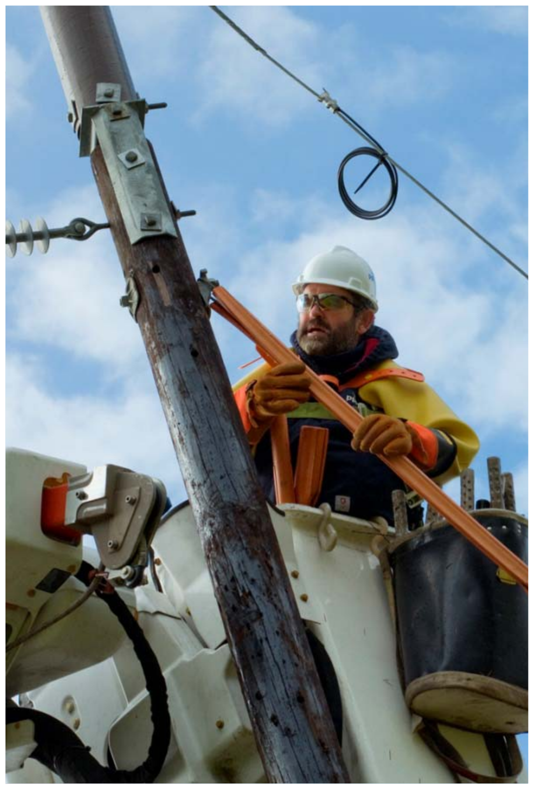
1st Quarter Earnings Call

PPL Corporation
May 4, 2012



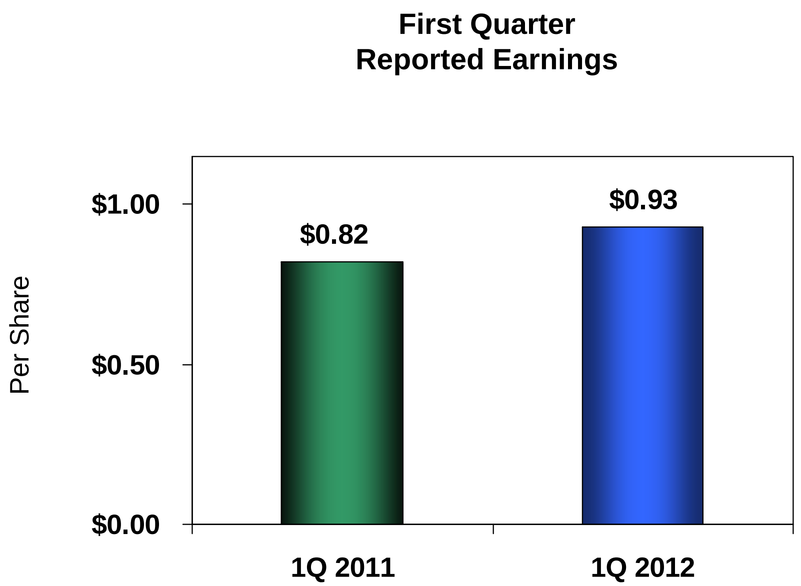
Cautionary Statements and Factors That May Affect Future Results

Any statements made in this presentation about future operating results or other future events are forward-looking statements under the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from such forward-looking statements. A discussion of factors that could cause actual results or events to vary is contained in the Appendix to this presentation and in the Company's SEC filings.

Agenda

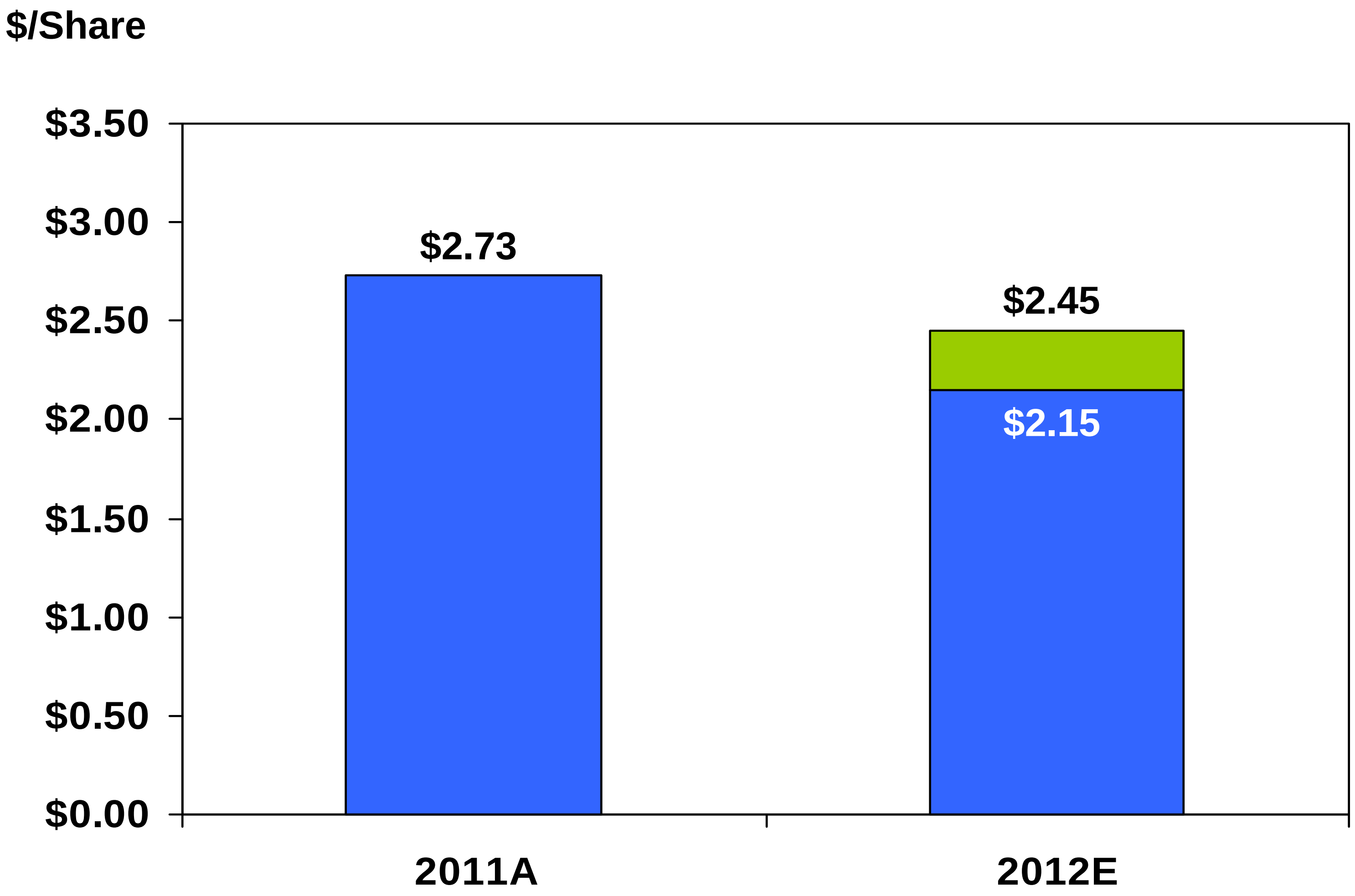
First Quarter Earnings Results, Operational Overview and 2012 Earnings Forecast	W. H. Spence
Segment Results and Financial Overview	P. A. Farr
Q&A	

First Quarter Earnings Results



Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

Reaffirmed 2012 Ongoing Earnings Forecast



Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

Operational Overview

- Midlands integration achieving operational improvements and synergy savings
- Susquehanna-Roseland transmission line preferred route selected by National Park Service
  - Final approval expected in October 2012
- Ironwood acquisition completed
- Susquehanna turbine blade update
- PPL Electric Utilities filed distribution rate case

PPL Electric Utilities Distribution Rate Case Facts

Distribution Revenue Increase Requested	$104.6 million
Test Year	2012
Requested ROE	11.25%
2012 Distribution Rate Base	$2.42 billion
2012 Common Equity Ratio	51.03%
1% Change in ROE =	~$23 million in revenue
Docket No.	R-2012-2290597

Complete filing available at www.pplelectric.com/rateinfo

Ongoing Earnings Overview

	Q1 2012	Q1 2011	Change
Kentucky Regulated	$0.06	$0.15	($0.09)
U.K. Regulated	0.31	0.16	0.15
Pennsylvania Regulated	0.06	0.11	(0.05)
Supply	0.27	0.42	(0.15)
Total	$0.70	$0.84	($0.14)

Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

Kentucky Regulated Segment Earnings Drivers

		1st Quarter
2011 EPS – Ongoing Earnings		$0.15
Electric Delivery Margins	(0.04)	
O&M	(0.03)	
Depreciation	(0.01)	
Dilution	(0.01)	
Total		(0.09)
2012 EPS – Ongoing Earnings		$0.06

Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

U.K. Regulated Segment Earnings Drivers

		1st Quarter
2011 EPS – Ongoing Earnings		$0.16
Midlands(1)	0.24	
Delivery revenue	0.02	
O&M	(0.03)	
Income taxes & other	(0.02)	
Dilution	(0.06)	
Total		0.15
2012 EPS – Ongoing Earnings		$0.31

Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.
(1) Includes interest expense from the 2011 equity units.

Pennsylvania Regulated Segment Earnings Drivers

		1st Quarter
2011 EPS – Ongoing Earnings		$0.11
Electric Delivery Margins	(0.02)	
O&M	(0.01)	
Depreciation	(0.01)	
Dilution	(0.01)	
Total		(0.05)
2012 EPS – Ongoing Earnings		$0.06

Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

Supply Segment Earnings Drivers

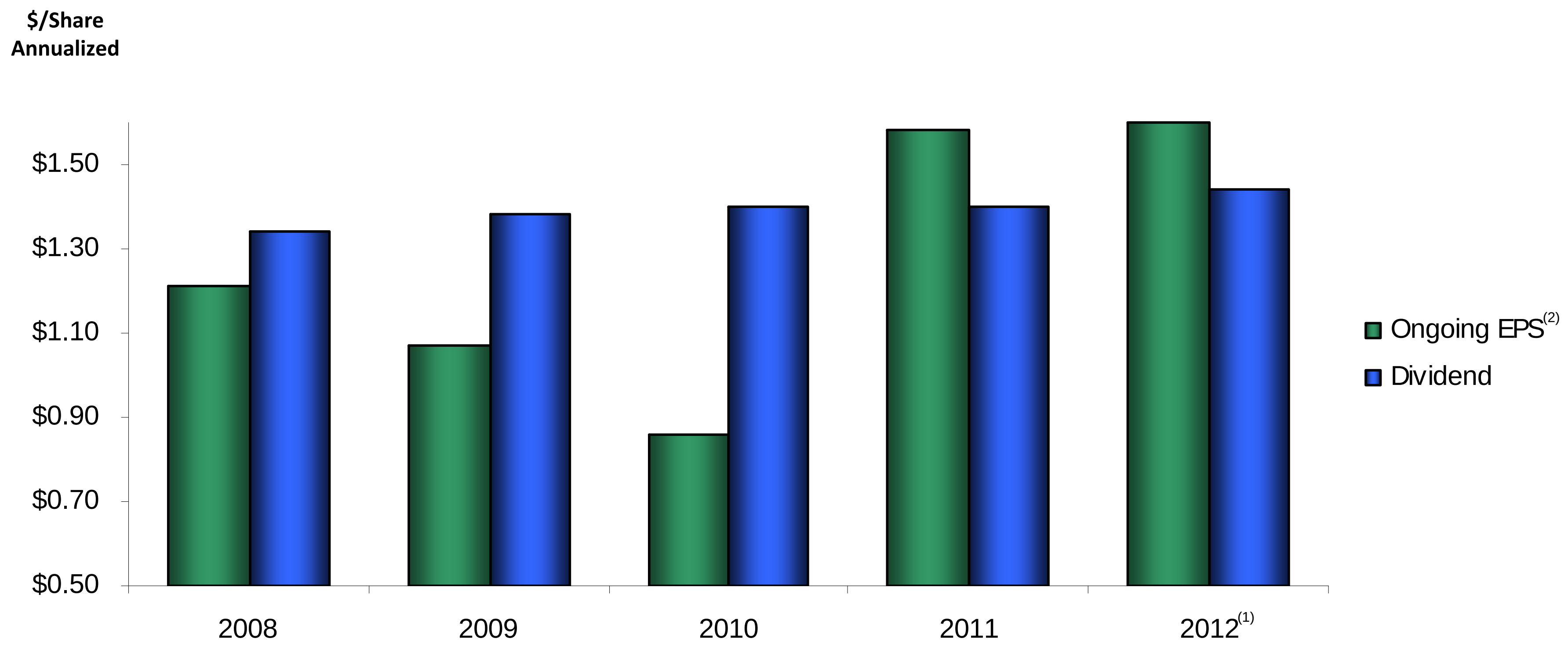
		1st Quarter
2011 EPS – Ongoing Earnings		$0.42
Margins	(0.10)	
O&M	(0.01)	
Income taxes & other	0.02	
Dilution	(0.06)	
Total		(0.15)
2012 EPS – Ongoing Earnings		$0.27

Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

Appendix

Dividend Profile

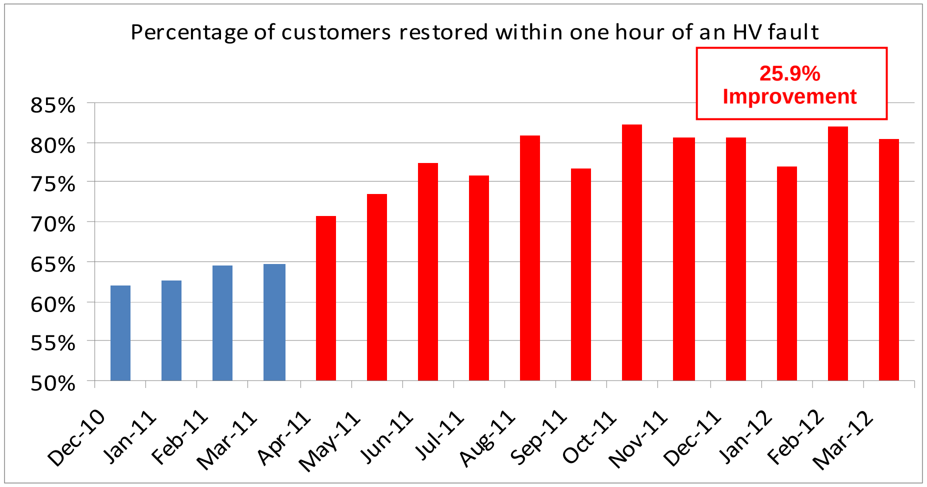
A significantly more rate-regulated business mix provides strong support for current dividend and a platform for future growth



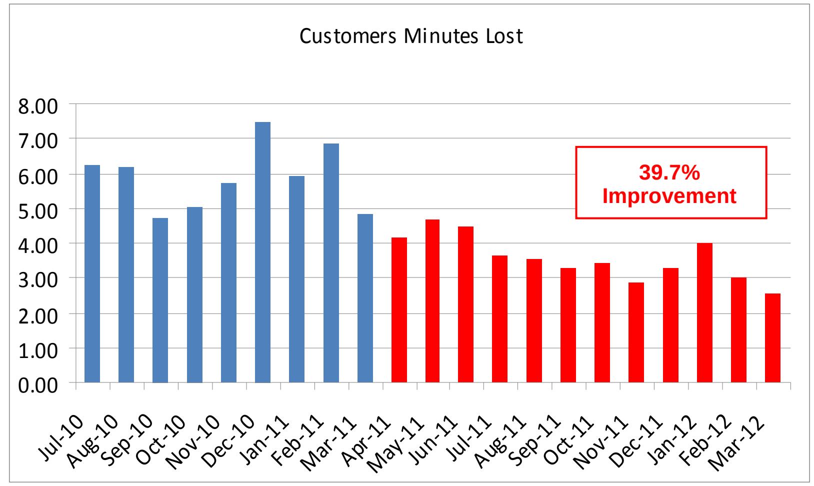
(1) Ongoing EPS based on mid-point of forecast. Annualized dividend based on 1st quarter declaration. Actual dividends to be determined by Board of Directors.
(2) From only regulated segments.

Midlands Integration – Improved Network Performance

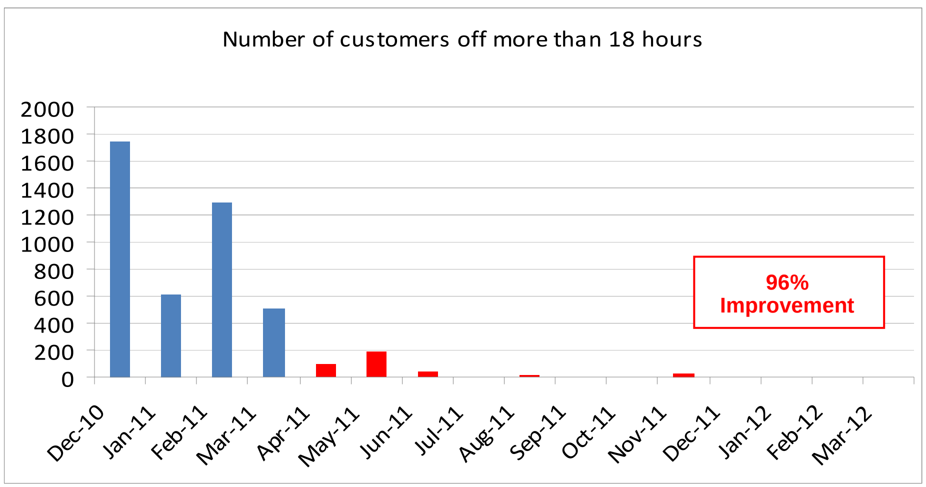
Target 60



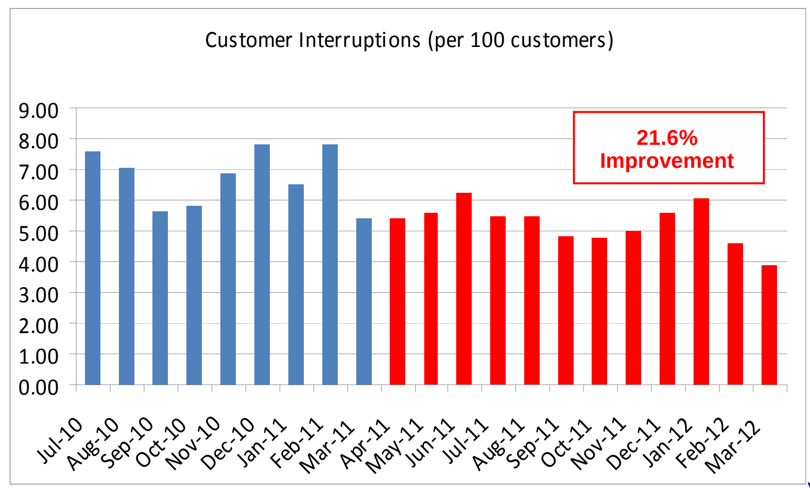
Customer Minutes Lost



18 Hour Standard



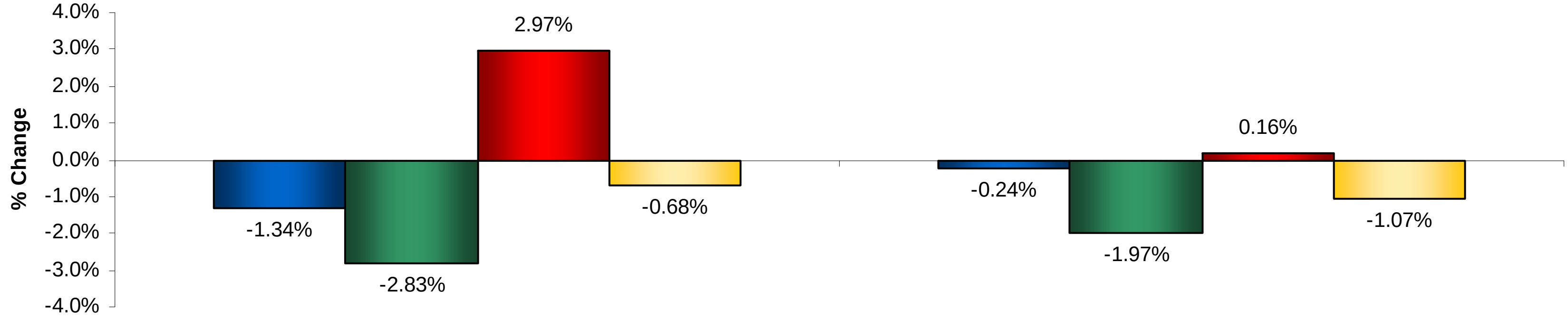
Customer Interruptions (per 100 customers)



Regulated Volume Variances

KY Regulated Weather-Normalized Sales

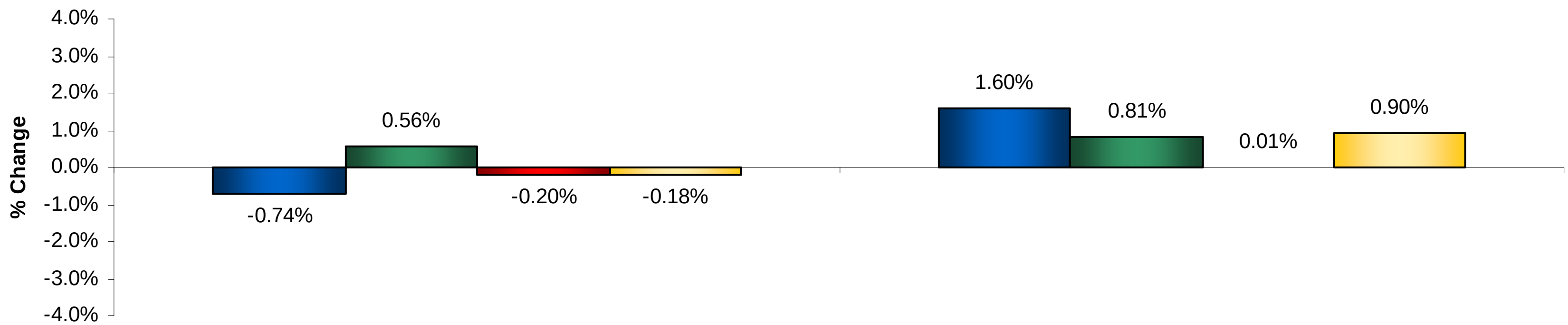
3-months ended 03/31/2012 vs 03/31/2011 | **12-months ended 03/31/2012 vs 03/31/2011**



	Residential	Commercial	Industrial	Total		Residential	Commercial	Industrial	Total	
Weather-Normalized (charted)	-1.34%	-2.83%	2.97%	-0.68%		-0.24%	-1.97%	0.16%	-1.07%	
Actual	-12.03%	-5.70%	2.92%	-5.38%		-8.60%	-4.62%	-0.20%	-4.79%	

PA Regulated Weather-Normalized Sales

3-months ended 03/31/2012 vs 03/31/2011 | **12-months ended 03/31/2012 vs 03/31/2011**



	Residential	Commercial	Industrial	Total		Residential	Commercial	Industrial	Total	
Weather-Normalized (charted)	-0.74%	0.56%	-0.20%	-0.18%		1.60%	0.81%	0.01%	0.90%	
Actual	-11.89%	-3.96%	-0.20%	-6.80%		-3.50%	-0.78%	0.01%	-1.66%	

Note: Total includes Residential, Commercial and Industrial customer classes as well as “Other”, which is not depicted on the charts above.

Enhancing Value Through Active Hedging

	2012	2013
Baseload		
Expected Generation[1] (Million MWhs)	**51.5**	**53.1**
East	43.5	44.8
West	8.0	8.3
Current Hedges (%)	**94-98%**	**79-83%**
East	96-100%	82-86%
West	82-86%	65-69%
Average Hedged Price (Energy Only) ($/MWh)[2] [3]		
East	$54-55	$49-51
West	$50-52	$46-49
Current Coal Hedges (%)	**100%**	**97%**
East	100%	96%
West	100%	100%
Average Hedged Consumed Coal Price (Delivered $/Ton)		
East	$76-79	$80-88
West	$23-28	$23-29
Intermediate/Peaking		
Expected Generation[1] (Million MWhs)	7.6	7.0
Current Hedges (%)	58%	6%

Capacity revenues are expected to be $385 million and $590 million for 2012 and 2013, respectively.

As of March 31, 2012
(1) Represents expected sales of Supply segment based on current business plan assumptions.
(2) The 2012 average hedge energy prices are based on the fixed price swaps as of March 31, 2012; the prior collars have all been converted to fixed swaps.
(3) The 2013 ranges of average energy prices for existing hedges were estimated by determining the impact on the existing collars resulting from 2013 power prices at the 5th and 95th percentile confidence levels.

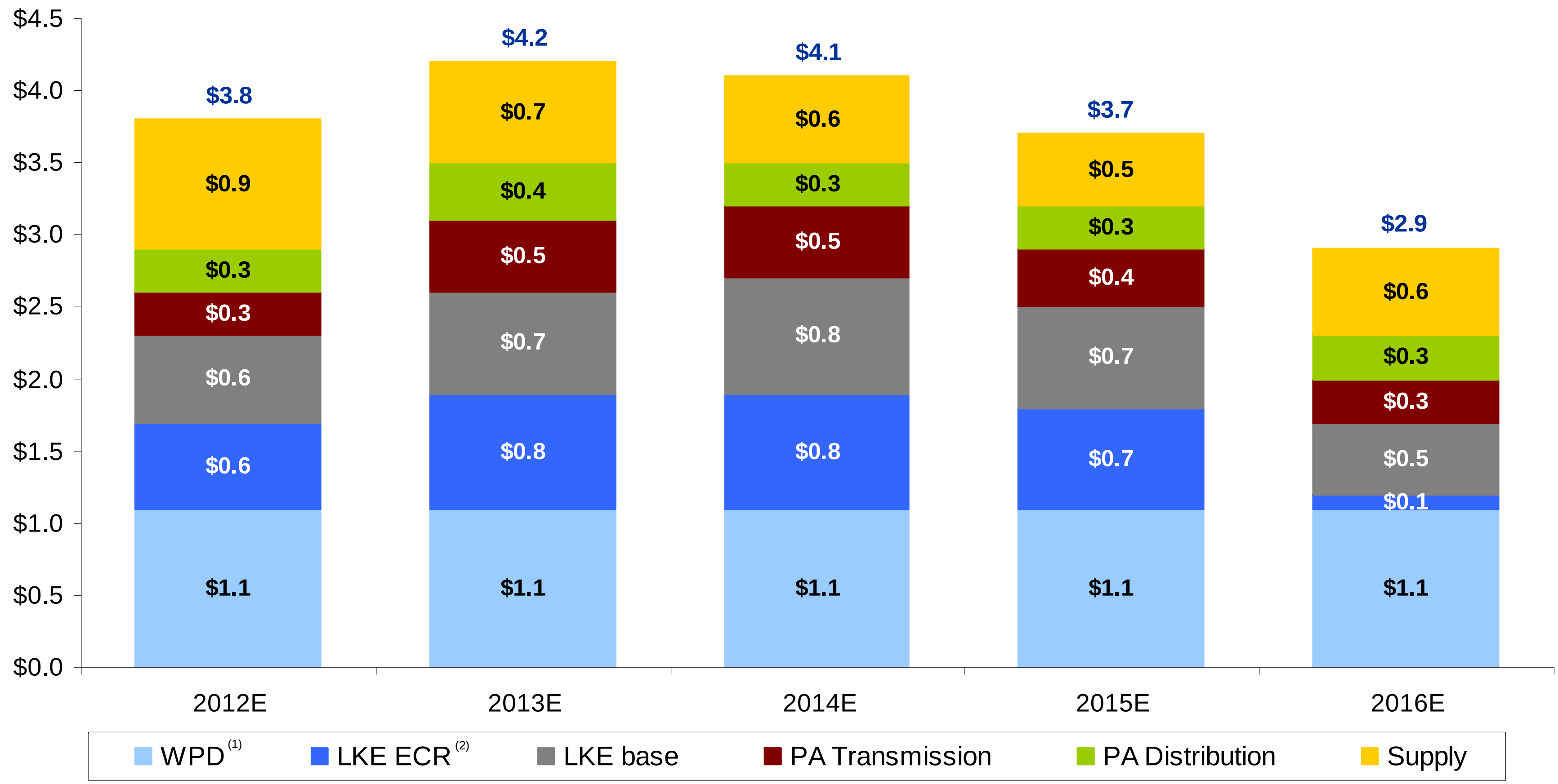
Market Prices

	Balance of 2012	2013
ELECTRIC		
PJM		
On-Peak	$39	$44
Off-Peak	$27	$32
ATC(1)	$32	$37
Mid-Columbia		
On-Peak	$23	$31
Off-Peak	$14	$23
ATC(1)	$19	$27
GAS(2)		
NYMEX	$2.50	$3.47
TZ6NNY	$2.71	$3.76
PJM MARKET		
HEAT RATE(3)	14.2	11.7
CAPACITY PRICES *(Per MWD)*	$123.63	$187.49
EQA	87%	90%

(1) 24-hour average.
(2) NYMEX and TZ6NNY forward gas prices on 3/30/2012.
(3) Market Heat Rate = PJM on-peak power price divided by TZ6NNY gas price.

Capital Expenditures

($ in billions)

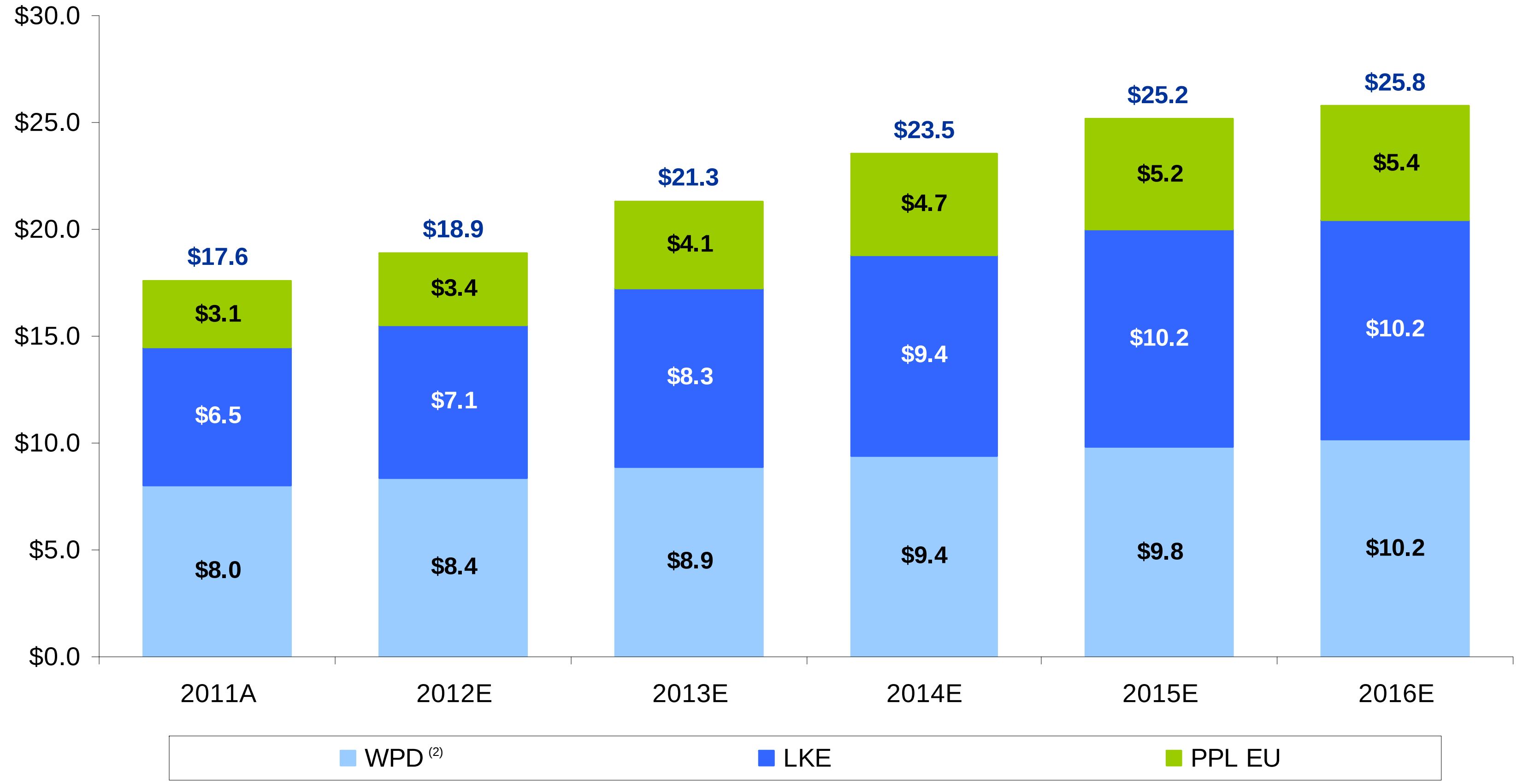


(1) Includes capex for WPD Midlands. Figures based on assumed exchange rate of $1.57 / GBP.
(2) Expect between 80% and 90% to receive timely returns via ECR mechanism based on historical experience and future projections.

Projected Regulated Rate Base Growth

2012E – 2016E Regulatory Asset Base[1] CAGR: 7.9%

($ in billions)

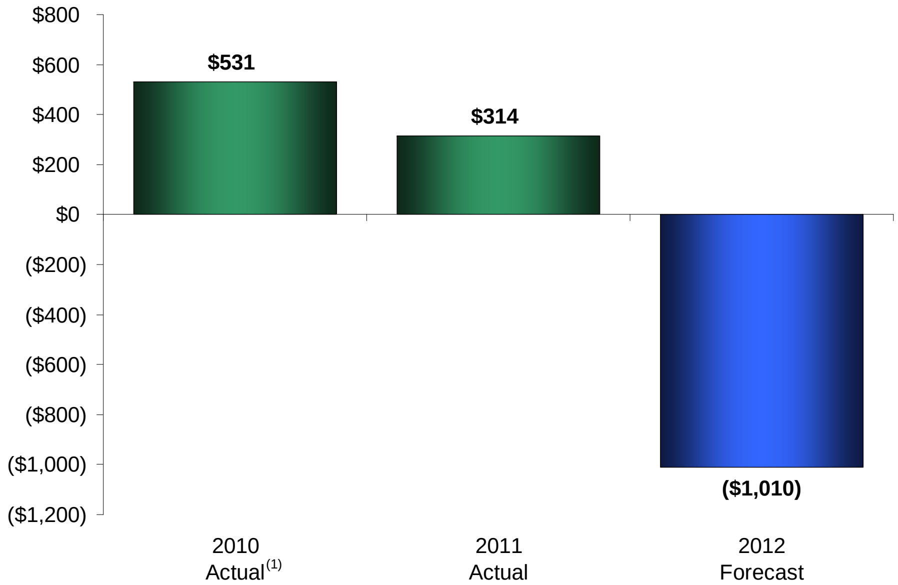


(1) Represents capitalization for LKE, as LG&E and KU rate constructs are based on capitalization. Represents Regulatory Asset Value (RAV) for WPD.
(2) Includes RAV for WPD Midlands. Figures based on assumed exchange rate of $1.57 / GBP and are as of year-end December 31.

Free Cash Flow before Dividends

Free Cash Flow before Dividends

(Millions of Dollars)



Reconciliation of Cash from Operations to Free Cash Flow before Dividends

(Millions of dollars)

	2010A	2011A	2012E
Cash from Operations	$ 2,034	$ 2,507	$ 2,800
Increase (Decrease) in cash due to:			
Capital Expenditures	(1,644)	(2,555)	(3,840)
Sale of Assets	161	381	
Other Investing Activities - Net	(20)	(19)	30
Free Cash Flow before Dividends	$ 531	$ 314	$ (1,010)

(1) 2010 Free Cash Flow includes two months of the results of the Kentucky Regulated segment.

Debt Maturities

(Millions)

	2012	2013	2014	2015	2016
PPL Capital Funding	$0	$0 [1]	$0 [2]	$0	$0
LG&E and KU Energy (Holding Co LKE)	0	0	0	400	0
Louisville Gas & Electric	0	0	0	250	0
Kentucky Utilities	0	0	0	250	0
PPL Electric Utilities	0	0	10 [3]	100	0
PPL Energy Supply	0	737	300	300 [4]	350
WPD	0	0	0	0	460
Total	$0	$737	$310	$1,300	$810

Note: As of March 31, 2012

(1) Excludes $1.15 billion of junior subordinated notes due 2018 that are a component of PPL's 2010 Equity Units and may be put back to PPL Capital Funding if the remarketing in 2013 is not successful.

(2) Excludes $978 million of junior subordinated notes due 2019 that are a component of PPL's 2011 Equity Units and may be put back to PPL Capital Funding if the remarketing in 2014 is not successful.

(3) Bonds defeased in substance in 2008 by depositing sufficient funds with the trustee.

(4) Represents REset Put Securities due 2035 that are required to be put by the holders in October 2015 either for (a) purchase and remarketing by a remarketing dealer or (b) repurchase by PPL Energy Supply.

Liquidity Profile

Institution	Facility	Expiration Date	Total Facility (Millions)	Letters of Credit Outstanding & Commercial Paper Backstop (Millions)	Drawn (Millions)	Availability (Millions)
PPL Energy Supply	Syndicated Credit Facility	Oct-2016	$3,000	$634	$0	$2,366
	Letter of Credit Facility	Mar-2013	200	144	0	56
			$3,200	$778	$0	$2,422
PPL Electric Utilities	Syndicated Credit Facility (1)	Oct-2016	$200	$1	$0	$199
	Asset-backed Credit Facility	Jul-2012	150	0	0	150
			$350	$1	$0	$349
Louisville Gas & Electric	Syndicated Credit Facility	Oct-2016	$400	$0	$0	$400
Kentucky Utilities	Syndicated Credit Facility	Oct-2016	$400	$0	$0	$400
	Letter of Credit Facility	Apr-2014	198	198	0	0
			$598	$198	$0	$400
WPD	PPL WW Syndicated Credit Facility	Jan-2013	£150	£0	£110	£40
	WPD (South West) Syndicated Credit Facility	Jan-2017	245	0	0	245
	WPD (East Midlands) Syndicated Credit Facility	Apr-2016	300	70	0	230
	WPD (West Midlands) Syndicated Credit Facility	Apr-2016	300	71	0	229
	Uncommitted Credit Facilities		73	3	0	70
			£1,068	£144	£110	£814

Note: As of March 31, 2012

- Credit facilities consist of a diverse bank group, with no bank and its affiliates providing an aggregate commitment of more than 9% of the total committed capacity for the domestic facilities and 17% of the total committed capacity for WPD's facilities.

(1) In April 2012, PPL Electric Utilities increased the capacity of its syndicated credit facility from $200 million to $300 million.

Reconciliation of First Quarter Earnings from Ongoing Operations to Reported Earnings

(Millions of Dollars, After-Tax)

Quarter Ending March 31, 2012	Kentucky Regulated	U.K. Regulated	Pennsylvania Regulated	Supply	Total
Earnings from Ongoing Operations	$ 38	$ 183	$ 33	$ 155	$ 409
Special Items:					
Adjusted energy-related economic activity, net				150	150
Foreign currency-related economic hedges		(14)			(14)
Impairments:					
Adjustments - nuclear decommissioning trust investments				1	1
Acquisition-related adjusments:					
WPD Midlands separation benefits		(4)			(4)
LKE net operating loss carryforward and other tax related adjustments	4				4
Other:					
Counterparty bankruptcy				(6)	(6)
Ash basin leak remediation adjustment				1	1
Total Special Items	4	(18)		146	132
Reported Earnings*	$ 42	$ 165	$ 33	$ 301	$ 541

Quarter Ending March 31, 2011	Kentucky Regulated	U.K. Regulated	Pennsylvania Regulated	Supply	Total
Earnings from Ongoing Operations	$ 75	$ 75	$ 52	$ 205	$ 407
Special Items:					
Adjusted energy-related economic activity, net				17	17
Foreign currency-related economic hedges		(1)			(1)
Impairments:					
Emission allowances				(1)	(1)
Renewable energy credits				(2)	(2)
Adjustments - nuclear decommissioning trust investments				1	1
Acquisition-related adjustments:					
WPD Midlands:					
2011 Bridge Facility costs		(5)			(5)
Foreign currency loss on 2011 Bridge Facility		(4)			(4)
Other acquisition-related costs		(10)			(10)
LKE:					
Sale of certain non-core generation facilities				(1)	(1)
Total Special Items		(20)		14	(6)
Reported Earnings*	$ 75	$ 55	$ 52	$ 219	$ 401

* Represents net income attributable to PPL Corporation

Reconciliation of First Quarter Earnings from Ongoing Operations to Reported Earnings

(Per Share - Diluted)

Quarter Ending March 31, 2012	Kentucky Regulated	U.K. Regulated	Pennsylvania Regulated	Supply	Total
Earnings from Ongoing Operations	$ 0.06	$ 0.31	$ 0.06	$ 0.27	$ 0.70
Special Items:					
Adjusted energy-related economic activity, net				0.26	0.26
Foreign currency-related economic hedges		(0.02)			(0.02)
Acquisition-related adjustments:					
WPD Midlands separation benefits		(0.01)			(0.01)
LKE net operating loss carryforward and other tax related adjustments	0.01				0.01
Other:					
Counterparty bankruptcy				(0.01)	(0.01)
Total Special Items	0.01	(0.03)		0.25	0.23
Reported Earnings	$ 0.07	$ 0.28	$ 0.06	$ 0.52	$ 0.93

Quarter Ending March 31, 2011	Kentucky Regulated	U.K. Regulated	Pennsylvania Regulated	Supply	Total
Earnings from Ongoing Operations	$ 0.15	$ 0.16	$ 0.11	$ 0.42	$ 0.84
Special Items:					
Adjusted energy-related economic activity, net				0.03	0.03
Acquisition-related adjustments:					
WPD Midlands:					
2011 Bridge Facility costs		(0.02)			(0.02)
Foreign currency loss on 2011 Bridge Facility		(0.01)			(0.01)
Other acquisition-related costs		(0.02)			(0.02)
Total Special Items		(0.05)		0.03	(0.02)
Reported Earnings	$ 0.15	$ 0.11	$ 0.11	$ 0.45	$ 0.82

Reconciliation of PPL's Earnings from Ongoing Operations to Reported Earnings

(Per Share - Diluted)

	Forecast		Actual	
	High 2012	Low 2012	2011	2010
Earnings from Ongoing Operations	$ 2.45	$ 2.15	$ 2.73	$ 3.13
Special Items:				
Adjusted energy-related economic activity, net	0.26	0.26	0.12	(0.27)
Foreign currency-related economic hedges	(0.02)	(0.02)	0.01	
Sales of assets:				
Maine hydroelectric generation business				0.03
Impairments:				
Emission allowances				(0.02)
Renewable energy credits			(0.01)	
Acquisition-related adjustments:				
WPD Midlands:				
2011 Bridge Facility costs			(0.05)	
Foreign currency loss on 2011 Bridge Facility			(0.07)	
Net hedge gains			0.07	
Hedge ineffectiveness			(0.02)	
U.K. stamp duty tax			(0.04)	
Separation benefits	(0.01)	(0.01)	(0.13)	
Other acquisition-related costs			(0.10)	
LKE:				
Monetization of certain full-requirement sales contracts				(0.29)
Sale of certain non-core generation facilities				(0.14)
Discontinued cash flow hedges and ineffectiveness				(0.06)
Reduction of credit facility				(0.01)
2010 Bridge Facility costs				(0.12)
Other acquisition-related costs				(0.05)
Net operating loss carryforward and other tax related adjustments	0.01	0.01		
Other:				
Montana hydroelectric litigation			0.08	(0.08)
Health care reform - tax impact				(0.02)
Litigation settlement - spent nuclear fuel storage			0.06	
Change in U.K. tax rate			0.12	0.04
Windfall profits tax litigation			(0.07)	0.03
Counterparty bankruptcy	(0.01)	(0.01)	(0.01)	
Wholesale supply cost reimbursement			0.01	
Total Special Items	0.23	0.23	(0.03)	(0.96)
Reported Earnings	$ 2.68	$ 2.38	$ 2.70	$ 2.17

Gross Margins Summary

(Millions of Dollars)	Three Months Ended March 31,			
	2012	2011	Change	Per Share Diluted (after-tax) (a)
KY Gross Margins	$ 383	**$** 411	$ (28)	$ (0.04)
PA Gross Delivery Margins by Component				
Distribution	$ 189	$ 208	$ (19)	$ (0.02)
Transmission	48	42	6	-
Total	$ 237	$ 250	$ (13)	$ (0.02)
Unregulated Gross Energy Margins by Region				
Non-trading				
Eastern U.S.	$ 489	$ 578	$ (89)	$ (0.10)
Western U.S.	87	82	5	-
Net energy trading	8	11	(3)	-
Total	$ 584	$ 671	$ (87)	$ (0.10)

(a) Excludes dilution which is primarily associated with the April 2011 issuance of common stock.

Reconciliation of First Quarter Operating Income to Margins

(Millions of Dollars)	Three Months Ended March 31, 2012 Kentucky Gross Margins	PA Gross Delivery Margins	Unregulated Gross Energy Margins	Other	Operating Income	Three Months Ended March 31, 2011 Kentucky Gross Margins	PA Gross Delivery Margins	Unregulated Gross Energy Margins	Other	Operating Income
Operating Revenues										
Utility	$ 705	$ 457		$ 552	$ 1,714	$ 766	$ 554		$ 216	$ 1,536
PLR intersegment utility revenue (expense)		(21)	$ 21				(6)	$ 6		
Unregulated retail electric and gas			214	9	223			143	4	147
Wholesale energy marketing										
Realized			1,204	4	1,208			1,022	16	1,038
Unrealized economic activity				852	852				57	57
Net energy trading margins			8		8			11		11
Energy-related businesses				107	107				121	121
Total Operating Revenues	705	436	1,447	1,524	4,112	766	548	1,182	414	2,910
Operating Expenses										
Fuel	213		214	(3)	424	215		284	(24)	475
Energy purchases										
Realized	74	153	636	20	883	107	251	227	86	671
Unrealized economic activity				591	591				(18)	(18)
Other operation and maintenance	22	22	4	658	706	21	18	4	540	583
Depreciation	13			251	264	12			196	208
Taxes, other than income		25	8	58	91		33	7	33	73
Energy-related businesses				102	102				113	113
Intercompany eliminations		(1)	1				(4)	1	3	
Total Operating Expenses	322	199	863	1,677	3,061	355	298	523	929	2,105
Discontinued operations								12	(12) (a)	
Total	$ 383	$ 237	$ 584	$ (153)	$ 1,051	$ 411	$ 250	$ 671	$ (527)	$ 805

(a) Represents the net amount of certain revenues and expenses associated with certain businesses that are classified as discontinued operations. These revenues and expenses are not reflected in "Operating Income" on the Statement of Income.

Forward-Looking Information Statement

Statements contained in this presentation, including statements with respect to future earnings, cash flows, financing, regulation and corporate strategy are "forward-looking statements" within the meaning of the federal securities laws. Although PPL Corporation believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, these statements are subject to a number of risks and uncertainties, and actual results may differ materially from the results discussed in the statements. The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: market demand and prices for energy, capacity and fuel; weather conditions affecting customer energy usage and operating costs; competition in power markets; the effect of any business or industry restructuring; the profitability and liquidity of PPL Corporation, its subsidiaries and customers; new accounting requirements or new interpretations or applications of existing requirements; operating performance of plants and other facilities; the length of scheduled and unscheduled outages at our generating plants; environmental conditions and requirements and the related costs of compliance, including environmental capital expenditures and emission allowance and other expenses; system conditions and operating costs; development of new projects, markets and technologies; performance of new ventures; asset or business acquisitions and dispositions, and PPL Corporation's ability to realize the expected benefits from acquired businesses, including the 2010 acquisition of Louisville Gas and Electric Company and Kentucky Utilities Company and the 2011 acquisition of the Central Networks electricity distribution businesses in the U.K.; any impact of hurricanes or other severe weather on our business, including any impact on fuel prices; receipt of necessary government permits, approvals, rate relief and regulatory cost recovery; capital market conditions and decisions regarding capital structure; the impact of state, federal or foreign investigations applicable to PPL Corporation and its subsidiaries; the outcome of litigation against PPL Corporation and its subsidiaries; stock price performance; the market prices of equity securities and the impact on pension income and resultant cash funding requirements for defined benefit pension plans; the securities and credit ratings of PPL Corporation and its subsidiaries; political, regulatory or economic conditions in states, regions or countries where PPL Corporation or its subsidiaries conduct business, including any potential effects of threatened or actual terrorism or war or other hostilities; foreign exchange rates; new state, federal or foreign legislation, including new tax legislation; and the commitments and liabilities of PPL Corporation and its subsidiaries. Any such forward-looking statements should be considered in light of such important factors and in conjunction with PPL Corporation's Form 10-K and other reports on file with the Securities and Exchange Commission.

Definitions of Non-GAAP Financial Measures

"Earnings from ongoing operations" should not be considered as an alternative to reported earnings, or net income attributable to PPL, which is an indicator of operating performance determined in accordance with generally accepted accounting principles (GAAP). PPL believes that "earnings from ongoing operations," although a non-GAAP financial measure, is also useful and meaningful to investors because it provides management's view of PPL's fundamental earnings performance as another criterion in making investment decisions. PPL's management also uses "earnings from ongoing operations" in measuring certain corporate performance goals. Other companies may use different measures to present financial performance.

"Earnings from ongoing operations" is adjusted for the impact of special items. Special items include:

- *Adjusted energy-related economic activity (as discussed below).*
- *Foreign currency-related economic hedges.*
- *Gains and losses on sales of assets not in the ordinary course of business.*
- *Impairment charges (including impairments of securities in the company's nuclear decommissioning trust funds).*
- *Workforce reduction and other restructuring impacts.*
- *Acquisition-related adjustments.*
- *Other charges or credits that are, in management's view, not reflective of the company's ongoing operations.*

Adjusted energy-related economic activity includes the changes in fair value of positions used economically to hedge a portion of the economic value of PPL's generation assets, full-requirement sales contracts and retail activities. This economic value is subject to changes in fair value due to market price volatility of the input and output commodities (e.g., fuel and power) prior to the delivery period that was hedged. Also included in energy-related economic activity is the ineffective portion of qualifying cash flow hedges, the monetization of certain full-requirement sales contracts and premium amortization associated with options. This economic activity is deferred, with the exception of the full-requirement sales contracts that were monetized, and included in earnings from ongoing operations over the delivery period of the item that was hedged or upon realization. Management believes that adjusting for such amounts provides a better matching of earnings from ongoing operations to the actual amounts settled for PPL's underlying hedged assets. Please refer to the Notes to the Financial Statements and MD&A in PPL Corporation's periodic filings with the Securities and Exchange Commission for additional information on energy-related economic activity.

Free cash flow before dividends is derived by deducting capital expenditures and other investing activities-net, from cash flow from operations. Free cash flow before dividends should not be considered as an alternative to cash flow from operations, which is determined in accordance with GAAP. PPL believes that free cash flow before dividends, although a non-GAAP measure, is an important measure to both management and investors, as it is an indicator of the company's ability to sustain operations and growth without additional outside financing beyond the requirement to fund maturing debt obligations. Other companies may calculate free cash flow before dividends in a different manner.

Definitions of Non-GAAP Financial Measures

"Kentucky Gross Margins" is a single financial performance measure of the Kentucky Regulated segment's electricity generation, transmission and distribution operations as well as its distribution and sale of natural gas. In calculating this measure, utility revenues and expenses associated with approved cost recovery tracking mechanisms are offset. Certain costs associated with these mechanisms, primarily ECR and DSM, are recorded as "Other operation and maintenance" expense and the depreciation associated with ECR equipment is recorded as "Depreciation" expense. These mechanisms allow for recovery of certain expenses, returns on capital investments and performance incentives. As a result, this measure represents the net revenues from the Kentucky Regulated segment's operations.

"Pennsylvania Gross Delivery Margins" is a single financial performance measure of the Pennsylvania Regulated segment's electric delivery operations, which includes transmission and distribution activities. 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-" expense, which is primarily Act 129 costs, and in "Taxes, other than income," which is primarily gross receipts tax. These mechanisms allow for recovery of certain expenses; therefore, certain expenses and revenues offset with minimal impact on earnings. This performance measure includes PLR energy purchases by PPL Electric from PPL EnergyPlus, which are reflected in "PLR intersegment utility revenue (expense)." As a result, this measure represents the net revenues from the Pennsylvania Regulated segment's electric delivery operations.

"Unregulated Gross Energy Margins" is a single financial performance measure of the Supply segment's competitive energy non-trading and trading activities. In calculating this measure, the Supply segment's energy revenues, which include operating revenues associated with certain Supply segment businesses that are classified as discontinued operations, are offset by the cost of fuel, energy purchases, certain other operation and maintenance expenses, primarily ancillary charges, gross receipts tax, which is recorded in "Taxes, other than income," and operating expenses associated with certain Supply segment businesses that are classified as discontinued operations. This performance measure is relevant to PPL due to the volatility in the individual revenue and expense lines on the Statements of Income that comprise "Unregulated Gross Energy Margins." This volatility stems from a number of factors, including the required netting of certain transactions with ISOs and significant swings in unrealized gains and losses. Such factors could result in gains or losses being recorded in either "Wholesale energy marketing" or "Energy purchases" on the Statements of Income. This performance measure includes PLR revenues from energy sales to PPL Electric by PPL EnergyPlus, which are reflected in "PLR intersegment utility revenue (expense)." PPL excludes from "Unregulated Gross Energy Margins" the Supply segment's energy-related economic activity, which includes the changes in fair value of positions used to economically hedge a portion of the economic value of PPL's competitive generation assets, full-requirement sales contracts and retail activities. This economic value is subject to changes in fair value due to market price volatility of the input and output commodities (e.g., fuel and power) prior to the delivery period that was hedged. Also included in this energy-related economic activity is the ineffective portion of qualifying cash flow hedges, the monetization of certain full-requirement sales contracts and premium amortization associated with options. This economic activity is deferred, with the exception of the full-requirement sales contracts that were monetized, and included in unregulated gross energy margins over the delivery period that was hedged or upon realization.