above, on behalf of any prospective new Lender) in order for the Lender or, in the case of the event described in paragraph (iii) above, any prospective new Lender to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

16. FINANCIAL COVENANTS

16.1 Definitions

In this Clause:

“Cash” means, at any time, cash denominated in a currency of the United States of America, the United Kingdom, any member state of the European Union or any Participating Member State in hand or at bank and (in the latter case) credited to an account in the name of a member of the Group with an Acceptable Bank and to which a member of the Group is alone (or together with other members of the Group) beneficially entitled and for so long as:

- (a) that cash is repayable:
 - (i) if that cash is deposited with the Lender, within 180 days after the relevant date of calculation; or
 - (ii) if that cash is deposited with any other lender or financial institution, within 45 days after the relevant date of calculation;
- (b) repayment of that cash is not contingent on the prior discharge of any other indebtedness of any member of the Group or of any other person whatsoever or on the satisfaction of any other condition;
- (c) there is no Security Interest over that cash other than Security Interests permitted under paragraph (c)(xi) of Clause 17.5 (Negative pledge); and
- (d) the cash is freely and (except as mentioned in paragraph (a) above) immediately available to be applied in repayment or prepayment of the Loan.

“Cash Equivalent Investments” means at any time:

- (a) certificates of deposit maturing within one year after the relevant date of calculation and issued by an Acceptable Bank;

- (b) any investment in marketable debt obligations issued or guaranteed by the government of an Acceptable Jurisdiction or by an instrumentality or agency of any of them having an equivalent credit rating, maturing within one year after the relevant date of calculation and not convertible or exchangeable to any other security;
- (c) commercial paper not convertible or exchangeable to any other security:
 - (i) for which a recognised trading market exists;
 - (ii) issued by an issuer incorporated in an Acceptable Jurisdiction;
 - (iii) which matures within one year after the relevant date of calculation; and
 - (iv) which has a credit rating of either A-1 or higher by Standard & Poor's Rating Services or F1 or higher by Fitch Ratings Ltd or P-1 or higher by Moody's Investor Services Limited, or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term unsecured and non-credit enhanced debt obligations, an equivalent rating;
- (d) Sterling bills of exchange eligible for rediscount at the Bank of England (or their dematerialised equivalent) and accepted by an Acceptable Bank;
- (e) any investment in money market funds which:
 - (i) have a credit rating of either A-1 or higher by Standard & Poor's Rating Services or F1 or higher by Fitch Ratings Ltd or P-1 or higher by Moody's Investor Services Limited;
 - (ii) which invest substantially all their assets in securities of the types described in paragraphs (a) to (d) above; and
 - (iii) can be turned into cash on not more than 30 days' notice; or
- (f) any other debt security approved by the Lender,

in each case, denominated in a currency of an Acceptable Jurisdiction and to which any member of the Group is alone (or together with other members of the Group beneficially entitled at that time) and which is not issued or guaranteed by any member of the Group or subject to any Security Interest (other than Security Interests permitted under paragraphs (c)(xii) and (c)(xi) of Clause 17.5 (Negative pledge)).

"Consolidated EBITDA" means the consolidated net pre-taxation profits of the Group for a Measurement Period as adjusted by:

- (a) adding back Interest Payable;
- (b) taking no account of any exceptional or extraordinary item;
- (c) excluding any amount attributable to minority interests;
- (d) adding back depreciation and amortisation; and
- (e) taking no account of any revaluation of an asset or any loss or gain over book value arising on the disposal of an asset (otherwise than in the ordinary course of trading) by a member of the Group during that Measurement Period.

“Interest Payable” means, in relation to any Measurement Period, all interest payable and similar charges of the Group expressed in Sterling and determined on a consolidated basis in accordance with Applicable Accounting Principles but excluding interest payable or similar charges of the Group in relation to intra-Group items, loans from Affiliates and shareholder loans to the extent that such intra-Group items, loans from Affiliates and/or shareholder loans are subordinated on the terms set out in a Subordination Deed.

“Measurement Period” means each period of 12 months ending on 31 March or 30 September.

“Regulatory Asset Base” means at any date, the regulatory asset base of the Company for such date as last determined and notified to the Company by OFGEM (interpolated as necessary and adjusted for additions to the regulatory asset base and adjusted as appropriate for out-turn inflation/regulatory depreciation).

“Total Net Debt” means, at any time, the consolidated Financial Indebtedness of the Group which is required to be accounted for as debt in the consolidated annual financial statements of the Group less the aggregate at such time of all Cash or Cash Equivalent Investments held by any member of the Group excluding intra-Group items, loans from Affiliates and shareholder loans to the extent that such intra-Group items, loans from Affiliates and/or shareholder loans are subordinated on the terms set out in a Subordination Deed.

16.2 Interpretation

- (a) Except as provided to the contrary in this Agreement, an accounting term used in this Clause is to be construed in accordance with the principles applied in connection with the audited consolidated financial statements of the Company for the year ended 31 March 2020.
- (b) Any amount in a currency other than Sterling is to be taken into account at its Sterling equivalent calculated on the basis of the relevant rates of exchange used by the Company in, or in connection with, its financial statements for the relevant period.
- (c) No item must be credited or deducted more than once in any calculation under this Clause.

16.3 Interest Cover

The Company must ensure that the ratio of Consolidated EBITDA to Interest Payable is not, on the last day of each Measurement Period, less than 3 to 1.

16.4 Asset Cover

The Company must ensure that on the last day of each Measurement Period, Total Net Debt does not exceed 85% of its Regulatory Asset Base.

17. GENERAL COVENANTS

17.1 General

The Company agrees to be bound by the covenants set out in this Clause relating to it and, where the covenant is expressed to apply to each Material Subsidiary or each member of the Group, the Company must ensure that each of its Material Subsidiaries or each of its Subsidiaries, as the case may be, performs that covenant.

17.2 Authorisations

The Company must promptly obtain, maintain and comply with the terms of any authorisation required under any law or regulation to enable it to perform its obligations under, or, subject to the Legal Reservations, for the validity or enforceability of, any Finance Document.

17.3 Compliance with laws

Each member of the Group must comply in all respects with all laws to which it is subject where failure to do so is reasonably likely to have a Material Adverse Effect.

17.4 Pari passu ranking

The Company must ensure that its payment obligations under the Finance Documents rank at least pari passu with all its other present and future unsecured payment obligations, except for obligations mandatorily preferred by law applying to companies generally.

17.5 Negative pledge

In this Clause 17.5, "Quasi-Security Interest" means an arrangement or transaction described in paragraph (b) below.

(a) Except as provided below, neither the Company nor any Material Subsidiary may create or allow to exist any Security Interest or Quasi-Security Interest on any of its assets.

(b) Except as provided below, neither the Company nor any Material Subsidiary may:

- (i) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by the Company or any Material Subsidiary;
- (ii) sell, transfer or otherwise dispose of any of its receivables on recourse terms;
- (iii) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or
- (iv) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

(c) Paragraphs (a) and (b) above do not apply to:

- (i) any lien arising by operation of law and in the ordinary course of trading;
- (ii) any netting or set-off arrangement entered into by the Company in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of members of the Group;
- (iii) any Security Interest or Quasi-Security Interest created under or in connection with or arising out of the Balancing and Settlement Code or any transactions or arrangements entered into in connection with the management of risks relating thereto;

- (iv) in respect of overdue amounts which have not been overdue for more than 30 days and/or are being contested in good faith, liens arising solely by operation of law or by order of a court or tribunal (or by an agreement of similar effect) and/or in the ordinary course of day to day business or operations;
- (v) any Security Interest or Quasi-Security Interest arising out of title retention provisions in a supplier's standard conditions of supply of goods acquired in the ordinary course of business or operations;
- (vi) any Security Interest or Quasi-Security Interest created on any asset acquired after the date of this Agreement for the sole purpose of financing or re-financing that acquisition and securing a principal, capital or nominal amount not exceeding the cost of that acquisition, provided that the Security Interest or Quasi-Security Interest is removed or discharged within six months of the date of acquisition of such asset;
- (vii) any Security Interest or Quasi-Security Interest outstanding on or over any asset acquired after the date of this Agreement and in existence at the date of such acquisition, provided that the Security Interest or Quasi-Security Interest is removed or discharged within six months of the date of acquisition of such asset;
- (viii) any Security Interest or Quasi-Security Interest created or outstanding on or over any asset of any company which becomes a Material Subsidiary of the Company after the date of this Agreement where such Security Interest or Quasi-Security Interest is created prior to the date on which such company becomes a Material Subsidiary of the Company and is not created or increased in contemplation of such company being acquired and/or becoming a Material Subsidiary of the Company and the Security Interest or Quasi-Security Interest is removed or discharged within six months of the date of such company becoming a Material Subsidiary of the Company;
- (ix) any Quasi-Security Interest arising as a result of a disposal which is a disposal permitted under paragraph (b) of Clause 17.6;
- (x) any netting arrangements under any swap or other hedging transaction which is on standard market terms;
- (xi) any Security Interest or Quasi-Security Interest over bank accounts of the Company in favour of the account holding bank with whom it maintains a banking relationship in the ordinary course of trade and granted as part of that bank's standard terms and conditions;
- (xii) any Security Interest or Quasi-Security Interest created or outstanding with the prior approval of the Lender; and
- (xiii) any Security Interest or Quasi-Security Interest created or outstanding on or over assets of the Company or any of its Material Subsidiaries provided that the aggregate outstanding principal or nominal amount secured by all Security Interests and Quasi-Security Interest created or outstanding under this exception on or over such assets shall not at any time exceed £25,000,000 or its equivalent.

17.6 Disposals

- (a) Except as provided below, no member of the Group may, either in a single transaction or in a series of transactions and whether related or not, dispose of all or any part of its assets (other than cash) where the higher of the market value and the net consideration receivable (when aggregated with the higher of the market value and the net consideration receivable from any previous disposal by members of the Group) exceeds £10,000,000 (or its equivalent) in total during the term of this Agreement.
- (b) Paragraph (a) above does not apply to:
 - (i) any disposal made in the ordinary course of day to day business or operations of the disposing entity (including, without limitation, disposals of subsidiaries or lines of business, provided that this shall not include a disposal of the core electricity distribution business);
 - (ii) disposals on normal commercial terms of obsolete assets or assets no longer required for the purpose of the relevant member of the Group's business or operations;
 - (iii) any realisation of investments acquired, purchased or made by the temporary application of funds not immediately required in the relevant member of the Group's business or operations;
 - (iv) the exchange of assets for other assets of a similar or superior nature and value, or the sale of assets on normal commercial terms for cash which is payable in full on the completion of the sale and is to be, and is, applied in or towards the purchase of similar assets within 12 months of that disposal (or, if contractually committed to be used within 12 months, are actually used within 18 months of that disposal);
 - (v) the disposal of assets by one wholly-owned Subsidiary of the Company to another or (if the consideration for the disposal does not exceed a normal commercial consideration) to the Company by one of its Subsidiaries;
 - (vi) disposals in connection with sale-and-leaseback or sale and repurchase transactions or any other form of "off balance sheet" financing, provided that the aggregate book value (in the books of the disposing party) of all assets the subject of all such disposals made during the period commencing on the date of this Agreement and ending on the date when no amount remains to be lent or remains payable under this Agreement shall not exceed £100,000,000;
 - (vii) any disposal which the Lender has agreed shall not be taken into account;
 - (viii) arising as a result of any Security Interest or Quasi-Security Interest permitted under paragraph (c) above of Clause 17.5;
 - (ix) the application or disposal of cash not otherwise prohibited under the Finance Documents;
 - (x) any disposal by a member of Group compulsorily required by law or regulation having the force of law or any order of any government entity made thereunder and having the force of law provided that and to the extent permitted by such law or regulation;

- (A) such disposal is made for fair market value; and
- (B) such disposal does not have a Material Adverse Effect.

17.7 Environmental matters

- (a) The Company will and will ensure that its Material Subsidiaries will comply with all applicable Environmental Law and other regulations, orders or other law applicable to the conduct of the business of the supply or distribution of electricity, in each case, where failure to do so would have a Material Adverse Effect.
- (b) The Company will, promptly upon becoming aware of the same, inform the Lender in writing of:
 - (i) any Environmental Claim against any member of the Group which is current, pending or threatened; and
 - (ii) any facts or circumstances which are reasonably likely to result in any Environmental Claim being commenced or threatened against any member of the Group,

where the claim, if determined against that member of the Group, would have a Material Adverse Effect.

17.8 Insurance

Each member of the Group must insure its business and assets with insurance companies to such an extent and against such risks as that member of the Group reasonably considers to be appropriate, having regard to the insurance arrangements of companies engaged in similar business.

17.9 Merger

- (a) The Company shall not enter into any amalgamation, demerger, merger or corporate reconstruction.
- (b) Clause (a) above shall not apply to any sale, lease, transfer or other disposal permitted pursuant to Clause 17.6 (Disposals).

17.10 Change of business

The Company shall procure that no substantial change is made to the general nature of the business of the Company or the Group from that carried on at the date of this Agreement.

17.11 Acquisitions

- (a) Except as provided below, neither the Company nor any Material Subsidiary may acquire a company or any shares or securities or a business or undertaking (or, in each case, any interest in any of them).
- (b) Provided that no Event of Default is outstanding on the date of the acquisition or would occur as a result of the acquisition, paragraph (a) above does not apply to:
 - (i) an acquisition by a member of the Group of an asset sold, leased, transferred or otherwise disposed of by another member of the Group as permitted under paragraph (b) of Clause 17.6 (Disposals) above;

- (ii) an acquisition where the consideration (including associated costs and expenses) for the acquisition (when aggregated with the consideration (including associated costs and expenses) for any other acquisition permitted under this paragraph) during the term of this Agreement does not exceed 5% of the sum of the issued share capital, share premium and consolidated reserves (including retained earnings) of the Company, as shown by its most recent audited consolidated financial statements; and
- (iii) any acquisition which the Lender has consented to in writing.

17.12 Prohibition on Subsidiary Financial Indebtedness

The Company shall procure that no member of the Group (other than the Company) will incur or allow to remain outstanding any Financial Indebtedness unless the relevant member of the Group is a special purpose vehicle incorporated solely for the purpose of incurring such Financial Indebtedness and which does not undertake any other activities.

17.13 Arm's length transactions

The Company shall not (and the Company shall ensure no member of the Group will) enter into any transaction with any person except on arm's length terms and for full market value where to do so would be in contravention of the Licence, provided that if, at any time, the Licence is not in effect, the Company shall not (and shall ensure no member of the Group will) enter into any transaction with any person except on arm's length terms and for full market value.

17.14 Pensions

- (a) The Company shall ensure that no action or omission is taken by any member of the Group in relation to a pension scheme which has or is reasonably likely to have a Material Adverse Effect (including, without limitation, the termination or commencement of winding-up proceedings of any such pension scheme).
- (b) Except for in respect of the Electricity Supply Pension Scheme (and in particular the Central Networks Group, the EATL Group and in the case of merger, the WPD Group), the Company shall ensure that no member of the Group is an employer (for the purposes of sections 38 to 51 of the Pensions Act 2004) of an occupational pension scheme which is not a money purchase scheme (both terms as defined in the Pension Schemes Act 1993) or "connected" with or an "associate" of (as those terms are used in sections 38 or 43 of the Pensions Act 2004) such an employer.
- (c) The Company shall promptly notify the Lender if it receives a Financial Support Direction or a Contribution Notice from the Pensions Regulator.

17.15 Licence

The Company will at all times:

- (a) comply with the terms of the Licence in all material respects;
- (b) without prejudice to the generality of paragraph (a) above of Clause 17.15, comply with the ring fencing provisions of the Licence in all respects; and
- (c) not take any action or make any omission which is reasonably likely to result in the revocation or termination of the Licence.

17.16 Investment Grade Rating

The Company shall procure that the long-term, unsecured and non credit-enhanced debt obligations of the Company shall be rated Baa3/BBB-, or such higher rating as required by the Licence, or above, by at least one of Moody's and Standard and Poor's and shall not be rated below Baa3/BBB-, or such higher rating as required by the Licence, by either of Moody's or Standard and Poor's.

17.17 Sanctions

- (a) Neither the Company, nor any other member of the Group, shall be the subject of any Sanctions, and no member of the Group shall be located, organized or resident in a country or territory that is the subject of country-wide or territory-wide Sanctions.
- (b) The Company undertakes that no member of the Group will, directly or indirectly, use the proceeds of the transaction, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other individual, entity or any other Person who is a Sanctioned Person, to fund any activities of or business with such Sanctioned Person, or in Syria, Cuba, Iran, North Korea, Sudan or in any other country or territory, that, at the time of such funding, is the subject of country-wide or territory-wide Sanctions, or in any other manner that will result in a violation by any such Sanctioned Person (including any Person participating in the transaction, whether as underwriter, advisor, investor or otherwise).
- (c) The Company shall ensure that the source of any funds for discharging its obligations under this Agreement is not obtained from any designated target of any Sanctions or any of Syria, Cuba, Iran, North Korea, Sudan or any other country or territory, that, at the time of such payment, is the subject of country-wide or territory-wide Sanctions.

17.18 Anti-Corruption

- (a) The Company shall not (and shall ensure that no other member of the Group will) use the proceeds, or cause or permit the proceeds of any Loan to be used, directly or indirectly, in any way that would be in breach of applicable anti-corruption laws.
- (b) The Company shall (and shall ensure that each other member of the Group will):
 - (i) conduct its businesses in compliance with applicable anti-corruption laws; and
 - (ii) maintain policies and procedures designed to promote and achieve compliance with such laws.

18. DEFAULT

18.1 Events of Default

Each of the events set out in this Clause is an Event of Default.

18.2 Non-payment

The Company fails to pay any sum payable under any Finance Document when due unless its failure to pay is caused by:

- (a) administrative or technical error; or
- (b) a Disruption Event,

and payment is made within five Business Days of its due date.

18.3 Breach of other obligations

- (a) The Company does not perform or comply with its obligations under Clause 16 (Financial Covenants).
- (b) The Company does not perform or comply with any of its other obligations under any Finance Document in any material respect or any representation or warranty by the Company in this Agreement or in any document delivered under it is or proves to have been incorrect when made or deemed repeated, unless the non-compliance or circumstances giving rise to the misrepresentation, as the case may be, is capable of remedy and is not remedied within 20 Business Days of the earlier of the Lender giving notice requiring the same to be remedied and the Company becoming aware of such non-compliance or misrepresentation, as the case may be.

18.4 Cross-default

- (a) Any Financial Indebtedness of any member of the Group is not paid when due nor within any originally applicable grace period.
- (b) Any Financial Indebtedness of any member of the Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
- (c) Any commitment for any Financial Indebtedness of any member of the Group is cancelled or suspended by a creditor of that member of the Group as a result of an event of default (however described).
- (d) Any creditor of any member of the Group becomes entitled to declare any Financial Indebtedness of any member of the Group due and payable prior to its specified maturity as a result of an event of default (however described).
- (e) No Event of Default will occur under this Clause 18.4 unless and until the aggregate amount of such Financial Indebtedness falling within paragraphs (a) to (d) above is more than £20,000,000 or its equivalent in any other currency or currencies.

18.5 Insolvency

- (a) Any of the following occurs in respect of the Company:
 - (i) it is unable to pay its debts generally as they fall due or it is deemed by a court of competent jurisdiction to be insolvent;
 - (ii) it suspends making payments on all or any class of its debts or publicly announces an intention to do so;
 - (iii) by reason of actual or anticipated financial difficulties, it begins negotiations with all or any class of its creditors for the general rescheduling of its indebtedness; or
 - (iv) a moratorium is declared in respect of any of its indebtedness.
- (b) If a moratorium occurs in respect of the Company, the ending of the moratorium will not remedy any Event of Default caused by the moratorium.

18.6 Insolvency proceedings

- (a) Except as provided below, any of the following occurs in respect of the Company:
- (i) a suspension of payments, a moratorium of any indebtedness or a reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise);
 - (ii) any person presents a petition for its winding-up, administration or dissolution;
 - (iii) an order for its winding-up, administration or dissolution is made;
 - (iv) any liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer is appointed in respect of it or any of its assets;
 - (v) its directors or other officers request the appointment of a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer;
 - (vi) enforcement of any Security Interest over any of its assets; or
 - (vii) any other analogous step or procedure is taken in any jurisdiction.
- (b) Paragraph (a) above does not apply to:
- (i) a petition for winding-up presented by a creditor which is being actively contested in good faith and with due diligence and with a reasonable prospect of success; or
 - (ii) a voluntary solvent winding-up, amalgamation, reconstruction or reorganisation or otherwise part of a solvent scheme of arrangement, in each case which is on terms approved by the Lender.

18.7 Creditors' process

A distress, attachment, execution or other legal process material in relation to the Company's ability to perform its payment obligations under this Agreement is levied, enforced or sued out on or against the assets of the Company. No Event of Default will occur under this Clause if the distress, attachment, execution or other legal process is being contested in good faith and with due diligence and is discharged within 30 days.

18.8 Licence

Either:

- (a) notice is given to revoke or terminate the Licence unless such termination is being contested in good faith and such notice is revoked or cancelled within 14 days of notice being given; or
- (b) the Licence is revoked,

in either case, other than in circumstances which permit the Company or its Subsidiaries to carry on the distribution business of the Company either without a licence as a result of any change in the Act or regulatory regime or with a new licence, permitting the distribution of

electricity in the authorised areas covered by the Licence, issued under the Act or pursuant to the Utilities Act 2000.

18.9 Balancing and Settlement Code

The Company:

- (a) ceases to be a party to the Balancing and Settlement Code Framework Agreement other than in circumstances where the Company is able to carry on its distribution business; or
- (b) breaches the Balancing and Settlement Code and such breach has or is reasonably likely to have a Material Adverse Effect.

18.10 Unlawfulness and invalidity

- (a) It is or becomes unlawful for the Company to perform any of its obligations under the Finance Documents in any material respect.
- (b) Any obligation or obligations of the Company under any Finance Documents are not (subject to the Legal Reservations) or cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively materially and adversely affects the interests of the Lender under the Finance Documents.

18.11 Cessation of business

The Company suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of its business except as a result of a disposal permitted by Clause 17.6 (Disposals).

18.12 Repudiation and rescission of agreements

The Company rescinds or purports to rescind or repudiates or purports to repudiate a Finance Document or evidences an intention to rescind or repudiate a Finance Document.

18.13 Ownership of other Group companies

The Company ceases to own (directly or indirectly) 100% of the shares in any of its Subsidiaries:

- (a) which is engaged in the core electricity distribution business; or
- (b) in respect of which it has any actual or contingent financial obligations other than as a result of a solvent liquidation or reorganisation so long as any payments or assets distributed as a result of such solvent liquidation or reorganisation are distributed to other members of the Group.

18.14 Acceleration

If an Event of Default is outstanding, the Lender may by notice to the Company:

- (a) cancel the Commitment; and/or
- (b) declare that all or part of any amounts outstanding under the Finance Documents are:
 - (i) immediately due and payable; and/or

- (ii) payable on demand by the Lender.

Any notice given under this Clause 18.14 will take effect in accordance with its terms.

19. EVIDENCE AND CALCULATIONS

19.1 Accounts

Accounts maintained by the Lender in connection with this Agreement are prima facie evidence of the matters to which they relate for the purpose of any litigation or arbitration proceedings.

19.2 Certificates and determinations

Any certification or determination by the Lender of a rate or amount under the Finance Documents will be, in the absence of manifest error, conclusive evidence of the matters to which it relates.

19.3 Calculations

Any interest or fee accruing under this Agreement accrues from day to day and is calculated on the basis of, the actual number of days elapsed in the relevant period divided by 365 and shall be rounded to five decimal places.

20. INDEMNITY

20.1 Indemnity

- (a) Subject to paragraph (b) below, the Company shall, within five Business Days of a demand by the Lender indemnify the Lender against any cost, loss or liability which the Lender incurs as a consequence of:
 - (i) the occurrence of any Event of Default;
 - (ii) the acceleration of the Loan;
 - (iii) a failure by the Company to pay any amount due under a Finance Document on its due date;
 - (iv) the Lender's funding or making arrangements to fund the Loan requested by the Company in a Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of negligence or default by the Lender alone);
 - (v) the Loan or part of the Loan not being prepaid in accordance with a notice of prepayment given by the Company; or
 - (vi) any prepayment of the Loan being made under any provision of this Agreement.
- (b) If:
 - (i) any cost, loss or liability incurred by the Lender under paragraph (a) above is in respect of any Swap Break Costs, the provisions of paragraphs (c) to (e) (inclusive) below shall apply; and

- (ii) any Swap Break Costs are received by the Lender under any Related Swap Transaction due to the termination by the Lender of the Related Swap Transaction as a result of any event specified in paragraph (a) above, the provisions of paragraphs (c) to (e) (inclusive) below shall apply and the Lender shall pay the amount of such Swap Break Costs to the Company in accordance therewith.
- (c) On the date of termination by the Lender of the Related Swap Transaction as a result of an event specified in paragraph (a) above, the Lender shall notify the Company that such termination has occurred.
- (d) The “Swap Break Costs” shall be the amount certified in writing (including reasonable details of calculations by the Lender to be the amount determined pursuant to section 6(e)(i)(3) (Payments on Early Termination) of the Related Swap Agreement as a result of the occurrence of an “Early Termination Date” in respect of which the Related Swap Transaction is the sole “Terminated Transaction” or the sole “Affected Transaction” (as applicable) and the Lender is the “Defaulting Party” or the sole “Affected Party” (as applicable) (each such term as defined in the Related Swap Agreement) provided, however, that such amounts shall be calculated based on the assumption that no “Unpaid Amounts” (as defined in the Related Swap Agreement) are owing by either party under the Related Swap Agreement and such certification shall be delivered by the Lender to the Company as soon as reasonably practicable after determination of such amount under the Related Swap Agreement.
- (e) No Swap Break Costs shall be payable by any Party until the amount of the Swap Break Costs has been determined in accordance with this Clause. If the Swap Break Costs are a cost or loss to the Lender, the Company shall within two Business Days of demand pay such amount to the Lender. If the Swap Break Costs are a receipt or gain by the Lender, the Lender shall within two Business Days of demand pay such amount to the Company.
- (f) The Lender agrees that it shall not:
 - (i) waive its rights under the Related Swap Agreement; or
 - (ii) request that the counterparty to the Related Swap Agreement waives its rights thereunder,in each case without the prior consent of the Company.

21. EXPENSES

21.1 Initial costs

Subject to any cap agreed between the Parties, the Company must pay to the Lender promptly on demand the amount of all costs and expenses (including legal fees) reasonably incurred by it in connection with the negotiation, preparation, printing and execution of the Finance Documents.

21.2 Subsequent costs

Subject to any cap agreed between the Parties, the Company must pay to the Lender promptly on demand the amount of all costs and expenses (including legal fees) reasonably incurred by it in connection with:

- (a) the negotiation, preparation, printing and execution of any Finance Document (other than a Transfer Certificate) executed after the date of this Agreement; and
- (b) any amendment, waiver or consent requested by or on behalf of the Company or specifically allowed by this Agreement.

21.3 Enforcement costs

The Company must pay to the Lender the amount of all costs and expenses (including legal fees) incurred by it in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

22. AMENDMENTS AND WAIVERS

22.1 Procedure

The Lender and the Company may agree to amend or waive any term of the Finance Documents.

22.2 Change of currency

Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:

- (a) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Lender (after consultation with the Company); and
- (b) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Lender (acting reasonably).

If a change in any currency of a country occurs, this Agreement will, to the extent the Lender (acting reasonably and after consultation with the Company) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice and otherwise to reflect the change in currency.

22.3 Waivers and remedies cumulative

The rights of the Lender under the Finance Documents:

- (a) may be exercised as often as necessary;
- (b) are cumulative and not exclusive of its rights under the general law; and
- (c) may be waived only in writing and specifically.

Delay in exercising or non-exercise of any right is not a waiver of that right.

23. CHANGES TO THE PARTIES

23.1 Assignments and transfers by the Company

The Company may not assign or transfer any of its rights and obligations under the Finance Documents without the prior consent of the Lender.

23.2 Assignments and transfers by the Lender

- (a) The Lender (the “Existing Lender”) may, subject to the following provisions of this Clause 23, at any time assign or transfer (including by way of novation) in whole but not in part its rights and obligations under this Agreement to any bank, financial institution or trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the “New Lender”).
- (b) The Existing Lender must first obtain the consent of the Company (such consent not to be unreasonably withheld or delayed and which shall be deemed to have been given if, after five Business Days following receipt of notice, the Company has not refused its consent) before it may make a transfer or assignment unless:
 - (i) the New Lender to whom the transfer or assignment is proposed to be made is an Affiliate of the Existing Lender; or
 - (ii) the transfer or assignment is made at a time when an Event of Default has occurred and is continuing.
- (c) An assignment of rights or a transfer of rights and obligations will be effective only if either:
 - (i) the obligations are novated in accordance with the following provisions of this Clause 23; or
 - (ii) the New Lender confirms to the Company that it is bound by the terms of this Agreement as a Lender. On the assignment or transfer becoming effective in this manner the Existing Lender will be released from its rights and obligations under this Agreement to the extent that they are assigned or transferred to the New Lender.
- (d) Any reference in this Agreement to a Lender includes a New Lender but excludes a Lender if no amount is or may be owed to or by it under this Agreement and its Commitment has been cancelled or reduced to nil.

23.3 Procedure for transfer by way of novation

In this Clause:

- (a) A novation is effected if the Existing Lender and the New Lender execute a duly completed Transfer Certificate.
- (b) On the Transfer Date:
 - (i) the New Lender will assume the rights and obligations of the Existing Lender expressed to be the subject of the novation in the Transfer Certificate in substitution for the Existing Lender; and
 - (ii) the Existing Lender will be released from those obligations and cease to have those rights.

23.4 Limitation of responsibility of Existing Lender

- (a) Unless expressly agreed to the contrary, an Existing Lender is not responsible to a New Lender for the legality, validity, adequacy, accuracy, completeness or performance of:

- (i) any Finance Document or any other document; or
 - (ii) any statement or information (whether written or oral) made in or supplied in connection with any Finance Document,
- and any representations or warranties implied by law are excluded.
- (b) The New Lender confirms to the Existing Lender that it:
 - (i) has made, and will continue to make, its own independent appraisal of all risks arising under or in connection with the Finance Documents (including the financial condition and affairs of the Company and its related entities and the nature and extent of any recourse against any Party or its assets) in connection with its participation in this Agreement; and
 - (ii) has not relied exclusively on any information supplied to it by the Existing Lender in connection with any Finance Document.
- (c) Nothing in any Finance Document requires an Existing Lender to:
 - (i) accept a re-transfer or re-assignment from a New Lender of any of the rights and obligations assigned or transferred under this Clause; or
 - (ii) support any losses incurred by the New Lender by reason of the non-performance by the Company of its obligations under any Finance Document or otherwise.

23.5 Costs resulting from change of Lender or Facility Office

If:

- (a) the Lender assigns or transfers any of its rights and obligations under the Finance Documents or changes its Facility Office; and
- (b) as a result of circumstances existing at the date the assignment, transfer or change occurs, the Company would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under Clause 9 (Tax Gross-Up and Indemnities) or Clause 11 (Increased Costs),

then the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under those Clauses to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred. This Clause 23.5 shall not apply in relation to Clause 9 (Tax Gross-Up and Indemnities), to a Treaty Lender that has included an indication to the effect that it wishes the HMRC DT Treaty Passport scheme to apply to this Agreement in accordance with paragraph (a) of Clause 9.5 (HMRC DT Treaty Passport scheme confirmation) if the Company making the payment has not complied with its obligations under paragraph (b) of Clause 9.5 (HMRC DT Treaty Passport scheme confirmation).

23.6 Copy of Transfer Certificate to the Company

The Existing Lender shall, as soon as reasonably practicable after it has executed a Transfer Certificate, send to the Company a copy of that Transfer Certificate.

23.7 Security over Lender's rights

In addition to the other rights provided to Lender under this Clause 23, the Lender may without consulting with or obtaining consent from the Company, at any time charge, assign or otherwise create security in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure its obligations including, without limitation:

- (a) any charge, assignment or other security to secure obligations to a federal reserve or central bank; and
- (b) any charge, assignment or other security granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by the Lender as security for those obligations or securities,

except that no such charge, assignment or Security Interest shall:

- (i) release the Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or other security for the Lender as a party to any of the Finance Documents; or
- (ii) require any payments to be made by the Company or grant to any person any more extensive rights than those required to be made or granted to the Lender under the Finance Documents.

24. CONFIDENTIALITY AND DISCLOSURE OF INFORMATION

24.1 Confidential Information

The Lender agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 24.2 (Disclosure of Confidential Information) and Clause 24.3 (Disclosure to numbering service providers), and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information.

24.2 Disclosure of Confidential Information

The Lender may disclose:

- (a) to any of its Affiliates and Related Funds and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives such Confidential Information as the Lender shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this paragraph (a) is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;
- (b) to any person:
 - (i) to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents or which succeeds (or which may potentially succeed) it as Lender and, in each case, to any of that person's Affiliates, Related Funds, Representatives and professional advisers;

- (ii) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and/or the Company and to any of that person's Affiliates, Related Funds, Representatives and professional advisers;
- (iii) appointed by the Lender or by a person to whom paragraph (b)(i) or (b)(ii) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf;
- (iv) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraph (b)(i) or (b)(ii) above;
- (v) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;
- (vi) to whom or for whose benefit the Lender charges, assigns or otherwise creates security (or may do so) pursuant to Clause 23.7 (*Security over Lender's rights*);
- (vii) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;
- (viii) who is a Party; or
- (ix) with the consent of the Company;

in each case, such Confidential Information as the Lender shall consider appropriate if:

- (A) in relation to paragraph (b)(i), (b)(ii) and (b)(iii) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking except that there shall be no requirement for a Confidentiality Undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information;
- (B) in relation to paragraph (b)(vi) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information;
- (C) in relation to paragraph (b)(v), (b)(vi) and (b)(vii) above, the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the Lender, it is not practicable so to do in the circumstances;

- (c) to any person appointed by the Lender or by a person to whom paragraph (b)(i) or (b)(ii) above applies to provide administration or settlement services in respect of one or more of the Finance Documents including without limitation, in relation to the trading of participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this paragraph (c) of Clause 24.2 if the service provider to whom the Confidential Information is to be given has entered into a confidentiality agreement substantially in the form of the LMA Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers or such other form of confidentiality undertaking agreed between the Company and the Lender;
- (d) to any rating agency (including its professional advisers) such Confidential Information as may be required to be disclosed to enable such rating agency to carry out its normal rating activities in relation to the Finance Documents and/or the Company if the rating agency to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information.

24.3 Disclosure to numbering service providers

- (a) The Lender may disclose to any national or international numbering service provider appointed by the Lender to provide identification numbering services in respect of this Agreement, the Loan and/or the Company the following information:
 - (i) name of the Company;
 - (ii) country of domicile of the Company;
 - (iii) place of incorporation of the Company;
 - (iv) date of this Agreement;
 - (v) Clause 31 (Governing Law);
 - (vi) date of each amendment and restatement of this Agreement;
 - (vii) amount of Commitment;
 - (viii) currency of the Loan;
 - (ix) type of Loan;
 - (x) ranking of Loan;
 - (xi) Final Maturity Date;
 - (xii) changes to any of the information previously supplied pursuant to paragraphs (i) to (xi) above; and
 - (xiii) such other information agreed between the Lender and the Company,to enable such numbering service provider to provide its usual syndicated loan numbering identification services.
- (b) The Parties acknowledge and agree that each identification number assigned to this Agreement, the Loan and/or the Company by a numbering service provider and the

information associated with each such number may be disclosed to users of its services in accordance with the standard terms and conditions of that numbering service provider.

- (c) The Company represents that none of the information set out in paragraphs (a)(i) to (a)(xiii) above is, nor will at any time be, unpublished price-sensitive information.
- (d) The Lender shall notify the Company of:
 - (i) the name of any numbering service provider appointed by the Lender in respect of this Agreement, the Loan and/or the Company; and
 - (ii) the number or, as the case may be, numbers assigned to this Agreement, the Loan and/or the Company by such numbering service provider.

24.4 Continuing obligations

The obligations in this Clause 24 are continuing and, in particular, shall survive and remain binding on the Lender for a period of twelve months from the earlier of:

- (a) the date on which the Loan has been repaid in full; and
- (b) the date on which the Lender otherwise ceases to be the lender pursuant to this Agreement.

25. BAIL-IN

25.1 Contractual recognition of bail-in

Notwithstanding any other term of any Finance Document or any other agreement, arrangement or understanding between the Parties, each Party acknowledges and accepts that any liability of any Party to any other Party under or in connection with the Finance Documents may be subject to Bail-In Action by the relevant Resolution Authority and acknowledges and accepts to be bound by the effect of:

- (a) any Bail-In Action in relation to any such liability, including (without limitation):
 - (i) a reduction, in full or in part, in the principal amount, or outstanding amount due (including any accrued but unpaid interest) in respect of any such liability;
 - (ii) a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, it; and
 - (iii) a cancellation of any such liability; and
- (b) a variation of any term of any Finance Document to the extent necessary to give effect to any Bail-In Action in relation to any such liability.

25.2 Definitions

"Article 55 BRRD" means Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms.

"Bail-In Action" means the exercise of any Write-down and Conversion Powers.

"Bail-In Legislation" means:

- (a) in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 BRRD, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time; and
- (b) in relation to any state other than such an EEA Member Country or (to the extent that the United Kingdom is not such an EEA Member Country) the United Kingdom, any analogous law or regulation from time to time which requires contractual recognition of any Write-down and Conversion Powers contained in that law or regulation.

"EEA Member Country" means any member state of the European Union, Iceland, Liechtenstein and Norway.

"EU Bail-In Legislation Schedule" means the document described as such and published by the Loan Market Association (or any successor person) from time to time.

"Resolution Authority" means any body which has authority to exercise any Write-down and Conversion Powers.

"UK Bail-In Legislation" means (to the extent that the United Kingdom is not an EEA Member Country which has implemented, or implements, Article 55 BRRD) Part I of the United Kingdom Banking Act 2009 and any other law or regulation applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (otherwise than through liquidation, administration or other insolvency proceedings).

"Write-down and Conversion Powers" means:

- (a) in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Bail-In Legislation in the EU Bail-In Legislation Schedule;
- (b) in relation to any other applicable Bail-In Legislation:
 - (i) any powers under that Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers; and
 - (ii) any similar or analogous powers under that Bail-In Legislation ; and
- (c) in relation to any UK Bail-In Legislation:
 - (i) any powers under that UK Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in

respect of that liability or any of the powers under that UK Bail-In Legislation that are related to or ancillary to any of those powers; and

- (ii) any similar or analogous powers under that UK Bail-In Legislation.

26. SET-OFF

The Lender may set off any matured obligation owed to it by the Company under the Finance Documents (to the extent beneficially owned by the Lender) against any obligation (whether or not matured) owed by the Lender to the Company, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Lender may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off. If the Lender exercises its rights of set-off or conversion it must as soon as reasonably practicable notify the Company of such exercise.

27. SEVERABILITY

If a term of a Finance Document is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect:

- (c) the legality, validity or enforceability in that jurisdiction of any other term of the Finance Documents; or
- (d) the legality, validity or enforceability in other jurisdictions of that or any other term of the Finance Documents.

28. COUNTERPARTS

Each Finance Document may be executed in any number of counterparts. This has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

29. NOTICES

29.1 In writing

- (a) Any communication in connection with a Finance Document must be in writing and, unless otherwise stated, may be given in person, by post, or fax or any other electronic communication agreed between the Parties.
- (b) Unless it is agreed to the contrary, any consent or agreement required under a Finance Document must be given in writing. For the purposes of the Finance Documents and this Subclause (b), an electronic communication will be treated as being in writing.

29.2 Contact details

- (a) Except as provided below, the contact details of each Party for all communications in connection with the Finance Documents are those notified by that Party for this purpose to the other Party on or before the date it becomes a Party.
- (b) The contact details of the Company for this purpose are:

Address: Avonbank, Feeder Road, Bristol BS2 0TB

Phone number: 01179 332 374

Email: dhole@westernpower.co.uk

Attention: David Hole

The contact details of the Lender for this purpose are:

Address: MUFG Bank, Ltd., Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AN

Fax number(s): +44 207 577 1559

Attention: The Manager – Loan Participation Service

Email: loanparticipations@uk.mufg.jp

- (c) Any Party may change its contact details by giving five Business Days' notice to the other Party.
- (d) Where a Party nominates a particular department or officer to receive a communication, a communication will not be effective if it fails to specify that department or officer.

29.3 Effectiveness

- (a) Except as provided below, any communication in connection with a Finance Document will be deemed to be given as follows:
 - (i) if delivered in person, at the time of delivery;
 - (ii) if posted, five days after being deposited in the post, postage prepaid, in a correctly addressed envelope; and
 - (iii) if by fax, when received in legible form.
- (b) A communication given under paragraph (a) above but received on a non-working day or after business hours in the place of receipt will only be deemed to be given on the next working day in that place.
- (c) A communication to the Lender will only be effective on actual receipt by it.

29.4 Electronic communication

- (a) Any communication or document to be made or delivered by one Party to another under or in connection with the Finance Documents may be made or delivered by electronic mail or other electronic means (including, without limitation, by way of posting to a secure website)
- (b) Any such electronic communication or document as specified in paragraph (a) above made or delivered by one Party to another will be effective only when actually received (or made available) in readable form.
- (c) Any electronic communication or document which becomes effective, in accordance with paragraph (c) above, after 5:00 p.m. in the place in which the Party to whom the relevant communication or document is sent or made available has its address for the purpose of this Agreement shall be deemed only to become effective on the following day.

- (e) Any reference in a Finance Document to a communication being sent or received or a document being delivered shall be construed to include that communication or document being made available in accordance with this Clause 29.4.

30. LANGUAGE

- (a) Any notice given in connection with a Finance Document must be in English.
- (b) Any other document provided in connection with a Finance Document must be:
 - (i) in English; or
 - (ii) accompanied by a certified English translation. In this case, the English translation prevails unless the document is a statutory or other official document.

31. GOVERNING LAW

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

32. ENFORCEMENT

32.1 Jurisdiction

- (a) The English courts have exclusive jurisdiction to settle any dispute in connection with any Finance Document including a dispute relating to any non-contractual obligation arising out of or in connection with this Agreement.
- (b) The English courts are the most appropriate and convenient courts to settle any such dispute and the Company waives objection to those courts on the grounds of inconvenient forum or otherwise in relation to proceedings in connection with any Finance Document.
- (c) This Clause is for the benefit of the Lender only. To the extent allowed by law, the Lender may take:
 - (i) proceedings in any other court; and
 - (ii) concurrent proceedings in any number of jurisdictions.

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

CONDITIONS PRECEDENT DOCUMENTS

1. CORPORATE DOCUMENTS

- (a) A certified copy of the constitutional documents of the Company.
- (b) A certified copy of a resolution provided in lieu of a meeting of the board of directors or a committee of the board of directors of the Company approving the terms of, and the transactions contemplated by, the Finance Documents.
- (c) A specimen of the signature of each person authorised on behalf of the Company to execute or witness the execution of any Finance Document or to sign or send any document or notice in connection with any Finance Document.
- (d) A certificate of the Company (signed by a director) confirming that borrowing the Commitment would not cause any borrowing limit binding on the Company to be exceeded.
- (e) A certificate of an authorised signatory of the Company certifying that each copy document relating to it specified in this Schedule 1 is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement.

2. FINANCE DOCUMENTS

This Agreement executed by the Company.

3. LEGAL OPINIONS

A legal opinion of Allen & Overy LLP, legal advisers to the Company addressed to the Lender.

4. OTHER DOCUMENTS AND EVIDENCE

- (a) The Original Financial Statements.
- (b) Evidence that the Lender has carried out and is satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated by the Finance Documents.

SCHEDULE 2

FORM OF TRANSFER CERTIFICATE

To: MUFG Bank, Ltd. as Lender

From: [THE EXISTING LENDER] (the "Existing Lender") and [THE NEW LENDER] (the "New Lender")

Date: [●]

Western Power Distribution (East Midlands) plc – £100,000,000 Inflation-Linked Loan Agreement dated 24 May 2016 (as amended and/or restated from time to time) (the "Agreement")

We refer to the Agreement. This is a Transfer Certificate. Terms defined in the Agreement have the same meaning in this Transfer Certificate unless given a different meaning in this Transfer Certificate.

1. The Existing Lender and the New Lender agree to the Existing Lender transferring by novation to the New Lender, and in accordance with Clause 23.3 (Procedure for transfer by way of novation) of the Agreement, all of the Existing Lender's rights and obligations under the Agreement and the other Finance Documents (the "Transfer").
2. The proposed Transfer Date is [●].
3. The administrative details of the New Lender for the purposes of the Agreement are set out in the Schedule.
4. The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in Clause 23.4 (Limitation of responsibility of Existing Lender) of the Agreement.
5. The New Lender confirms, without liability to the Company that, as at the date hereof, it is:
 - (a) [a Qualifying Lender (other than a Treaty Lender);]
 - (b) [a Treaty Lender;]
 - (c) [not a Qualifying Lender].*
6. [The New Lender confirms that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either:
 - (a) a company resident in the United Kingdom for United Kingdom tax purposes; or
 - (b) a partnership each member of which is:
 - (i) a company so resident in the United Kingdom; or
 - (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or
 - (c) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account

interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.]**

7. [The New Lender confirms that it is a Treaty Lender that holds a passport under the HMRC DT Treaty Passport scheme (reference number [●]), and is tax resident in [●] *** so that interest payable to it by borrowers is generally subject to full exemption from UK withholding tax and notifies the Company that it wishes the scheme to apply to the Agreement.]****
8. This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.
9. This Transfer Certificate and any non-contractual obligations arising out of or in connection with it are governed by English law.
10. This Transfer Certificate has been entered into on the date stated at the beginning of this Transfer Certificate.

NOTES:

- * Delete as applicable – each New Lender is required to confirm which of these three categories it falls within.
- ** Include if New Lender comes within paragraph (i)(B) of the definition of Qualifying Lender in Clause 9.1 (Definitions) of the Agreement.
- *** Insert jurisdiction of tax residence.
- **** This confirmation must be included if the New Lender holds a passport under the HMRC DT Treaty Passport scheme and wishes that scheme to apply to the Agreement.

THE SCHEDULE

Rights and obligations to be transferred by novation

[insert relevant details]

Administrative details of the New Lender

[insert details of Facility Office, address for notices and payment details etc.]

[EXISTING LENDER]

[NEW LENDER]

By:

By:

The Transfer Date is [●]

[●]

By:

SCHEDULE 3

FORM OF COMPLIANCE CERTIFICATE

To: MUFG Bank, Ltd. as Lender

From: Western Power Distribution (East Midlands) plc

Date: [●]

Western Power Distribution (East Midlands) plc – £100,000,000 Inflation-Linked Loan Agreement dated 24 May 2016 (as amended and/or restated from time to time) (the “Agreement”)

1. We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement have the same meaning in this Compliance Certificate unless given a different meaning in this Compliance Certificate.
2. We confirm that as at [relevant testing date], Consolidated EBITDA was [●] and Interest Payable was [●], therefore the ratio of Consolidated EBITDA to Interest Payable was [●] to 1.
3. We confirm that as at [relevant testing date], Regulatory Asset Base was [●] and Total Net Debt was [●]; therefore Total Net Debt does not exceed 85% of the Regulatory Asset Base.
4. We set out below calculations establishing the figures in paragraphs 2 and 3 above:
[●].
5. We confirm that the following companies were Material Subsidiaries at [relevant testing date]:
[●].
6. [We confirm that no Default is outstanding as at [relevant testing date]].¹

WESTERN POWER DISTRIBUTION (EAST MIDLANDS) PLC

By:

Director

Director

¹ If this statement cannot be made, the certificate should identify any Default that is outstanding and the steps, if any, being taken to remedy it.

SCHEDULE 4

FORM OF SUBORDINATION DEED

THIS SUBORDINATION DEED is entered into as a deed on [●] and is made

BETWEEN:

- (1) WESTERN POWER DISTRIBUTION (EAST MIDLANDS) PLC (registered number 02366923) (the “Company”);
- (2) [SUBORDINATED CREDITOR] (the “Subordinated Creditor”); and
- (3) MUFG Bank, Ltd. (the “Lender”).

1. INTERPRETATION

1.1 Definitions

In this Deed:

“Agreement” means the £100,000,000 Inflation-Linked Loan Agreement dated 24 May 2016 between the Company and the Lender.

“Certificate” means a document substantially in the form set out in Annex 2 (Form of Certificate).

“Party” means a party to this Deed.

“Permitted Subordinated Debt Payment” means:

- (a) the repayment or prepayment of any principal amount (or capitalised interest) outstanding under the Subordinated Finance Document;
- (b) the payment of any interest, fee or charge accrued or due under or any other amount payable in connection with the Subordinated Finance Document; or
- (c) the purchase, redemption, defeasance or discharge of any amount outstanding under the Subordinated Finance Document,

provided that the Company, prior to any action referred to in paragraphs (a) to (c) above being taken, delivers to the Lender a Certificate, signed by two directors of the Company, certifying that, taking into account any such action, the Company will be in compliance with its obligations under Clause 16 (Financial Covenants) of the Agreement in respect of each of the next two Measurement Periods.

“Senior Debt” means any present or future liability (actual or contingent) payable or owing by the Company to the Lender under or in connection with the Finance Documents.

“Senior Debt Discharge Date” means the date on which all the Senior Debt has been unconditionally and irrevocably paid and discharged in full and the Lender has no commitment or liability, whether present or future, actual or contingent, in relation to the Loan, as determined by the Lender.

“Subordinated Creditor Accession Deed” means a deed substantially in the form set out in Annex 1 (Form of Subordinated Creditor Accession Deed).

“Subordinated Debt” means any present or future liability (actual or contingent) payable or owing by the Company to the Subordinated Creditor under or in connection with any Subordinated Finance Document.

“Subordinated Finance Document” means [●].

1.2 Construction

- (a) Capitalised terms defined in the Agreement have the same meaning in this Deed, unless given a different meaning in this Deed.
- (b) The principles of construction set out in the Agreement will have effect as if set out in this Deed.
- (c) Any undertaking by the Subordinated Creditor in this Deed remains in force from the date of this Deed to the Senior Debt Discharge Date.

1.3 Third Party rights

Unless otherwise indicated and save in respect of any other creditor under any of the Finance Documents, a person who is not a party to this Deed has no right under the Contracts (Rights of Third Parties) Act 1999 (or any other applicable law) to enforce any term of this Deed.

2. SUBORDINATION

2.1 Ranking

Each of the Parties hereby agrees that the Senior Debt, whether secured or unsecured, shall rank senior in priority to the Subordinated Debt.

2.2 Undertakings of the Company

The Company must not without the prior consent of the Lender:

- (a) make any payment whatsoever in respect of the Subordinated Debt other than a Permitted Subordinated Debt Payment;
- (b) secure, in any manner, all or any part of the Subordinated Debt;
- (c) defease, in any manner, all or any part of the Subordinated Debt;
- (d) give any financial support (including the taking of any participation, the giving of any guarantee or other assurance or the making of any deposit) to any person in connection with all or any part of the Subordinated Debt; or
- (e) procure any other person to do any of the acts or take any of the actions referred to paragraphs (a) to (d) above of Clause 2.2.

2.3 Undertakings of the Subordinated Creditor

- (a) The Subordinated Creditor will not without the prior written consent of the Lender:
 - (i) allow to exist or receive the benefit of any Security Interest, guarantee, indemnity or other assurance against loss in respect of all or any of the Subordinated Debt or all or any rights which it may have against the Company in respect of all or any part of the Subordinated Debt; or

- (ii) take or omit to take any action or step whereby the subordination of all or any of the Subordinated Debt might be terminated, impaired or adversely affected.
- (b) The Subordinated Creditor will not without the prior written consent of the Lender receive any payment save where such payment is a Permitted Subordinated Debt Payment.
- (c) The Subordinated Creditor will not without the prior written consent of the Lender:
 - (i) demand payment, declare prematurely due and payable or otherwise seek to accelerate payment of or place on demand all or any part of the Subordinated Debt or enforce the Subordinated Debt by execution or otherwise;
 - (ii) initiate or support or take any steps with a view to, or which may lead to:
 - (A) any insolvency, liquidation, reorganisation, administration or dissolution proceedings;
 - (B) any voluntary arrangement or assignment for the benefit of creditors; or
 - (C) any similar proceedings,
 - involving the Company or any of its Subsidiaries, whether by petition, convening a meeting, voting for a resolution or otherwise;
 - (iii) bring or support any legal proceedings against the Company or any of its Subsidiaries; or
 - (iv) otherwise exercise any remedy for the recovery of all or any part of the Subordinated Debt (including, without limitation, the exercise of any right of set-off, counterclaim or lien).
- (d) If the Subordinated Creditor receives any payment which is in breach of any Finance Document, it shall hold such sums on trust for the Lender and pay them immediately to the Lender to be applied against the Senior Debt.
- (e) The Subordinated Creditor and the Company hereby agree for the benefit of the Lender that, notwithstanding the terms of the Subordinated Finance Document and any agreement relating to the Subordinated Debt, the Subordinated Debt is made available on terms such that it is not, save for a Permitted Subordinated Debt Payment or otherwise with the consent of the Lender, repayable unless and until the Senior Debt Discharge Date shall have occurred.

2.4 Subordination on insolvency

If there occurs any payment, distribution, division or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the assets of any kind or character of the Company or the proceeds thereof, to creditors of the Company, by reason of the liquidation, dissolution or other winding-up of the Company or its businesses or any bankruptcy, reorganisation, receivership or insolvency or similar proceeding or any assignment for the benefit of creditors or there is a marshalling of the assets and liabilities of the Company, or the Company becomes subject to any event mentioned in Clause 18.6 (Insolvency proceedings) of the Agreement or a voluntary arrangement, then and in any such event:

- (a) the Subordinated Debt shall continue to be subordinated to the Senior Debt;

- (b) any payment or distribution of any kind or character and all and any rights in respect thereof, whether in cash, securities or other property which is payable or deliverable upon or with respect to the Subordinated Debt or any part thereof by a liquidator, administrator or receiver (or the equivalent thereof) of the Company or its estate (the "rights") made to or paid to, or received by the Subordinated Creditor or to which the Subordinated Creditor is entitled shall be held on trust by the Subordinated Creditor for the Lender and shall forthwith be paid or, as the case may be, transferred or assigned to the Lender to be applied against the Senior Debt;
- (c) if the trust referred to in paragraph (b) above or paragraph (d) of Clause 2.3 above fails or cannot be given effect to or if the Subordinated Creditor receives and retains the relevant payment or distribution, the Subordinated Creditor will pay over such rights in the form received to the Lender) to be applied against the Senior Debt;
- (d) the Subordinated Creditor acknowledges the rights of the Lender to demand, sue and prove for, collect and receive every payment or distribution referred to in paragraph (b) above of Clause 2.4 and give acquittance therefore and to file claims and take such other proceedings, in the Lender's own name or otherwise, as the Lender may deem necessary or advisable for the enforcement of this Deed; and
- (e) the Subordinated Creditor by way of security for its obligations under this Deed irrevocably appoints the Lender to be its attorney in order to enable the Lender to enforce any and all claims upon or with respect to the Subordinated Debt or any part thereof, and to collect and receive any and all payments or distributions referred to in paragraph (b) above of Clause 2.4 or to do anything which that Subordinated Creditor has authorised the Lender or any other Party to do under this Deed or is itself required to do under this Deed but has failed to do (and the Lender may delegate that power on such terms as it sees fit).

3. SET-OFF

- (a) The Subordinated Creditor shall not set off against the Subordinated Debt any amount payable by the Subordinated Creditor to the Company.
- (b) If any part of the Subordinated Debt is discharged in whole or in part by way of set-off, the Subordinated Creditor will promptly pay to the Lender for application in accordance with the terms of paragraph (b) of Clause 2.4 (Subordination on insolvency) an amount equal to the amount of the Subordinated Debt discharged by such set-off.

4. NEW MONEY

The Subordinated Creditor hereby agrees that the Lender may, at its discretion, increase the facility made available to the Company and make further advances to the Company, and each such advance will be deemed to be made under the terms of the Agreement.

5. PROTECTION OF SUBORDINATION

- (a) The subordination in this Deed is a continuing subordination and benefits the ultimate balance of the Senior Debt.
- (b) Except as provided in this Deed, the subordination is, and the Subordinated Creditor's obligations under this Deed will, not be affected by any act, omission or thing which, but for this provision, would reduce, release or prejudice the subordination or any of the Subordinated Creditor's obligations under this Deed.

6. MISCELLANEOUS

- (a) This Deed overrides anything in any Subordinated Finance Document to the contrary.
- (b) Any communication in respect of this Deed must be in writing. Contact details for each Party are set out opposite their name, below.
- (c) This Deed is a Finance Document.

7. ASSIGNMENT

- (a) The Lender shall have the full and unfettered right to assign or otherwise transfer the whole or any part of the benefit of this Deed to any person to whom all or a corresponding part of its rights, benefits and obligations under any of the Finance Documents are assigned or transferred in accordance with their provisions.
- (b) The Subordinated Creditor shall not assign or transfer all or any of its rights, title, benefit and interest in or to all or any part of the Subordinated Debt unless in full and on or prior to such assignment or transfer the assignee or transferee accedes to this Deed as Subordinated Creditor pursuant to the Subordinated Creditor Accession Deed.

8. TERMINATION

Subject to Clause 4 (New Money), on the Senior Debt Discharge Date, the terms of this Deed shall terminate.

9. GOVERNING LAW

This Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

10. JURISDICTION

The English courts have exclusive jurisdiction to settle any dispute including a dispute relating to non-contractual obligations arising out of or in connection with this Deed and the Parties submit to the exclusive jurisdiction of the English courts.

IN WITNESS whereof this Deed has been duly executed by the Parties on the day and year first above written.

ANNEX 1

FORM OF SUBORDINATED CREDITOR ACCESSION DEED

To: MUFG Bank, Ltd. as Lender.

To: WESTERN POWER DISTRIBUTION (EAST MIDLANDS) PLC

From: [Acceding Subordinated Creditor]

THIS DEED is made on [date] by [Acceding Subordinated Creditor] (the "Acceding Subordinated Creditor") in relation to the subordination deed (the "Subordination Deed") dated [●] between, among others, Western Power Distribution (East Midlands) plc as Company, MUFG Bank, Ltd. as Lender and the Subordinated Creditor (as defined in the Subordination Deed). Terms defined in the Subordination Deed shall, unless otherwise defined in this Deed, bear the same meanings when used in this Deed.

In consideration of the Acceding Subordinated Creditor being accepted as the Subordinated Creditor for the purposes of the Subordination Deed, the Acceding Subordinated Creditor confirms that, as from [date], it intends to be party to the Subordination Deed as the Subordinated Creditor and undertakes to perform all the obligations expressed in the Subordination Deed to be assumed by the Subordinated Creditor and agrees that it shall be bound by all the provisions of the Subordination Deed, as if it had been an original party to the Subordination Deed as the Subordinated Creditor.

This Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

IN WITNESS whereof this Deed has been duly executed by the Parties on the day and year first above written.

SIGNATORIES

Company

EXECUTED as a DEED)
by WESTERN POWER DISTRIBUTION (EAST)
MIDLANDS) PLC)
acting by)

Director

In the presence of:

Witness's Signature: _____

Name: _____

Address: _____

Company contact details:

Address: Avonbank, Feeder Road,
Bristol BS2 0TB
Phone number: 01179 332 374
Email: dhole@westernpower.co.uk
Attention: David Hole

Acceding Subordinated Creditor

EXECUTED as a DEED)
by [ACCEDING SUBORDINATED CREDITOR])
acting by)

Director

In the presence of:

Witness's Signature: _____

Name: _____

Address: _____

Subordinated Creditor contact details:

Address:
Fax number:
Phone number:
Email:
Attention:

Lender

EXECUTED as a DEED
by MUFG BANK, LTD.
acting by

)
)
)

[●] _____



ANNEX 2

FORM OF CERTIFICATE

To: MUFG BANK, LTD. as Lender

From: Western Power Distribution (East Midlands) plc

Date: [●]

Western Power Distribution (East Midlands) plc – £100,000,000 Inflation-Linked Loan Agreement dated 24 May 2016 and Subordination Deed dated [●] (the “Deed”)

1. We refer to the Agreement and the Deed. Capitalised terms defined in the Deed have the same meaning in this Certificate, unless given a different meaning in this Certificate.
2. We confirm that the Company will make [insert type of payment] of [insert amount and currency] under [insert description of relevant Subordinated Finance Document] on [insert date of payment].
3. We confirm that, taking into account such payment, the Company will be in compliance with its obligations under Clause 16 (Financial Covenants) of the Agreement on [the last day of] each of the next two Measurement Periods (as such term is defined in the Agreement).

WESTERN POWER DISTRIBUTION (EAST MIDLANDS) PLC

By:

Director

By:

Director

SIGNATORIES

Company

EXECUTED as a DEED)
by WESTERN POWER DISTRIBUTION (EAST)
MIDLANDS) PLC)
acting by)

.....
Director

In the presence of:

Witness's Signature:

Name:

Address:

Company contact details:

Address: Avonbank, Feeder Road,
Bristol BS2 0TB
Phone number: 01179 332 374
Email: dhole@westernpower.co.uk
Attention: David Hole

Subordinated Creditor

EXECUTED as a DEED)
by [SUBORDINATED CREDITOR])
acting by)

.....
Director

In the presence of:

Witness's Signature:

Name:

Address:

Subordinated Creditor contact details:

Address:
Fax number:
Phone number:
Email:
Attention:

Lender

EXECUTED as a DEED
by MUFG BANK, LTD.
acting by

)
)
)

Director

SIGNATORIES

THE COMPANY

SIGNED)
for and on behalf of)
WESTERN POWER DISTRIBUTION)
(EAST MIDLANDS) PLC)

By _____
Name _____
Title _____

Address: Avonbank
Feeder Road
Bristol BS2 0TB

LENDER

SIGNED)
for and on behalf of)
)
)

MUFG BANK, LTD.

By _____

Name _____

Title _____

Address: MUFG Bank, Ltd., Ropemaker Place, 25 Ropemaker Street, London
EC2Y 9AN

Fax number(s): +44 207 577 1559

Attention: The Manager – Loan Participation Service

Email: loanparticipations@uk.mufg.jp

SIGNATORIES

THE COMPANY

For and on behalf of

WESTERN POWER DISTRIBUTION (EAST MIDLANDS) PLC

By : I.V.A. [Signature]
Name : IAN WILLIAMS
Title : FINANCE DIRECTOR

THE LENDER

For and on behalf of

MUFG BANK, LTD.

By : Simon Lello

Name : SIMON LELLO

Title : MANAGING DIRECTOR

The following listing of subsidiaries omits subsidiaries which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of December 31, 2020.

Company Name Business Conducted under Same Name	State or Jurisdiction of Incorporation/Formation
CEP Reserves, Inc.	Delaware
Kentucky Utilities Company	Kentucky and Virginia
LG&E and KU Energy LLC	Kentucky
Louisville Gas and Electric Company	Kentucky
PMDC International Holdings, Inc.	Delaware
PPL Atlantic Holdings, LLC	Delaware
PPL (Barbados) SRL	Barbados
PPL Capital Funding, Inc.	Delaware
PPL Electric Utilities Corporation	Pennsylvania
PPL Energy Funding Corporation	Pennsylvania
PPL Global, LLC	Delaware
PPL UK Holdings, LLC	Delaware
PPL UK Resources Limited	England and Wales
PPL WPD Limited	England and Wales
Western Power Distribution (East Midlands) plc	England and Wales
Western Power Distribution (South West) plc	England and Wales
Western Power Distribution (West Midlands) plc	England and Wales

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-223142 and 333-223140 on Form S-3 and Registration Statement Nos. 333-215193, 333-209618, 333-181752, and 333-197629 on Form S-8 of our reports dated February 18, 2021, relating to the financial statements of PPL Corporation and the effectiveness of PPL Corporation's internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP

Parsippany, New Jersey

February 18, 2021

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-223142-04 on Form S-3 of our report dated February 18, 2021, relating to the financial statements of PPL Electric Utilities Corporation appearing in this Annual Report on Form 10-K for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP

Parsippany, New Jersey

February 18, 2021

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-223142-02 on Form S-3 of our report dated February 18, 2021, relating to the financial statements of Louisville Gas and Electric Company appearing in this Annual Report on Form 10-K for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP

Louisville, Kentucky

February 18, 2021

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-223142-01 on Form S-3 of our report dated February 18, 2021, relating to the financial statements of Kentucky Utilities Company appearing in this Annual Report on Form 10-K for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP

Louisville, Kentucky

February 18, 2021

PPL CORPORATION

POWER OF ATTORNEY

WITH RESPECT TO:

1. 2020 ANNUAL REPORT TO THE SECURITIES AND EXCHANGE COMMISSION ON FORM 10-K;
2. OMNIBUS SHELF REGISTRATION STATEMENT; AND
3. DIRECT STOCK PURCHASE AND DIVIDEND REINVESTMENT PLAN REGISTRATION STATEMENT

The undersigned directors of PPL Corporation, a Pennsylvania corporation, do hereby appoint each of Vincent Sorgi, Joseph P. Bergstein, Jr., Joanne H. Raphael, Jennifer L. McDonough and W. Eric Marr, and each of them, their true and lawful attorney, with power to act without the other and with full power of substitution and resubstitution:

- (i) to execute for the undersigned directors and in their names to file with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, PPL Corporation's Annual Report on Form 10-K for the year ended December 31, 2020 ("Form 10-K Report") and any and all amendments thereto, whether said amendments add to, delete from or otherwise alter the Form 10-K Report, or add or withdraw any exhibits or schedules to be filed therewith and any and all instruments in connection therewith; and
- (ii) to execute for the undersigned directors and in their names to file with the Securities and Exchange Commission, Washington, D.C., under provisions of the Securities Act of 1933, as amended, a registration statement or registration statements for the registration under provisions of the Securities Act of 1933, as amended, and any other rules, regulations or requirements of the Securities and Exchange Commission in respect thereof, (A) of various securities of PPL Corporation or its subsidiaries (without designation as to the amount of such securities), which securities may include guarantees by PPL Corporation of the securities of such subsidiaries, and (B) of shares of common stock, par value \$.01 per share, of PPL Corporation to be issued under the PPL Corporation Direct Stock Purchase and Dividend Reinvestment Plan, and, in each case, any and all amendments thereto, whether said amendments add to, delete from or otherwise alter any such registration statement or registration statements, or add or withdraw any exhibits or schedules to be filed therewith and any and all instruments in connection therewith.

The undersigned hereby grant to each said attorney full power and authority to do and perform in the name of and on behalf of the undersigned, and in any and all capacities, any act and thing whatsoever required or necessary to be done in and about the premises, as fully and to all intents and purposes as the undersigned might do, hereby ratifying and approving the acts of each of the said attorneys.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands this 18th day of February, 2021.

/s/ Arthur P. Beattie

Arthur P. Beattie

/s/ John W. Conway

John W. Conway

/s/ Steven G. Elliott

Steven G. Elliott

/s/ Venkata Rajamannar Madabhushi

Venkata Rajamannar Madabhushi

/s/ Craig A. Rogerson

Craig A. Rogerson

/s/ William H. Spence

William H. Spence

/s/ Natica von Althann

Natica von Althann

/s/ Keith H. Williamson

Keith H. Williamson

/s/ Phoebe A. Wood

Phoebe A. Wood

/s/ Armando Zagalo de Lima

Armando Zagalo de Lima

CERTIFICATION

I, VINCENT SORGI, certify that:

1. I have reviewed this annual report on Form 10-K of PPL Corporation (the "registrant") for the year ended December 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2021

/s/ Vincent Sorgi

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

CERTIFICATION

I, JOSEPH P. BERGSTEIN, JR., certify that:

1. I have reviewed this annual report on Form 10-K of PPL Corporation (the "registrant") for the year ended December 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2021

/s/ Joseph P. Bergstein, Jr.
Joseph P. Bergstein, Jr.
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

CERTIFICATION

I, GREGORY N. DUDKIN, certify that:

1. I have reviewed this annual report on Form 10-K of PPL Electric Utilities Corporation (the "registrant") for the year ended December 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2021

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

CERTIFICATION

I, STEPHEN K. BREININGER, certify that:

1. I have reviewed this annual report on Form 10-K of PPL Electric Utilities Corporation (the "registrant") for the year ended December 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2021

/s/ Stephen K. Breininger

Stephen K. Breininger
Vice President-Finance and Regulatory Affairs and Controller
(Principal Financial Officer)
PPL Electric Utilities Corporation

CERTIFICATION

I, PAUL W. THOMPSON, certify that:

1. I have reviewed this annual report on Form 10-K of LG&E and KU Energy LLC (the "registrant") for the year ended December 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2021

/s/ Paul W. Thompson

Paul W. Thompson
President and Chief Executive Officer
(Principal Executive Officer)
LG&E and KU Energy LLC

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this annual report on Form 10-K of LG&E and KU Energy LLC (the "registrant") for the year ended December 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2021

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer)
LG&E and KU Energy LLC

CERTIFICATION

I, PAUL W. THOMPSON, certify that:

1. I have reviewed this annual report on Form 10-K of Louisville Gas and Electric Company (the "registrant") for the year ended December 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2021

/s/ Paul W. Thompson

Paul W. Thompson
President and Chief Executive Officer
(Principal Executive Officer)
Louisville Gas and Electric Company

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this annual report on Form 10-K of Louisville Gas and Electric Company (the "registrant") for the year ended December 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2021

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer)
Louisville Gas and Electric Company

CERTIFICATION

I, PAUL W. THOMPSON, certify that:

1. I have reviewed this annual report on Form 10-K of Kentucky Utilities Company (the "registrant") for the year ended December 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2021

/s/ Paul W. Thompson
Paul W. Thompson
President and Chief Executive Officer
(Principal Executive Officer)
Kentucky Utilities Company

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this annual report on Form 10-K of Kentucky Utilities Company (the "registrant") for the year ended December 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2021

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer)
Kentucky Utilities Company

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2020

In connection with the annual report on Form 10-K of PPL Corporation (the "Company") for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Vincent Sorgi, the Principal Executive Officer of the Company, and Joseph P. Bergstein, Jr., the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 18, 2021

/s/ Vincent Sorgi

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

/s/ Joseph P. Bergstein, Jr.

Joseph P. Bergstein, Jr.
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ELECTRIC UTILITIES CORPORATION'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2020

In connection with the annual report on Form 10-K of PPL Electric Utilities Corporation (the "Company") for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Gregory N. Dudkin, the Principal Executive Officer of the Company, and Stephen K. Breininger, the Principal Financial Officer and Principal Accounting Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 18, 2021

/s/ Gregory N. Dudkin

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

/s/ Stephen K. Breininger

Stephen K. Breininger
Vice President-Finance and Regulatory Affairs and Controller
(Principal Financial Officer)
PPL Electric Utilities Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LG&E AND KU ENERGY LLC'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2020

In connection with the annual report on Form 10-K of LG&E and KU Energy LLC (the "Company") for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Paul W. Thompson, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 18, 2021

/s/ Paul W. Thompson

Paul W. Thompson
President and Chief Executive Officer
(Principal Executive Officer)
LG&E and KU Energy LLC

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer)
LG&E and KU Energy LLC

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LOUISVILLE GAS AND ELECTRIC COMPANY'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2020

In connection with the annual report on Form 10-K of Louisville Gas and Electric Company (the "Company") for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Paul W. Thompson, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company

Date: February 18, 2021

/s/ Paul W. Thompson

Paul W. Thompson
President and Chief Executive Officer
(Principal Executive Officer)
Louisville Gas and Electric Company

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer)
Louisville Gas and Electric Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR KENTUCKY UTILITIES COMPANY'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2020

In connection with the annual report on Form 10-K of Kentucky Utilities Company (the "Company") for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Paul W. Thompson, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 18, 2021

/s/ Paul W. Thompson

Paul W. Thompson
President and Chief Executive Officer
(Principal Executive Officer)
Kentucky Utilities Company

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer)
Kentucky Utilities Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

PPL CORPORATION AND SUBSIDIARIES
LONG-TERM DEBT SCHEDULE
(Unaudited)
(Millions of Dollars)

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>December 31, 2020</u>
PPL			
U.S.			
PPL Capital Funding			
<i>Senior Unsecured Notes</i>			
N/A ⁴	0.846 %	03/31/2022	\$ 100
69352PAD5	4.200 %	06/15/2022	400
69352PAE3	3.500 %	12/01/2022	400
69352PAF0	3.400 %	06/01/2023	600
69352PAK9	3.950 %	03/15/2024	350
69352PAL7	3.100 %	05/15/2026	650
69352PAQ6	4.125 %	04/15/2030	1,000
69352PAH6	4.700 %	06/01/2043	300
69352PAJ2	5.000 %	03/15/2044	400
69352PAM5	4.000 %	09/15/2047	500
Total Senior Unsecured Notes			4,700
<i>Junior Subordinated Notes</i>			
69352PAC7 ¹	2.905 %	03/30/2067	480
69352P202	5.900 %	04/30/2073	450
Total Junior Subordinated Notes			930
Total PPL Capital Funding Long-term Debt			5,630
PPL Electric			
<i>Senior Secured Notes/First Mortgage Bonds</i>			
Total PPL Electric Long-term Debt			4,289
LKE			
<i>Senior Unsecured Notes</i>			
<i>First Mortgage Bonds</i>			
Total LKE Long-term Debt ²			4,916
Total U.S. Long-term Debt			14,835

<u>U.K.</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>December 31, 2020</u>
<i>Senior Unsecured Notes</i>			
USG7208UAA90	5.375 %	05/01/2021	500
USG9796VAE32	7.375 %	12/15/2028	202
XS1315962602	3.625 %	11/06/2023	666
N/A	1.459 %	06/07/2024	67
XS1893807120	3.500 %	10/16/2026	466
XS0627333221	5.250 %	01/17/2023	933
XS0568142482	6.250 %	12/10/2040	333
XS2050806434	1.750 %	09/09/2031	333
XS0979476602	3.875 %	10/17/2024	533
XS0568142052	6.000 %	05/09/2025	333
XS0627336321	5.750 %	04/16/2032	1,066
XS0280014282	4.804 %	12/21/2037	300
XS0496999219	5.750 %	03/23/2040	266
XS2241245203	1.625 %	10/07/2035	333
XS1718489898	2.375 %	05/16/2029	333
XS0165510313	5.875 %	03/25/2027	333
XS0496975110	5.750 %	03/23/2040	266
Total Senior Unsecured Notes			7,263
<i>Index-Linked Notes ³</i>			
N/A ⁴	0.285 %	09/30/2030	150
XS0632038666	2.671 %	06/01/2043	236
XS0974143439	1.676 %	09/24/2052	165
XS1821535678	0.010 %	05/16/2028	42
XS1797949267	0.010 %	03/26/2036	43
XS1577901702	0.010 %	03/14/2029	74
XS0277685987	1.541 %	12/01/2053	206
XS0279320708	1.541 %	12/01/2056	235
Total Index-Linked Notes			1,151
Total U.K. Long-term Debt			8,414
Total Long-term Debt Before Adjustments			23,249
Fair market value adjustments			8
Unamortized premium and (discount), net			2
Unamortized debt issuance costs			(132)
Total Long-term Debt			23,127
Less current portion of Long-term Debt			1,574
Total Long-term Debt, noncurrent			\$ 21,553

PPL Electric	Interest Rate	Maturity Date	December 31, 2020
<i>Senior Secured Notes/First Mortgage Bonds</i>			
524808BW1 ⁵	1.800 %	02/15/2027	\$ 108
524808BX9 ⁵	1.800 %	09/01/2029	116
70869MAD8	0.400 %	10/01/2023	90
69351UAP8	3.000 %	09/15/2021	400
69351UAQ6	2.500 %	09/01/2022	250
69351UAX1 ¹	0.501 %	09/28/2023	250
69351UAH6	6.450 %	08/15/2037	250
69351UAM5	6.250 %	05/15/2039	300
69351UAN3	5.200 %	07/15/2041	250
69351UAR4	4.750 %	07/15/2043	350
69351UAS2	4.125 %	06/15/2044	300
69351UAV5	4.150 %	06/15/2048	400
69351UAT0	4.150 %	10/01/2045	350
69351UAU7	3.950 %	06/01/2047	475
69351UAW3	3.000 %	10/01/2049	400
Total Senior Secured Notes			4,289
Total Long-term Debt Before Adjustments			4,289
Unamortized discount			(23)
Unamortized debt issuance costs			(30)
Total Long-term Debt			4,236
Less current portion of Long-term Debt			400
Total Long-term Debt, noncurrent			\$ 3,836

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>December 31, 2020</u>
LKE			
<i>Senior Unsecured Notes</i>			
50188FAE5	4.375 %	10/01/2021	\$ 250
Total Senior Unsecured Notes			250
LG&E			
<i>First Mortgage Bonds</i>			
			2,024
KU			
<i>First Mortgage Bonds</i>			
Total Long-term Debt Before Adjustments			2,642
			4,916
Unamortized premium			5
Unamortized discount			(13)
Unamortized debt issuance costs			(34)
Total Long-term Debt			4,874
Less current portion of Long-term Debt			674
Total Long-term Debt, noncurrent ²			4,200
LG&E			
<i>First Mortgage Bonds</i>			
546676AU1	5.125 %	11/15/2040	285
546676AV9	4.650 %	11/15/2043	250
546676AW7	3.300 %	10/01/2025	300
546676AX5	4.375 %	10/01/2045	250
546676AY3	4.250 %	04/01/2049	400
546749AN2 ⁵	2.550 %	11/01/2027	35
546749AP7 ⁵	1.850 %	10/01/2033	128
546749AR3 ⁵	1.750 %	02/01/2035	40
546749AS14	0.900 %	09/01/2026	23
546751AK4 ⁵	1.650 %	06/01/2033	31
546751AL2 ⁵	1.650 %	06/01/2033	35
896221AD0	3.750 %	06/01/2033	60
896224AX0 ⁵	2.300 %	09/01/2026	27
896224AZ5 ⁵	2.550 %	11/01/2027	35
896224BA9 ⁵	1.300 %	09/01/2044	125
Total Long-term Debt Before Adjustments			2,024
Unamortized discount			(4)
Unamortized debt issuance costs			(13)
Total Long-term Debt			2,007
Less current portion of Long-term Debt			292
Total Long-term Debt, noncurrent			1,715
KU			
<i>First Mortgage Bonds</i>			

	Interest Rate	Maturity Date	December 31, 2020
144838AA7 ⁶	0.180 %	02/01/2032	\$ 21
144838AB5 ⁶	0.180 %	02/01/2032	3
144838AE9 ⁵	1.550 %	09/01/2042	96
14483RAQ0	3.375 %	02/01/2026	18
14483RAR8 ⁵	1.750 %	10/01/2034	50
14483RAS6 ⁵	1.200 %	10/01/2034	54
14483RAT4 ⁵	1.200 %	02/01/2032	78
491674BG1/BF3	5.125 %	11/01/2040	750
491674BJ5	4.650 %	11/15/2043	250
491674BK2	3.300 %	10/01/2025	250
491674BL0	4.375 %	10/01/2045	550
491674BM8	3.300 %	06/01/2050	500
587824AA1 ⁶	0.180 %	02/01/2032	7
587829AD4	1.300 %	05/01/2023	13
62479PAA4 ⁶	0.180 %	02/01/2032	2
Total Long-term Debt Before Adjustments			2,642
Unamortized premium			5
Unamortized discount			(9)
Unamortized debt issuance costs			(20)
Total Long-term Debt			2,618
Less current portion of Long-term Debt			132
Total Long-term Debt, noncurrent			\$ 2,486

1) Securities are in a floating rate mode through maturity.

2) Excludes \$1,200 million of intercompany notes between LKE and an affiliate due 2026, 2028, and 2030.

3) Principal amount of the notes are adjusted based on changes in a specified index, as detailed in the terms of the related indentures.

4) No CUSIP - Facility loan.

5) Securities are currently in a term rate mode. Securities may be put back to the company on a date prior to the stated maturity date.

6) Securities have a floating rate of interest that periodically resets. Securities may be put back to the company on a date prior to the stated maturity date.