



a PPL company

Jeff D. Cline
Annual Report Branch
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40601

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APR 02 2015

PUBLIC SERVICE
COMMISSION

Louisville Gas and
Electric Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.lge-ku.com

Rick E. Lovekamp
Manager - Regulatory Affairs
T 502-627-3324
F 502-627-3213
rick.lovekamp@lge-ku.com

April 2, 2015

Re: Kentucky Public Service Commission Annual Financial and Statistical Report, Kentucky Public Service Commission Annual Report for Major Natural Gas Companies

Dear Mr. Cline:

On March 23, 2015, Pursuant to 807 KAR 5:006, Sec. 4, Louisville Gas and Electric Company ("LG&E") electronically filed with the Commission the 2014 Annual Financial and Statistical Report. Enclosed is one (1) original of the LG&E FERC Form 1: Annual Report of Major Electric Utilities and the Annual Report for Major Natural Gas Companies.

Please confirm your receipt of this filing by placing the stamp of your Office on the additional cover letter provided. Should you require any additional information about these matters, please contact me or Don Harris at 502-627-2021.

Sincerely,

Rick E. Lovekamp / DJH

Rick E. Lovekamp

Enclosures

THIS FILING IS

Item 1: An Initial (Original) Submission OR Resubmission No. _____

Form 1 Approved
OMB No.1902-0021
(Expires 11/30/2016)
Form 1-F Approved
OMB No.1902-0029
(Expires 11/30/2016)
Form 3-Q Approved
OMB No.1902-0205
(Expires 11/30/2016)



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PUBLIC SERVICE
COMMISSION

**FERC FINANCIAL REPORT
FERC FORM No. 1: Annual Report of
Major Electric Utilities, Licensees
and Others and Supplemental
Form 3-Q: Quarterly Financial Report**

**Public Service Commission
of
Kentucky**

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1 and 141.400. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature

Exact Legal Name of Respondent (Company)

Louisville Gas and Electric Company

Year/Period of Report

End of 2014/Q4

LOUISVILLE GAS AND ELECTRIC COMPANY

PUBLIC SERVICE COMMISSION OF KENTUCKY

**PRINCIPAL PAYMENT AND INTEREST INFORMATION
FOR THE YEAR ENDING DECEMBER 31, 2014**

1. Amount of Principal Payment during calendar year \$ 0.00

2. Is Principal current? (Yes) X (No) _____

3. Is Interest current? (Yes) X (No) _____

**SERVICES PERFORMED BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT**

Are your financial statements examined by a Certified Public Accountant?

(Yes) X (No) _____

If yes, which service is performed?

Audit X

Compilation _____

Review _____

Please enclose a copy of the accountant's report with annual report.

**Louisville Gas and Electric Company
Supplemental Electric Information
Revenues, Customers and KWH Sales
For Reporting Year 2014**

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PUBLIC SERVICE
COMMISSION

	Revenues	KWHs Sold	Customers
440 Residential	\$ 419,063,081	4,157,326,074	350,588
442 Commercial & Industrial Sales			
Small (or Commercial)	\$ 343,407,017	3,714,091,413	42,261
Large (or Industrial)	\$ 182,233,761	2,773,971,938	440
444 Public Street & Highway Lighting	\$ 2,702,454	17,122,242	656
445 Other Sales to Public Authorities	\$ 94,996,188	1,154,652,761	4,097
446 Sales to Railroads and Railways	\$ -	-	-
448 Interdepartmental Sales	\$ -	-	-
TOTAL Sales to Ultimate Customers	\$ 1,042,402,501	11,817,164,428	398,042
447 Sales for Resale	\$ 118,088,832	3,556,567,000	13
TOTAL Sales of Electricity	\$ 1,160,491,333	15,373,731,428	398,055

THIS PAGE MUST BE COMPLETED AND RETURNED WITH THE ANNUAL REPORT

**LOUISVILLE GAS AND ELECTRIC COMPANY
NUMBER OF ELECTRIC DEPARTMENT EMPLOYEES
SUPPLEMENTAL INFORMATION TO 2014 ANNUAL REPORT**

NUMBER OF ELECTRIC DEPARTMENT EMPLOYEES	
1.	The data on number of employees should be reported for the payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31.
2.	If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special construction employees in a footnote.
The number of employees assignable to the electric department from joint functions of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the electric department from joint functions.	
1.	Payroll Period Ended (Date) 12/31/2014
2.	Total Regular Full-Time Employees 738
3.	Total Part-Time and Temporary Employees 7
4.	Total Employees 745

Additional Requested Information

Utility Name Louisville Gas and Electric Company

FEIN# (Federal Employer Identification Number)

6	1	-	0	2	6	4	1	5	0
---	---	---	---	---	---	---	---	---	---

Contact Person T. Eric Raible

Contact Person's E-Mail Address eric.raible@lge-ku.com

Utility's Web Address www.lge-ku.com

Please complete the above information, if it is available.

If there are multiple staff who may be contacts please include their names and e-mail addresses also.

THIS FILING IS

Item 1: An Initial (Original) Submission OR Resubmission No. _____

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OMB No.1902-0021
(Expires 11/30/2016)

Form 1-F Approved
OMB No.1902-0029
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COMMISSION

**FERC FINANCIAL REPORT
FERC FORM No. 1: Annual Report of
Major Electric Utilities, Licensees
and Others and Supplemental
Form 3-Q: Quarterly Financial Report**

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Exact Legal Name of Respondent (Company)

Louisville Gas and Electric Company

Year/Period of Report

End of 2014/Q4



Building a better
working world

Ernst & Young LLP
Suite 2400
400 West Market Street
Louisville, KY 40202

Tel: +1 502 585 1400
Fax: +1 502 584 4221

Kent Blake
Chief Financial Officer
LG&E & KU Energy LLC
220 West Main Street
Louisville, KY 40202

March 23, 2015

Dear Mr. Blake,

Enclosed please find copies of our manually signed reports on the regulatory-basis financial statements of Louisville Gas and Electric Company and Kentucky Utilities Company as of December 31, 2014 and 2013, and for the years then ended. Please retain this letter and the enclosures in your files as evidence of our authorization to include the attached reports in the 2014 Annual Form 1 filed with the Federal Energy Regulatory Commission.

If you have any questions regarding the form or use of this report, please call me.

Regards,

Ritu Furlan

Attachment

Report of Independent Auditors

To the Board of Directors and Stockholder of Louisville Gas and Electric Company:

We have audited the accompanying financial statements of Louisville Gas and Electric Company, which comprise the comparative balance sheet as of December 31, 2014 and 2013, and the related statements of income, retained earnings and cash flows for the years then ended and the related notes to the financial statements, included on pages 110 through 123.68 in the Federal Energy Regulatory Commission ("FERC") Form No. 1.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with the financial reporting provisions of the FERC as set forth in its applicable Uniform System of Accounts and published accounting releases described in Note 1; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisville Gas and Electric Company at December 31, 2014 and 2013, and its revenue and expenses for the years then ended, in conformity with the accounting requirements of the FERC as set forth in its applicable Uniform System of Accounts and published accounting releases described in Note 1.

Regulatory Basis of Accounting

As described in Note 1 to the financial statements, the financial statements have been prepared by Louisville Gas and Electric Company in conformity in all material respects with the requirements of the FERC as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a basis of accounting other than U.S. generally accepted accounting principles to meet the requirements of the FERC. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of FERC and is not intended to be and should not be used by anyone other than these specified parties.

Louisville, Kentucky
March 23, 2015

Ernst & Young LLP

INSTRUCTIONS FOR FILING FERC FORM NOS. 1 and 3-Q

GENERAL INFORMATION

I. Purpose

FERC Form No. 1 (FERC Form 1) is an annual regulatory requirement for Major electric utilities, licensees and others (18 C.F.R. § 141.1). FERC Form No. 3-Q (FERC Form 3-Q) is a quarterly regulatory requirement which supplements the annual financial reporting requirement (18 C.F.R. § 141.400). These reports are designed to collect financial and operational information from electric utilities, licensees and others subject to the jurisdiction of the Federal Energy Regulatory Commission. These reports are also considered to be non-confidential public use forms.

II. Who Must Submit

Each Major electric utility, licensee, or other, as classified in the Commission's Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject To the Provisions of The Federal Power Act (18 C.F.R. Part 101), must submit FERC Form 1 (18 C.F.R. § 141.1), and FERC Form 3-Q (18 C.F.R. § 141.400).

Note: Major means having, in each of the three previous calendar years, sales or transmission service that exceeds one of the following:

- (1) one million megawatt hours of total annual sales,
- (2) 100 megawatt hours of annual sales for resale,
- (3) 500 megawatt hours of annual power exchanges delivered, or
- (4) 500 megawatt hours of annual wheeling for others (deliveries plus losses).

III. What and Where to Submit

(a) Submit FERC Forms 1 and 3-Q electronically through the forms submission software. Retain one copy of each report for your files. Any electronic submission must be created by using the forms submission software provided free by the Commission at its web site: <http://www.ferc.gov/docs-filing/eforms/form-1/elec-subm-soft.asp>. The software is used to submit the electronic filing to the Commission via the Internet.

(b) The Corporate Officer Certification must be submitted electronically as part of the FERC Forms 1 and 3-Q filings.

(c) Submit immediately upon publication, by either eFiling or mail, two (2) copies to the Secretary of the Commission, the latest Annual Report to Stockholders. Unless eFiling the Annual Report to Stockholders, mail the stockholders report to the Secretary of the Commission at:

Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

(d) For the CPA Certification Statement, submit within 30 days after filing the FERC Form 1, a letter or report (not applicable to filers classified as Class C or Class D prior to January 1, 1984). The CPA Certification Statement can be either eFiled or mailed to the Secretary of the Commission at the address above.

The CPA Certification Statement should:

- a) Attest to the conformity, in all material aspects, of the below listed (schedules and pages) with the Commission's applicable Uniform System of Accounts (including applicable notes relating thereto and the Chief Accountant's published accounting releases), and
- b) Be signed by independent certified public accountants or an independent licensed public accountant certified or licensed by a regulatory authority of a State or other political subdivision of the U. S. (See 18 C.F.R. §§ 41.10-41.12 for specific qualifications.)

<u>Reference Schedules</u>	<u>Pages</u>
Comparative Balance Sheet	110-113
Statement of Income	114-117
Statement of Retained Earnings	118-119
Statement of Cash Flows	120-121
Notes to Financial Statements	122-123

- e) The following format must be used for the CPA Certification Statement unless unusual circumstances or conditions, explained in the letter or report, demand that it be varied. Insert parenthetical phrases only when exceptions are reported.

"In connection with our regular examination of the financial statements of _____ for the year ended on which we have reported separately under date of _____, we have also reviewed schedules _____ of FERC Form No. 1 for the year filed with the Federal Energy Regulatory Commission, for conformity in all material respects with the requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases. Our review for this purpose included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Based on our review, in our opinion the accompanying schedules identified in the preceding paragraph (except as noted below) conform in all material respects with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases."

The letter or report must state which, if any, of the pages above do not conform to the Commission's requirements. Describe the discrepancies that exist.

- (f) Filers are encouraged to file their Annual Report to Stockholders, and the CPA Certification Statement using eFiling. To further that effort, new selections, "Annual Report to Stockholders," and "CPA Certification Statement" have been added to the dropdown "pick list" from which companies must choose when eFiling. Further instructions are found on the Commission's website at <http://www.ferc.gov/help/how-to.asp>.

- (g) Federal, State and Local Governments and other authorized users may obtain additional blank copies of FERC Form 1 and 3-Q free of charge from <http://www.ferc.gov/docs-filing/eforms/form-1/form-1.pdf> and <http://www.ferc.gov/docs-filing/eforms.asp#3Q-gas>.

IV. When to Submit:

FERC Forms 1 and 3-Q must be filed by the following schedule:

- a) FERC Form 1 for each year ending December 31 must be filed by April 18th of the following year (18 CFR § 141.1), and
- b) FERC Form 3-Q for each calendar quarter must be filed within 60 days after the reporting quarter (18 C.F.R. § 141.400).

V. Where to Send Comments on Public Reporting Burden.

The public reporting burden for the FERC Form 1 collection of information is estimated to average 1,144 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data-needed, and completing and reviewing the collection of information. The public reporting burden for the FERC Form 3-Q collection of information is estimated to average 150 hours per response.

Send comments regarding these burden estimates or any aspect of these collections of information, including suggestions for reducing burden, to the Federal Energy Regulatory Commission, 888 First Street NE, Washington, DC 20426 (Attention: Information Clearance Officer); and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission). No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. § 3512 (a)).

GENERAL INSTRUCTIONS

- I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR Part 101) (USofA). Interpret all accounting words and phrases in accordance with the USofA.
- II. Enter in whole numbers (dollars or MWH) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important. The truncating of cents is allowed except on the four basic financial statements where rounding is required.) The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's year to date amounts.
- III. Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.
- IV. For any page(s) that is not applicable to the respondent, omit the page(s) and enter "NA," "NONE," or "Not Applicable" in column (d) on the List of Schedules, pages 2 and 3.
- V. Enter the month, day, and year for all dates. Use customary abbreviations. **The "Date of Report" included in the header of each page is to be completed only for resubmissions** (see VII. below).
- VI. Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by enclosing the numbers in parentheses.
- VII. For any resubmissions, submit the electronic filing using the form submission software only. Please explain the reason for the resubmission in a footnote to the data field.
- VIII. Do not make references to reports of previous periods/years or to other reports in lieu of required entries, except as specifically authorized.
- IX. Wherever (schedule) pages refer to figures from a previous period/year, the figures reported must be based upon those shown by the report of the previous period/year, or an appropriate explanation given as to why the different figures were used.

Definitions for statistical classifications used for completing schedules for transmission system reporting are as follows:

FNS - Firm Network Transmission Service for Self. "Firm" means service that can not be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Service" is Network Transmission Service as described in Order No. 888 and the Open Access Transmission Tariff. "Self" means the respondent.

FNO - Firm Network Service for Others. "Firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Service" is Network Transmission Service as described in Order No. 888 and the Open Access Transmission Tariff.

LFP - for Long-Term Firm Point-to-Point Transmission Reservations. "Long-Term" means one year or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Point-to-Point Transmission Reservations" are described in Order No. 888 and the Open Access Transmission Tariff. For all transactions identified as LFP, provide in a footnote the

termination date of the contract defined as the earliest date either buyer or seller can unilaterally cancel the contract.

OLF - Other Long-Term Firm Transmission Service. Report service provided under contracts which do not conform to the terms of the Open Access Transmission Tariff. "Long-Term" means one year or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. For all transactions identified as OLF, provide in a footnote the termination date of the contract defined as the earliest date either buyer or seller can unilaterally get out of the contract.

SFP - Short-Term Firm Point-to-Point Transmission Reservations. Use this classification for all firm point-to-point transmission reservations, where the duration of each period of reservation is less than one-year.

NF - Non-Firm Transmission Service, where firm means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions.

OS - Other Transmission Service. Use this classification only for those services which can not be placed in the above-mentioned classifications, such as all other service regardless of the length of the contract and service FERC Form. Describe the type of service in a footnote for each entry.

AD - Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment.

DEFINITIONS

I. Commission Authorization (Comm. Auth.) -- The authorization of the Federal Energy Regulatory Commission, or any other Commission. Name the commission whose authorization was obtained and give date of the authorization.

II. Respondent -- The person, corporation, licensee, agency, authority, or other Legal entity or instrumentality in whose behalf the report is made.

EXCERPTS FROM THE LAW

Federal Power Act, 16 U.S.C. § 791a-825r

Sec. 3. The words defined in this section shall have the following meanings for purposes of this Act, to with:

(3) 'Corporation' means any corporation, joint-stock company, partnership, association, business trust, organized group of persons, whether incorporated or not, or a receiver or receivers, trustee or trustees of any of the foregoing. It shall not include 'municipalities, as hereinafter defined;

(4) 'Person' means an individual or a corporation;

(5) 'Licensee, means any person, State, or municipality Licensed under the provisions of section 4 of this Act, and any assignee or successor in interest thereof;

(7) 'municipality means a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the Laws thereof to carry and the business of developing, transmitting, unitizing, or distributing power;

(11) "project' means. a complete unit of improvement or development, consisting of a power house, all water conduits, all dams and appurtenant works and structures (including navigation structures) which are a part of said unit, and all storage, diverting, or fore bay reservoirs directly connected therewith, the primary line or lines transmitting power there from to the point of junction with the distribution system or with the interconnected primary transmission system, all miscellaneous structures used and useful in connection with said unit or any part thereof, and all water rights, rights-of-way, ditches, dams, reservoirs, Lands, or interest in Lands the use and occupancy of which are necessary or appropriate in the maintenance and operation of such unit;

"Sec. 4. The Commission is hereby authorized and empowered

(a) To make investigations and to collect and record data concerning the utilization of the water 'resources of any region to be developed, the water-power industry and its relation to other industries and to interstate or foreign commerce, and concerning the location, capacity, development -costs, and relation to markets of power sites; ... to the extent the Commission may deem necessary or useful for the purposes of this Act."

"Sec. 304. (a) Every Licensee and every public utility shall file with the Commission such annual and other periodic or special* reports as the Commission may by rules and regulations or other prescribe as necessary or appropriate to assist the Commission in the -proper administration of this Act. The Commission may prescribe the manner and FERC Form in which such reports salt be made, and require from such persons specific answers to all questions upon which the Commission may need information. The Commission may require that such reports shall include, among other things, full information as to assets and Liabilities, capitalization, net investment, and reduction thereof, gross receipts, interest due and paid, depreciation, and other reserves, cost of project and other facilities, cost of maintenance and operation of the project and other facilities, cost of renewals and replacement of the project works and other facilities, depreciation, generation, transmission, distribution, delivery, use, and sale of electric energy. The Commission may require any such person to make adequate provision for currently determining such costs and other facts. Such reports shall be made under oath unless the Commission otherwise specifies*.10

"Sec. 309. The Commission shall have power to perform any and all acts, and to prescribe, issue, make, and rescind such orders, rules and regulations as it may find necessary or appropriate to carry out the provisions of this Act. Among other things, such rules and regulations may define accounting, technical, and trade terms used in this Act; and may prescribe the FERC Form or FERC Forms of all statements, declarations, applications, and reports to be filed with the Commission, the information which they shall contain, and the time within which they shall be filed..."

General Penalties

The Commission may assess up to \$1 million per day per violation of its rules and regulations. *See* FPA § 316(a) (2005), 16 U.S.C. § 825o(a).

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**FERC FORM NO. 1/3-Q:
REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHER**

IDENTIFICATION

01 Exact Legal Name of Respondent Louisville Gas and Electric Company		02 Year/Period of Report End of <u>2014/Q4</u>	
03 Previous Name and Date of Change (if name changed during year) / /			
04 Address of Principal Office at End of Period (Street, City, State, Zip Code) 220 West Main Street, Louisville, KY 40202			
05 Name of Contact Person T. Eric Raible		06 Title of Contact Person Mgr-Regulatory Acct & Report	
07 Address of Contact Person (Street, City, State, Zip Code) 220 West Main Street, Louisville, KY 40202			
08 Telephone of Contact Person, Including Area Code (502) 627-3426	09 This Report Is (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		10 Date of Report (Mo, Da, Yr) / /

ANNUAL CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

01 Name Kent W. Blake	03 Signature Kent W. Blake	04 Date Signed (Mo, Da, Yr) 03/23/2015
02 Title Chief Financial Officer		

Title 18, U.S.C. 1001 makes it a crime for any person to knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.

LIST OF SCHEDULES (Electric Utility)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
1	General Information	101	
2	Control Over Respondent	102	
3	Corporations Controlled by Respondent	103	None
4	Officers	104	
5	Directors	105	
6	Information on Formula Rates	106(a)(b)	
7	Important Changes During the Year	108-109	
8	Comparative Balance Sheet	110-113	
9	Statement of Income for the Year	114-117	
10	Statement of Retained Earnings for the Year	118-119	
11	Statement of Cash Flows	120-121	
12	Notes to Financial Statements	122-123	
13	Statement of Accum Comp Income, Comp Income, and Hedging Activities	122(a)(b)	
14	Summary of Utility Plant & Accumulated Provisions for Dep, Amort & Dep	200-201	
15	Nuclear Fuel Materials	202-203	None
16	Electric Plant in Service	204-207	
17	Electric Plant Leased to Others	213	None
18	Electric Plant Held for Future Use	214	
19	Construction Work in Progress-Electric	216	
20	Accumulated Provision for Depreciation of Electric Utility Plant	219	
21	Investment of Subsidiary Companies	224-225	
22	Materials and Supplies	227	
23	Allowances	228(ab)-229(ab)	
24	Extraordinary Property Losses	230	None
25	Unrecovered Plant and Regulatory Study Costs	230	None
26	Transmission Service and Generation Interconnection Study Costs	231	None
27	Other Regulatory Assets	232	
28	Miscellaneous Deferred Debits	233	
29	Accumulated Deferred Income Taxes	234	
30	Capital Stock	250-251	
31	Other Paid-in Capital	253	
32	Capital Stock Expense	254	
33	Long-Term Debt	256-257	
34	Reconciliation of Reported Net Income with Taxable Inc for Fed Inc Tax	261	
35	Taxes Accrued, Prepaid and Charged During the Year	262-263	
36	Accumulated Deferred Investment Tax Credits	266-267	

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2014/Q4
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LIST OF SCHEDULES (Electric Utility) (continued)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
37	Other Deferred Credits	269	
38	Accumulated Deferred Income Taxes-Accelerated Amortization Property	272-273	None
39	Accumulated Deferred Income Taxes-Other Property	274-275	
40	Accumulated Deferred Income Taxes-Other	276-277	
41	Other Regulatory Liabilities	278	
42	Electric Operating Revenues	300-301	
43	Regional Transmission Service Revenues (Account 457.1)	302	None
44	Sales of Electricity by Rate Schedules	304	
45	Sales for Resale	310-311	
46	Electric Operation and Maintenance Expenses	320-323	
47	Purchased Power	326-327	
48	Transmission of Electricity for Others	328-330	
49	Transmission of Electricity by ISO/RTOs	331	None
50	Transmission of Electricity by Others	332	
51	Miscellaneous General Expenses-Electric	335	
52	Depreciation and Amortization of Electric Plant	336-337	
53	Regulatory Commission Expenses	350-351	
54	Research, Development and Demonstration Activities	352-353	
55	Distribution of Salaries and Wages	354-355	
56	Common Utility Plant and Expenses	356	
57	Amounts included in ISO/RTO Settlement Statements	397	
58	Purchase and Sale of Ancillary Services	398	
59	Monthly Transmission System Peak Load	400	
60	Monthly ISO/RTO Transmission System Peak Load	400a	None
61	Electric Energy Account	401	
62	Monthly Peaks and Output	401	
63	Steam Electric Generating Plant Statistics	402-403	
64	Hydroelectric Generating Plant Statistics	406-407	
65	Pumped Storage Generating Plant Statistics	408-409	None
66	Generating Plant Statistics Pages	410-411	None

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Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2014/Q4
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LIST OF SCHEDULES (Electric Utility) (continued)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
67	Transmission Line Statistics Pages	422-423	
68	Transmission Lines Added During the Year	424-425	None
69	Substations	426-427	
70	Transactions with Associated (Affiliated) Companies	429	
71	Footnote Data	450	

Stockholders' Reports Check appropriate box:

- Two copies will be submitted
- No annual report to stockholders is prepared

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2014/Q4</u>
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GENERAL INFORMATION

1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept, and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept.

Kent W. Blake, Chief Financial Officer
220 West Main Street
Louisville, KY 40202

2. Provide the name of the State under the laws of which respondent is incorporated, and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.

Kentucky July 2, 1913

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.

Not Applicable

4. State the classes or utility and other services furnished by respondent during the year in each State in which the respondent operated.

Respondent furnishes electric and natural gas services in Metro Louisville and adjacent territory in Kentucky.

5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?

- (1) Yes...Enter the date when such independent accountant was initially engaged:
(2) No

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2014/Q4</u>
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CONTROL OVER RESPONDENT

1. If any corporation, business trust, or similar organization or a combination of such organizations jointly held control over the respondent at the end of the year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of trustee(s), name of beneficiary or beneficiaries for whom trust was maintained, and purpose of the trust.

Louisville Gas and Electric Company (LG&E) is a wholly-owned subsidiary of LG&E and KU Energy LLC (LKE). LKE is a wholly-owned subsidiary of PPL Corporation (PPL), based in Allentown, PA.

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2014/Q4
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OFFICERS

1. Report below the name, title and salary for each executive officer whose salary is \$50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policy making functions.

2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and the date the change in incumbency was made.

Line No.	Title (a)	Name of Officer (b)	Salary for Year (c)
1	CURRENT OFFICERS AT DECEMBER 31, 2014		
2			
3	Chairman of the Board, Chief Executive Officer and		
4	President	Victor A. Staffieri	
5	Chief Administrative Officer	S. Bradford Rives	
6	General Counsel, Chief Compliance Officer and		
7	Corporate Secretary	Gerald A. Reynolds	
8	Chief Financial Officer	Kent W. Blake	
9	Chief Operating Officer	Paul W. Thompson	
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Name of Respondent Louisville Gas and Electric Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2014/Q4
FOOTNOTE DATA			

Schedule Page: 104 Line No.: 4 Column: c

Officers are employed by LKS. Amounts shown reflect the portion of their salary allocated to LG&E.

Schedule Page: 104 Line No.: 5 Column: b

S. Bradford Rives, Chief Administrative Officer, announced his retirement, effective March 13, 2015.

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2014/Q4
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DIRECTORS

- Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a), abbreviated titles of the directors who are officers of the respondent.
- Designate members of the Executive Committee by a triple asterisk and the Chairman of the Executive Committee by a double asterisk.

Line No.	Name (and Title) of Director (a)	Principal Business Address (b)
1	CURRENT BOARD OF DIRECTORS AT DECEMBER 31, 2014	
2		
3	Victor A. Staffieri, Chairman of the Board, Chief Executive	
4	Officer and President	220 West Main Street, Louisville, KY 40202
5	S. Bradford Rives, Chief Administrative Officer	220 West Main Street, Louisville, KY 40202
6	Paul W. Thompson, Chief Operating Officer	220 West Main Street, Louisville, KY 40202
7	Vincent Sorgi, Senior Vice President and	
8	Chief Financial Officer of PPL	2 North Ninth Street, Allentown, PA 18101
9	William H. Spence, Chairman President and	
10	Chief Executive Officer of PPL	2 North Ninth Street, Allentown, PA 18101
11		
12	FORMER DIRECTOR DURING 2014	
13		
14	Paul A. Farr, President of PPL Energy Supply	2 North Ninth Street, Allentown, PA 18101
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Name of Respondent Louisville Gas and Electric Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2014/Q4
FOOTNOTE DATA			

Schedule Page: 105 Line No.: 5 Column: a

S. Bradford Rives, Chief Administrative Officer, announced his retirement, effective March 13, 2015.

Schedule Page: 105 Line No.: 7 Column: a

Vincent Sorgi, Vice President and Controller of PPL, was named Senior Vice President and Chief Financial Officer of PPL, effective June 10, 2014, and was appointed to the Board of Directors effective July 3, 2014.

Schedule Page: 105 Line No.: 14 Column: a

Paul A. Farr, Executive Vice President and Chief Financial Officer of PPL, was named President of PPL Energy Supply, effective June 10, 2014, and resigned from the Board of Directors effective July 2, 2014.

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Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2014/Q4
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INFORMATION ON FORMULA RATES
FERC Rate Schedule/Tariff Number FERC Proceeding

Does the respondent have formula rates?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
---	--

1. Please list the Commission accepted formula rates including FERC Rate Schedule or Tariff Number and FERC proceeding (i.e. Docket No) accepting the rate(s) or changes in the accepted rate.

Line No.	FERC Rate Schedule or Tariff Number	FERC Proceeding
1	Open Access Transmission Tariff (OATT)	
2	Attachment O	Docket No. ER11-2955
3		
4	OATT Schedule 1	Docket No. ER10-1509
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Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2014/Q4</u>
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INFORMATION ON FORMULA RATES
FERC Rate Schedule/Tariff Number FERC Proceeding

Does the respondent file with the Commission annual (or more frequent) filings containing the inputs to the formula rate(s)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
--	--

2. If yes, provide a listing of such filings as contained on the Commission's eLibrary website

Line No.	Accession No.	Document Date \ Filed Date	Docket No.	Description	Formula Rate FERC Rate Schedule Number or Tariff Number
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Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2014/Q4
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INFORMATION ON FORMULA RATES
Formula Rate Variances

1. If a respondent does not submit such filings then indicate in a footnote to the applicable Form 1 schedule where formula rate inputs differ from amounts reported in the Form 1.
2. The footnote should provide a narrative description explaining how the "rate" (or billing) was derived if different from the reported amount in the Form 1.
3. The footnote should explain amounts excluded from the ratebase or where labor or other allocation factors, operating expenses, or other items impacting formula rate inputs differ from amounts reported in Form 1 schedule amounts.
4. Where the Commission has provided guidance on formula rate inputs, the specific proceeding should be noted in the footnote.

Line No.	Page No(s).	Schedule	Column	Line No
1				
2	Page 3 of 5	Schedule 10		3 1
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Name of Respondent Louisville Gas and Electric Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2014/Q4
FOOTNOTE DATA			

Schedule Page: 1062 Line No.: 2 Column: b

Transmission Operation and Maintenance expenses exclude the amortization of certain regulatory assets approved by the KPSC only.

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report / /	Year/Period of Report End of <u>2014/Q4</u>
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IMPORTANT CHANGES DURING THE QUARTER/YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none," "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefore and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other condition. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on Page 104 or 105 of the Annual Report Form No. 1, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. (Reserved.)
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by Instructions 1 to 11 above, such notes may be included on this page.
13. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.
14. In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.

PAGE 108 INTENTIONALLY LEFT BLANK
 SEE PAGE 109 FOR REQUIRED INFORMATION.

Name of Respondent Louisville Gas and Electric Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2014/Q4
IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)			

1. None.
2. None.
3. In June 2014, LG&E sold an operations building and associated land in Louisville, Kentucky. The transaction resulted in a total loss of \$200,871. In September 2014, LG&E received FERC authorization in FERC Docket No. AC14-142-000 to record the loss in Account 421.2 (Loss on Disposition of Property).
4. None of a material nature.
5. None.
6. LG&E received FERC authorization in FERC Docket No. ES13-54-000 for up to \$500 million in the form of money pool debt, commercial paper or any other type of short-term loan through November 30, 2015. LG&E's money pool balance was zero at December 31, 2014, and December 31, 2013. LG&E's commercial paper program limit is \$350 million as of April 30, 2013. As of December 31, 2014, and December 31, 2013, the outstanding commercial paper balance is \$264 million and \$20 million, respectively.
7. None.
8. During the first quarter of 2014, exempt and non-exempt employees received routine wage increases in accordance with annual salary reviews. As outlined in the IBEW Local 2100 contract, union employees received a negotiated wage increase effective November 10, 2014.
9. See Notes 4 and 10 of Notes to Financial Statements on page 123.
10. None.
11. N/A
12. See Notes to Financial Statements on page 123.
13. On January 15, 2015, S. Bradford Rives, Chief Financial Officer, announced his retirement, effective March 13, 2015. Paul A. Farr, Executive Vice President and Chief Financial Officer of PPL, was named President of PPL Energy Supply, effective June 10, 2014, and resigned from the Board of Directors effective July 2, 2014. Vincent Sorgi, Vice President and Controller of PPL, was named Senior Vice President and Chief Financial Officer of PPL, effective June 10, 2014, and was appointed to the Board of Directors effective July 3, 2014.
14. LG&E is a participant in a cash pooling arrangement, but its proprietary capital ratio is above 30 percent.

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 11	Year/Period of Report End of 2014/Q4
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COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	UTILITY PLANT			
2	Utility Plant (101-106, 114)	200-201	5,704,302,005	5,067,913,274
3	Construction Work in Progress (107)	200-201	676,320,025	651,432,116
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		6,380,622,030	5,719,345,390
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	2,416,826,220	2,304,132,232
6	Net Utility Plant (Enter Total of line 4 less 5)		3,963,795,810	3,415,213,158
7	Nuclear Fuel in Process of Ref., Conv., Enrich., and Fab. (120.1)	202-203	0	0
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		0	0
9	Nuclear Fuel Assemblies in Reactor (120.3)		0	0
10	Spent Nuclear Fuel (120.4)		0	0
11	Nuclear Fuel Under Capital Leases (120.6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	0	0
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		0	0
14	Net Utility Plant (Enter Total of lines 6 and 13)		3,963,795,810	3,415,213,158
15	Utility Plant Adjustments (116)		0	0
16	Gas Stored Underground - Noncurrent (117)		2,139,990	2,139,990
17	OTHER PROPERTY AND INVESTMENTS			
18	Nonutility Property (121)		631,414	552,781
19	(Less) Accum. Prov. for Depr. and Amort. (122)		63,362	63,360
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	594,286	594,286
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	0	0
24	Other Investments (124)		0	0
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		20,873,650	22,225,512
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		0	0
31	Long-Term Portion of Derivative Assets - Hedges (176)		0	0
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		22,035,988	23,309,219
33	CURRENT AND ACCRUED ASSETS			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		4,451,872	3,467,771
36	Special Deposits (132-134)		0	0
37	Working Fund (135)		19,790	20,090
38	Temporary Cash Investments (136)		5,476,948	4,534,363
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		108,131,455	102,699,981
41	Other Accounts Receivable (143)		10,133,997	9,932,099
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		1,594,049	1,828,849
43	Notes Receivable from Associated Companies (145)		0	0
44	Accounts Receivable from Assoc. Companies (146)		97,209,024	108,735
45	Fuel Stock (151)	227	66,567,149	64,191,758
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	35,430,432	35,816,745
49	Merchandise (155)	227	0	0
50	Other Materials and Supplies (156)	227	0	0
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	6,329	41,739

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2014/Q4
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COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS) (Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		0	0
54	Stores Expense Undistributed (163)	227	6,352,862	6,186,832
55	Gas Stored Underground - Current (164.1)		54,151,379	47,546,888
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
57	Prepayments (165)		7,636,886	5,125,670
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		8,727	25,490
60	Rents Receivable (172)		781,782	536,817
61	Accrued Utility Revenues (173)		76,374,353	85,152,363
62	Miscellaneous Current and Accrued Assets (174)		0	0
63	Derivative Instrument Assets (175)		0	0
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		0	0
65	Derivative Instrument Assets - Hedges (176)		0	0
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176)		0	0
67	Total Current and Accrued Assets (Lines 34 through 66)		471,138,936	363,558,492
68	DEFERRED DEBITS			
69	Unamortized Debt Expenses (181)		10,484,102	10,857,401
70	Extraordinary Property Losses (182.1)	230a	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230b	0	0
72	Other Regulatory Assets (182.3)	232	413,300,917	316,510,769
73	Prelim. Survey and Investigation Charges (Electric) (183)		3,024,273	561,651
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		0	0
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		0	0
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	480,468,887	503,728,950
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		18,031,262	18,442,649
82	Accumulated Deferred Income Taxes (190)	234	192,524,444	174,804,497
83	Unrecovered Purchased Gas Costs (191)		0	0
84	Total Deferred Debits (lines 69 through 83)		1,117,833,885	1,024,905,917
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		5,576,944,609	4,829,126,776

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Name of Respondent Louisville Gas and Electric Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2014/Q4
FOOTNOTE DATA			

Schedule Page: 110 Line No.: 69 Column: c

Unamortized Debt Expenses (181) Without Purchase Accounting	\$ 12,997,480
Purchase Accounting Adjustment	(2,513,378)
Total for Unamortized Debt Expenses (181)	<u>\$ 10,484,102</u>

Schedule Page: 110 Line No.: 69 Column: d

Unamortized Debt Expenses (181) Without Purchase Accounting	\$ 13,965,458
Purchase Accounting Adjustment	(3,108,057)
Total for Unamortized Debt Expenses (181)	<u>\$ 10,857,401</u>

Schedule Page: 110 Line No.: 72 Column: c

Other Regulatory Assets (182.3) Without Purchase Accounting	\$ 410,620,298
Purchase Accounting Adjustment	2,680,619
Total for Other Regulatory Assets (182.3)	<u>\$ 413,300,917</u>

Schedule Page: 110 Line No.: 72 Column: d

Other Regulatory Assets (182.3) Without Purchase Accounting	\$ 312,656,793
Purchase Accounting Adjustment	3,853,976
Total for Other Regulatory Assets (182.3)	<u>\$ 316,510,769</u>

Schedule Page: 110 Line No.: 78 Column: c

Miscellaneous Deferred Debits (186) Without Purchase Accounting	\$ 727,943
Purchase Accounting Adjustment	479,740,944
Total for Miscellaneous Deferred Debits (186)	<u>\$ 480,468,887</u>

Schedule Page: 110 Line No.: 78 Column: d

Miscellaneous Deferred Debits (186) Without Purchase Accounting	\$ 932,344
Purchase Accounting Adjustment	502,796,606
Total for Miscellaneous Deferred Debits (186)	<u>\$ 503,728,950</u>

Schedule Page: 110 Line No.: 82 Column: c

Accumulated Deferred Income Taxes (190) Without Purchase Accounting	\$ 157,876,610
Purchase Accounting Adjustment	34,647,834
Total for Accumulated Deferred Income Taxes (190)	<u>\$ 192,524,444</u>

Schedule Page: 110 Line No.: 82 Column: d

Accumulated Deferred Income Taxes (190) Without Purchase Accounting	\$ 130,998,532
Purchase Accounting Adjustment	43,805,965
Total for Accumulated Deferred Income Taxes (190)	<u>\$ 174,804,497</u>

Name of Respondent Louisville Gas and Electric Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (mo, da, yr) / /	Year/Period of Report end of 2014/Q4
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COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	425,170,424	425,170,424
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)		0	0
5	Stock Liability for Conversion (203, 206)		0	0
6	Premium on Capital Stock (207)		0	0
7	Other Paid-In Capital (208-211)	253	1,521,167,368	1,363,667,368
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254b	835,889	835,889
11	Retained Earnings (215, 215.1, 216)	118-119	228,533,983	172,457,991
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Reaquired Capital Stock (217)	250-251	0	0
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	0	0
16	Total Proprietary Capital (lines 2 through 15)		2,174,035,886	1,960,459,894
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	1,359,304,000	1,359,304,000
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	0	0
21	Other Long-Term Debt (224)	256-257	-1,681,852	-1,773,437
22	Unamortized Premium on Long-Term Debt (225)		0	0
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		4,560,414	4,901,231
24	Total Long-Term Debt (lines 18 through 23)		1,353,061,734	1,352,629,332
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		0	0
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		4,272,805	4,329,048
29	Accumulated Provision for Pensions and Benefits (228.3)		142,374,775	95,101,935
30	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
31	Accumulated Provision for Rate Refunds (229)		0	0
32	Long-Term Portion of Derivative Instrument Liabilities		43,146,203	32,206,463
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		85,375,725	82,196,215
35	Total Other Noncurrent Liabilities (lines 26 through 34)		275,169,508	213,833,661
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		263,956,483	19,996,778
38	Accounts Payable (232)		245,177,038	170,850,243
39	Notes Payable to Associated Companies (233)		0	0
40	Accounts Payable to Associated Companies (234)		20,016,016	24,294,741
41	Customer Deposits (235)		24,498,183	24,075,549
42	Taxes Accrued (236)	262-263	18,869,565	11,474,666
43	Interest Accrued (237)		5,870,903	5,580,258
44	Dividends Declared (238)		0	0
45	Matured Long-Term Debt (239)		0	0

Name of Respondent Louisville Gas and Electric Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (mo, da, yr) / /	Year/Period of Report end of 2014/Q4
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COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS) (continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
46	Matured Interest (240)		0	0
47	Tax Collections Payable (241)		2,001,512	1,419,912
48	Miscellaneous Current and Accrued Liabilities (242)		24,288,849	18,912,401
49	Obligations Under Capital Leases-Current (243)		0	0
50	Derivative Instrument Liabilities (244)		47,988,828	35,912,921
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		43,146,203	32,206,463
52	Derivative Instrument Liabilities - Hedges (245)		33,263,681	0
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		0	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		642,784,855	280,311,006
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		8,234,051	6,748,025
57	Accumulated Deferred Investment Tax Credits (255)	266-267	35,982,105	37,770,885
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	14,776,604	17,863,555
60	Other Regulatory Liabilities (254)	278	180,068,801	206,203,422
61	Unamortized Gain on Reaquired Debt (257)		0	0
62	Accum. Deferred Income Taxes-Accel. Amort.(281)	272-277	0	0
63	Accum. Deferred Income Taxes-Other Property (282)		711,166,634	598,895,367
64	Accum. Deferred Income Taxes-Other (283)		181,664,431	154,411,629
65	Total Deferred Credits (lines 56 through 64)		1,131,892,626	1,021,892,883
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		5,576,944,609	4,829,126,776

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	//	2014/Q4
FOOTNOTE DATA			

Schedule Page: 112 Line No.: 7 Column: c

Other Paid-In Capital (208-211) Without Purchase Accounting	\$ 327,081,499
Purchase Accounting Adjustment	1,194,085,869
Total for Other Paid-In Capital (208-211)	<u>\$ 1,521,167,368</u>

Schedule Page: 112 Line No.: 7 Column: d

Other Paid-In Capital (208-211) Without Purchase Accounting	\$ 169,581,499
Purchase Accounting Adjustment	1,194,085,869
Total for Other Paid-In Capital (208-211)	<u>\$ 1,363,667,368</u>

Schedule Page: 112 Line No.: 11 Column: c

Retained Earnings (215, 215.1, 216) Without Purchase Accounting	\$ 1,032,434,889
Purchase Accounting Adjustment in accordance with Docket No. AC11-83-000	(808,946,891)
Amortization of Purchase Accounting Adjustment - pollution control bonds (net of deferred taxes of \$3,212,584)	5,045,986
Rounding	(1)
Total for Retained Earnings (215, 215.1, 216)	<u>\$ 228,533,983</u>

As of December 31, 2014, in compliance with FERC 305 Filing in Docket No. EL12-27-000, the amount in the Company's equity accounts available to be paid in the form of dividends is as follows:

Retained Earnings as of 12/31/2014 -- sum of lines 11 & 12 on page 112 (Retained Earnings and Unappropriated Undistributed Subsidiary Earnings)	\$ 228,533,983
Add: Stated capital account, reflecting pre-acquisition retained earnings less dividends applied to the account -- tracked in a separate purchase accounting general ledger -- a component of the amount on line 7 on page 112 (Other Paid-In Capital)	808,946,891
Add: Net after-tax losses attributable to amortization of pushdown accounting net assets and liabilities and impairment, if any, cumulative -- tracked on a separate purchase accounting general ledger -- a component of the amount on line 7 on page 112 (Other Paid-In-Capital)	(5,045,986)
Rounding	1
Retained earnings as of 12/31/2014, adjusted to remove the affects of push-down accounting ("adjusted retained earnings")	<u>\$ 1,032,434,889</u>
Retained earnings prior to the 11/1/2010 acquisition	\$ 808,946,891
Cumulative post-acquisition net income	592,987,998
Cumulative post-acquisition dividends	<u>(369,500,000)</u>
Retained earnings as of 12/31/2014, adjusted to remove the affects of push-down accounting ("adjusted retained earnings")	<u>\$ 1,032,434,889</u>

Schedule Page: 112 Line No.: 11 Column: d

Retained Earnings (215, 215.1, 216) Without Purchase Accounting	\$ 976,302,939
Purchase Accounting Adjustment in accordance with Docket No. AC11-83-000	(808,946,891)
Amortization of Purchase Accounting Adjustment -	

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company		/ /	2014/Q4
FOOTNOTE DATA			

pollution control bonds (net of deferred taxes of \$3,248,211)	5,101,944
Rounding	(1)
Total for Retained Earnings (215, 215.1, 216)	\$ 172,457,991

As of December 31, 2013, in compliance with FERC 305 Filing in Docket No. EL12-27-000, the amount in the Company's equity accounts available to be paid in the form of dividends is as follows:

Retained Earnings as of 12/31/2013 -- sum of lines 11 & 12 on page 112 (Retained Earnings and Unappropriated Undistributed Subsidiary Earnings)	\$ 172,457,991
Add: Stated capital account, reflecting pre-acquisition retained earnings less dividends applied to the account -- tracked in a separate purchase accounting general ledger -- a component of the amount on line 7 on page 112 (Other Paid-In Capital)	808,946,891
Add: Net after-tax losses attributable to amortization of pushdown accounting net assets and liabilities and impairment, if any, cumulative -- tracked on a separate purchase accounting general ledger -- a component of the amount on line 7 on page 112 (Other Paid-In-Capital)	(5,101,944)
Rounding	1
Retained earnings as of 12/31/2013, adjusted to remove the affects of push-down accounting ("adjusted retained earnings")	\$ 976,302,939
Retained earnings prior to the 11/1/2010 acquisition	\$ 808,946,891
Cumulative post-acquisition net income	424,856,048
Cumulative post-acquisition dividends	(257,500,000)
Retained earnings as of 12/31/2013, adjusted to remove the affects of push-down accounting ("adjusted retained earnings")	\$ 976,302,939

Schedule Page: 112 Line No.: 21 Column: c

Remarketed bonds related to purchase accounting were eliminated during the fourth quarter of 2013 leaving one bond with a negative fair market value.

Other Long-Term Debt (224) Without Purchase Accounting	\$ -
Purchase Accounting Adjustment	(1,681,852)
Total for Other Long-Term Debt (224)	\$ (1,681,852)

Schedule Page: 112 Line No.: 21 Column: d

Remarketed bonds related to purchase accounting were eliminated during the fourth quarter of 2013 leaving one bond with a negative fair market value.

Other Long-Term Debt (224) Without Purchase Accounting	\$ -
Purchase Accounting Adjustment	(1,773,437)
Total for Other Long-Term Debt (224)	\$ (1,773,437)

Schedule Page: 112 Line No.: 52 Column: c

Forward starting swaps entered into with PPL in July 2014 on debt that will be issued in 2015.

Schedule Page: 112 Line No.: 59 Column: c

Other Deferred Credits (253) Without Purchase Accounting	\$ 14,609,363
Purchase Accounting Adjustment	167,241

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Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report
Louisville Gas and Electric Company			2014/Q4
FOOTNOTE DATA			

Total for Other Deferred Credits (253) \$ 14,776,604

Schedule Page: 112 Line No.: 59 Column: d

Other Deferred Credits (253) Without Purchase Accounting \$ 17,117,636
Purchase Accounting Adjustment 745,919
Total for Other Deferred Credits (253) \$ 17,863,555

Schedule Page: 112 Line No.: 60 Column: c

Other Regulatory Liabilities (254) Without Purchase Accounting \$ 89,485,209
Purchase Accounting Adjustment 90,583,592
Total for Other Regulatory Liabilities (254) \$ 180,068,801

Schedule Page: 112 Line No.: 60 Column: d

Other Regulatory Liabilities (254) Without Purchase Accounting \$ 92,564,168
Purchase Accounting Adjustment 113,639,254
Total for Other Regulatory Liabilities (254) \$ 206,203,422

Schedule Page: 112 Line No.: 64 Column: c

Accumulated Deferred Income Taxes - Other (283) Without Purchase Accounting \$ 146,362,357
Purchase Accounting Adjustment 35,302,074
Total for Accumulated Deferred Income Taxes - Other (283) \$ 181,664,431

Schedule Page: 112 Line No.: 64 Column: d

Accumulated Deferred Income Taxes - Other (283) Without Purchase Accounting \$ 109,915,797
Purchase Accounting Adjustment 44,495,832
Total for Accumulated Deferred Income Taxes - Other (283) \$ 154,411,629

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2014/Q4</u>
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STATEMENT OF INCOME

Quarterly

- Report in column (c) the current year to date balance. Column (c) equals the total of adding the data in column (g) plus the data in column (i) plus the data in column (k). Report in column (d) similar data for the previous year. This information is reported in the annual filing only.
- Enter in column (e) the balance for the reporting quarter and in column (f) the balance for the same three month period for the prior year.
- Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in column (k) the quarter to date amounts for other utility function for the current year quarter.
- Report in column (h) the quarter to date amounts for electric utility function; in column (j) the quarter to date amounts for gas utility, and in column (l) the quarter to date amounts for other utility function for the prior year quarter.
- If additional columns are needed, place them in a footnote.

Annual or Quarterly if applicable

- Do not report fourth quarter data in columns (e) and (f)
- Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility column in a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.
- Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

Line No.	Title of Account (a)	(Ref.) Page No. (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
1	UTILITY OPERATING INCOME					
2	Operating Revenues (400)	300-301	1,537,927,386	1,420,817,715		
3	Operating Expenses					
4	Operation Expenses (401)	320-323	911,715,538	831,716,786		
5	Maintenance Expenses (402)	320-323	111,790,202	113,413,021		
6	Depreciation Expense (403)	336-337	147,126,109	139,714,329		
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337				
8	Amort. & Depl. of Utility Plant (404-405)	336-337	9,488,709	7,948,703		
9	Amort. of Utility Plant Acq. Adj. (406)	336-337				
10	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)					
11	Amort. of Conversion Expenses (407)					
12	Regulatory Debits (407.3)					
13	(Less) Regulatory Credits (407.4)					
14	Taxes Other Than Income Taxes (408.1)	262-263	34,200,411	32,517,048		
15	Income Taxes - Federal (409.1)	262-263	-24,215,205	53,107,974		
16	- Other (409.1)	262-263	9,909,706	16,078,249		
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	298,118,539	211,251,945		
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	178,198,376	183,189,299		
19	Investment Tax Credit Adj. - Net (411.4)	266	-1,788,780	-2,100,342		
20	(Less) Gains from Disp. of Utility Plant (411.6)					
21	Losses from Disp. of Utility Plant (411.7)					
22	(Less) Gains from Disposition of Allowances (411.8)		427	282		
23	Losses from Disposition of Allowances (411.9)					
24	Accretion Expense (411.10)					
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		1,318,146,426	1,220,458,132		
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117, line 27		219,780,960	200,359,583		

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2014/Q4
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STATEMENT OF INCOME FOR THE YEAR (Continued)

9. Use page 122 for important notes regarding the statement of income for any account thereof.
10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases.
- 11 Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.
12. If any notes appearing in the report to stokholders are applicable to the Statement of Income, such notes may be included at page 122.
13. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes.
14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.
15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		Line No.
Current Year to Date (in dollars) (g)	Previous Year to Date (in dollars) (h)	Current Year to Date (in dollars) (i)	Previous Year to Date (in dollars) (j)	Current Year to Date (in dollars) (k)	Previous Year to Date (in dollars) (l)	
						1
1,177,644,420	1,096,596,441	360,282,966	324,221,274			2
						3
669,509,421	625,928,383	242,206,117	205,788,403			4
92,657,579	95,645,484	19,132,623	17,767,537			5
120,386,794	115,965,636	26,739,315	23,748,693			6
						7
6,642,068	5,643,550	2,846,641	2,305,153			8
						9
						10
						11
						12
						13
26,115,113	25,031,903	8,085,298	7,485,145			14
-4,120,938	41,181,745	-20,094,267	11,926,229			15
9,810,528	13,122,319	99,178	2,955,930			16
221,707,202	167,982,718	76,411,337	43,269,227			17
141,833,902	148,438,529	36,364,474	34,750,770			18
-1,691,460	-1,987,122	-97,320	-113,220			19
						20
						21
427	282					22
						23
						24
999,181,978	940,075,805	318,964,448	280,382,327			25
178,462,442	156,520,636	41,318,518	43,838,947			26

STATEMENT OF INCOME FOR THE YEAR (continued)

Line No.	Title of Account (a)	(Ref.) Page No. (b)	TOTAL		Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
			Current Year (c)	Previous Year (d)		
27	Net Utility Operating Income (Carried forward from page 114)		219,780,960	200,359,583		
28	Other Income and Deductions					
29	Other Income					
30	Nonutility Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)		39,286	45,217		
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)		6,842	36,633		
33	Revenues From Nonutility Operations (417)		1,429,857	1,265,429		
34	(Less) Expenses of Nonutility Operations (417.1)					
35	Nonoperating Rental Income (418)					
36	Equity in Earnings of Subsidiary Companies (418.1)	119				
37	Interest and Dividend Income (419)		44,207	117,128		
38	Allowance for Other Funds Used During Construction (419.1)					
39	Miscellaneous Nonoperating Income (421)		-4,390	234		
40	Gain on Disposition of Property (421.1)		6,852	16,540		
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		1,508,970	1,407,915		
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)		217,416	12,001		
44	Miscellaneous Amortization (425)					
45	Donations (426.1)		2,919,777	2,618,802		
46	Life Insurance (426.2)					
47	Penalties (426.3)		-31,230	297,610		
48	Exp. for Certain Civic, Political & Related Activities (426.4)		819,750	986,880		
49	Other Deductions (426.5)		1,370,911	1,404,757		
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		5,296,624	5,320,050		
51	Taxes Applicable to Other Income and Deductions					
52	Taxes Other Than Income Taxes (408.2)	262-263	6,710	5,960		
53	Income Taxes-Federal (409.2)	262-263	-1,079,880	-1,255,593		
54	Income Taxes-Other (409.2)	262-263	-196,938	-192,086		
55	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	1,257	205,595		
56	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	24,548	19,165		
57	Investment Tax Credit Adj.-Net (411.5)					
58	(Less) Investment Tax Credits (420)					
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		-1,293,399	-1,255,289		
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		-2,494,255	-2,656,846		
61	Interest Charges					
62	Interest on Long-Term Debt (427)		44,283,072	28,812,421		
63	Amort. of Debt Disc. and Expense (428)		2,310,317	2,906,102		
64	Amortization of Loss on Required Debt (428.1)		1,106,947	1,048,550		
65	(Less) Amort. of Premium on Debt-Credit (429)					
66	(Less) Amortization of Gain on Required Debt-Credit (429.1)					
67	Interest on Debt to Assoc. Companies (430)		5,761	10,061		
68	Other Interest Expense (431)		1,504,616	1,520,486		
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)					
70	Net Interest Charges (Total of lines 62 thru 69)		49,210,713	34,297,620		
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		168,075,992	163,405,117		
72	Extraordinary Items					
73	Extraordinary Income (434)					
74	(Less) Extraordinary Deductions (435)					
75	Net Extraordinary Items (Total of line 73 less line 74)					
76	Income Taxes-Federal and Other (409.3)	262-263				
77	Extraordinary Items After Taxes (line 75 less line 76)					
78	Net Income (Total of line 71 and 77)		168,075,992	163,405,117		

Name of Respondent Louisville Gas and Electric Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2014/Q4
FOOTNOTE DATA			

Schedule Page: 114 Line No.: 15 Column: c

The federal income tax expense decreased primarily due to bonus depreciation.

Schedule Page: 114 Line No.: 15 Column: g

The federal income tax expense decreased primarily due to bonus depreciation.

Schedule Page: 114 Line No.: 15 Column: i

The federal income tax expense decreased primarily due to bonus depreciation.

Schedule Page: 114 Line No.: 17 Column: c

Provision for Deferred Income Taxes (410.1) Without Purchase Accounting	\$ 287,926,981
Amortization of Purchase Accounting Adjustment	10,191,558
Total for Provision for Deferred Income Taxes (410.1)	\$ 298,118,539

Schedule Page: 114 Line No.: 17 Column: d

Provision for Deferred Income Taxes (410.1) Without Purchase Accounting	\$ 197,171,593
Amortization of Purchase Accounting Adjustment	14,080,352
Total for Provision for Deferred Income Taxes (410.1)	\$ 211,251,945

Schedule Page: 114 Line No.: 17 Column: g

Provision for Deferred Income Taxes (410.1) Without Purchase Accounting	\$ 211,516,702
Amortization of Purchase Accounting Adjustment	10,190,500
Total for Provision for Deferred Income Taxes (410.1)	\$ 221,707,202

Schedule Page: 114 Line No.: 17 Column: h

Provision for Deferred Income Taxes (410.1) Without Purchase Accounting	\$ 154,549,526
Amortization of Purchase Accounting Adjustment	13,433,192
Total for Provision for Deferred Income Taxes (410.1)	\$ 167,982,718

Schedule Page: 114 Line No.: 17 Column: i

Provision for Deferred Income Taxes (410.1) Without Purchase Accounting	\$ 76,410,279
Amortization of Purchase Accounting Adjustment	1,058
Total for Provision for Deferred Income Taxes (410.1)	\$ 76,411,337

Schedule Page: 114 Line No.: 17 Column: j

Provision for Deferred Income Taxes (410.1) Without Purchase Accounting	\$ 42,622,067
Amortization of Purchase Accounting Adjustment	647,160
Total for Provision for Deferred Income Taxes (410.1)	\$ 43,269,227

Schedule Page: 114 Line No.: 18 Column: c

Provision for Deferred Income Taxes (411.1) Without Purchase Accounting	\$ 167,971,192
Amortization of Purchase Accounting Adjustment	10,227,184
Total for Provision for Deferred Income Taxes (411.1)	\$ 178,198,376

Schedule Page: 114 Line No.: 18 Column: d

Provision for Deferred Income Taxes (411.1) Without Purchase Accounting	\$ 172,104,129
Amortization of Purchase Accounting Adjustment	11,085,170
Total for Provision for Deferred Income Taxes (411.1)	\$ 183,189,299

Schedule Page: 114 Line No.: 18 Column: g

Provision for Deferred Income Taxes (411.1) Without Purchase

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Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report
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Accounting	\$ 131,615,078
Amortization of Purchase Accounting Adjustment	10,218,824
Total for Provision for Deferred Income Taxes (411.1)	<u>\$ 141,833,902</u>

Schedule Page: 114 Line No.: 18 Column: h

Provision for Deferred Income Taxes (411.1) Without Purchase Accounting	\$ 137,386,506
Amortization of Purchase Accounting Adjustment	11,052,023
Total for Provision for Deferred Income Taxes (411.1)	<u>\$ 148,438,529</u>

Schedule Page: 114 Line No.: 18 Column: i

Provision for Deferred Income Taxes (411.1) Without Purchase Accounting	\$ 36,356,114
Amortization of Purchase Accounting Adjustment	8,360
Total for Provision for Deferred Income Taxes (411.1)	<u>\$ 36,364,474</u>

Schedule Page: 114 Line No.: 18 Column: j

Provision for Deferred Income Taxes (411.1) Without Purchase Accounting	\$ 34,717,623
Amortization of Purchase Accounting Adjustment	33,147
Total for Provision for Deferred Income Taxes (411.1)	<u>\$ 34,750,770</u>

Schedule Page: 114 Line No.: 62 Column: c

Interest on Long-Term Debt (427) Without Purchase Accounting	\$ 44,191,488
Amortization of Purchase Accounting Adjustment	91,584
Total for Interest on Long-Term Debt (427)	<u>\$ 44,283,072</u>

Schedule Page: 114 Line No.: 62 Column: d

Interest on Long-Term Debt (427) Without Purchase Accounting	\$ 36,512,116
Amortization of Purchase Accounting Adjustment	(7,699,695)
Total for Interest on Long-Term Debt (427)	<u>\$ 28,812,421</u>

STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)			
1	Balance-Beginning of Period		172,457,991	108,052,874
2	Changes			
3	Adjustments to Retained Earnings (Account 439)			
4				
5				
6				
7				
8				
9	TOTAL Credits to Retained Earnings (Acct. 439)			
10				
11				
12				
13				
14				
15	TOTAL Debits to Retained Earnings (Acct. 439)			
16	Balance Transferred from Income (Account 433 less Account 418.1)		168,075,992	163,405,117
17	Appropriations of Retained Earnings (Acct. 436)			
18				
19				
20				
21				
22	TOTAL Appropriations of Retained Earnings (Acct. 436)			
23	Dividends Declared-Preferred Stock (Account 437)			
24				
25				
26				
27				
28				
29	TOTAL Dividends Declared-Preferred Stock (Acct. 437)			
30	Dividends Declared-Common Stock (Account 438)			
31	Without Par Value		-112,000,000	(99,000,000)
32				
33				
34				
35				
36	TOTAL Dividends Declared-Common Stock (Acct. 438)		-112,000,000	(99,000,000)
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings			
38	Balance - End of Period (Total 1,9,15,16,22,29,36,37)		228,533,983	172,457,991
	APPROPRIATED RETAINED EARNINGS (Account 215)			
39				
40				

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2014/Q4</u>
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STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
41				
42				
43				
44				
45	TOTAL Appropriated Retained Earnings (Account 215)			
	APPROP. RETAINED EARNINGS - AMORT. Reserve, Federal (Account 215.1)			
46	TOTAL Approp. Retained Earnings-Amort. Reserve, Federal (Acct. 215.1)			
47	TOTAL Approp. Retained Earnings (Acct. 215, 215.1) (Total 45,46)			
48	TOTAL Retained Earnings (Acct. 215, 215.1, 216) (Total 38, 47) (216.1)		228,533,983	172,457,991
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account			
	Report only on an Annual Basis, no Quarterly			
49	Balance-Beginning of Year (Debit or Credit)			
50	Equity in Earnings for Year (Credit) (Account 418.1)			
51	(Less) Dividends Received (Debit)			
52				
53	Balance-End of Year (Total lines 49 thru 52)			

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Name of Respondent Louisville Gas and Electric Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2014/Q4
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Schedule Page: 118 Line No.: 48 Column: c

See footnote data detail on Schedule Page: 112, Line No.:11, Column: c.

Schedule Page: 118 Line No.: 48 Column: d

See footnote data detail on Schedule Page: 112, Line No.:11, Column: d.

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo., Da., Yr) / /	Year/Period of Report End of 2014/Q4
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STATEMENT OF CASH FLOWS

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
1	Net Cash Flow from Operating Activities:		
2	Net Income (Line 78(c) on page 117)	168,075,992	163,405,117
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	147,126,109	139,714,329
5	Amortization of Plant	9,488,709	7,948,703
6			
7			
8	Deferred Income Taxes (Net)	121,839,749	27,658,386
9	Investment Tax Credit Adjustment (Net)	-1,788,780	-2,100,342
10	Net (Increase) Decrease in Receivables	-100,200,999	-32,386,979
11	Net (Increase) Decrease in Inventory	-8,759,600	-12,325,357
12	Net (Increase) Decrease in Allowances Inventory	35,410	-39,968
13	Net Increase (Decrease) in Payables and Accrued Expenses	71,086,537	-31,719,957
14	Net (Increase) Decrease in Other Regulatory Assets	-97,963,505	46,439,594
15	Net Increase (Decrease) in Other Regulatory Liabilities	-3,078,959	85,664,526
16	(Less) Allowance for Other Funds Used During Construction		
17	(Less) Undistributed Earnings from Subsidiary Companies		
18	Other (provide details in footnote):	68,886,345	-46,549,895
19	Change in Other Deferred Debits	-2,002,270	348,774
20	Change in Other Deferred Credits	-2,361,167	9,819,725
21			
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	370,383,571	355,876,656
23			
24	Cash Flows from Investment Activities:		
25	Construction and Acquisition of Plant (including land):		
26	Gross Additions to Utility Plant (less nuclear fuel)	-619,601,565	-539,449,786
27	Gross Additions to Nuclear Fuel		
28	Gross Additions to Common Utility Plant	-21,097,639	-23,308,315
29	Gross Additions to Nonutility Plant		
30	(Less) Allowance for Other Funds Used During Construction		
31	Other (provide details in footnote):	-14,865,005	-13,869,115
32			
33			
34	Cash Outflows for Plant (Total of lines 26 thru 33)	-655,564,209	-576,627,216
35			
36	Acquisition of Other Noncurrent Assets (d)		
37	Proceeds from Disposal of Noncurrent Assets (d)	19,756	32,680
38			
39	Investments in and Advances to Assoc. and Subsidiary Companies		
40	Contributions and Advances from Assoc. and Subsidiary Companies		
41	Disposition of Investments in (and Advances to)		
42	Associated and Subsidiary Companies		
43			
44	Purchase of Investment Securities (a)		
45	Proceeds from Sales of Investment Securities (a)		

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2014/Q4
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STATEMENT OF CASH FLOWS

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
46	Loans Made or Purchased		
47	Collections on Loans		
48			
49	Net (Increase) Decrease in Receivables		
50	Net (Increase) Decrease in Inventory		
51	Net (Increase) Decrease in Allowances Held for Speculation		
52	Net Increase (Decrease) in Payables and Accrued Expenses		
53	Other (provide details in footnote):		
54	Change in Restricted Cash		9,522,111
55			
56	Net Cash Provided by (Used in) Investing Activities		
57	Total of lines 34 thru 55)	-655,544,453	-567,072,425
58			
59	Cash Flows from Financing Activities:		
60	Proceeds from Issuance of:		
61	Long-Term Debt (b)	-2,392,642	245,509,209
62	Preferred Stock		
63	Common Stock		
64	Other (provide details in footnote):		
65			
66	Net Increase in Short-Term Debt (c)	244,000,000	-35,000,000
67	Other (provide details in footnote):		
68			
69			
70	Cash Provided by Outside Sources (Total 61 thru 69)	241,607,358	210,509,209
71			
72	Payments for Retirement of:		
73	Long-term Debt (b)		
74	Preferred Stock		
75	Common Stock		
76	Other (provide details in footnote):	157,500,000	86,000,000
77			
78	Net Decrease in Short-Term Debt (c)		
79			
80	Dividends on Preferred Stock		
81	Dividends on Common Stock	-112,000,000	-99,000,000
82	Net Cash Provided by (Used in) Financing Activities		
83	(Total of lines 70 thru 81)	287,107,358	197,509,209
84			
85	Net Increase (Decrease) in Cash and Cash Equivalents		
86	(Total of lines 22,57 and 83)	1,946,476	-13,686,560
87			
88	Cash and Cash Equivalents at Beginning of Period	8,002,134	21,688,694
89			
90	Cash and Cash Equivalents at End of period	9,948,610	8,002,134

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Schedule Page: 120 Line No.: 18 Column: b

Other operating cash flows:

Other changes in Net Utility Plant	\$ 5,042,143
Accumulated Provision for Uncollectible Accounts - Debit	4,985,368
Amortization of Debt Expenses and Losses on Bonds	3,772,007
Unamortized Discount on Long-Term Debt - Debit	340,817
Unamortized Discount on Short-Term Debt - Credit	(40,294)
Net increase in Prepayments and Other Assets	(1,803,509)
Net increase in Preliminary Survey	(255,952)
Net increase in Customer Advances for Construction	1,486,026
Net increase in Asset Retirement Obligations	3,179,510
Net increase in Collateral Cash	1,351,862
Net increase in the Provision for Pension and Postretirement Benefits	56,412,049
Pension and Postretirement Funding	(12,753,900)
Net decrease in Other Liabilities	11,755,108
Reserve for Depreciation	(4,640,848)
Change in Deferred Income Taxes - Purchase Accounting	(35,627)
Change in Pollution Control Bonds - Purchase Accounting	91,585
Total	\$ 68,886,345

Schedule Page: 120 Line No.: 18 Column: c

Other operating cash flows:

Other changes in Net Utility Plant	\$ (8,714,274)
Accumulated Provision for Uncollectible Accounts - Credit	(1,761,513)
Amortization of Debt Expenses and Losses on Bonds	3,377,048
Unamortized Discount on Long-Term Debt - Debit	287,367
Unamortized Discount on Short-Term Debt - Debit	4,108
Net decrease in Nonutility Property - Less Reserve	37,630
Net decrease in Prepayments and Other Assets	8,965,727
Net decrease in Preliminary Survey	447,889
Net increase in Customer Advances for Construction	38,050
Net increase in Asset Retirement Obligations	17,511,478
Net decrease in the Provision for Pension and Postretirement Benefits	(50,188,847)
Pension and Postretirement Funding	(47,674,773)
Net decrease in Other Liabilities	43,445,931
Reserve for Depreciation	(7,621,203)
Change in Deferred Income Taxes - Purchase Accounting	2,995,182
Change in Pollution Control Bonds - Purchase Accounting	(7,699,696)
Rounding	1
Total	\$ (46,549,895)

Schedule Page: 120 Line No.: 31 Column: b

Other plant investing cash flows:

Costs incurred related to Asset Retirement Obligations	\$(14,865,005)
--	----------------

Schedule Page: 120 Line No.: 31 Column: c

Other plant investing cash flows:

Costs incurred related to Asset Retirement Obligations	\$(13,869,115)
--	----------------

Schedule Page: 120 Line No.: 76 Column: b

Other financing cash flows:

LG&E and KU Energy LLC Equity Contribution	\$157,500,000
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Schedule Page: 120 Line No.: 76 Column: c

Other financing cash flows:

LG&E and KU Energy LLC Equity Contribution	\$ 86,000,000
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Schedule Page: 120 Line No.: 90 Column: b

Cash and cash equivalents are comprised of the following amounts:

Cash (131)	\$ 4,451,872
Working Fund (135)	19,790
Temporary Cash Investments (136)	5,476,948
Total Cash and Cash Equivalents at the End of Period	\$ 9,948,610

Schedule Page: 120 Line No.: 90 Column: c

Cash and cash equivalents are comprised of the following amounts:

Cash (131)	\$ 3,467,771
Temporary Cash Investments (136)	4,534,363
Total Cash and Cash Equivalents at the End of Period	\$ 8,002,134

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report / /	Year/Period of Report End of <u>2014/Q4</u>
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NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK
 SEE PAGE 123 FOR REQUIRED INFORMATION.

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Louisville Gas and Electric Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

GLOSSARY OF TERMS AND ABBREVIATIONS

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

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

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

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

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

Other terms and abbreviations

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

ARO - asset retirement obligation.

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

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

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

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

CSAPR - Cross-State Air Pollution Rule.

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

DSM - Demand Side Management. Pursuant to Kentucky Revised Statute 278.285, the KPSC may determine the reasonableness of DSM plans proposed by any utility under its jurisdiction. Proposed DSM mechanisms may seek full recovery of costs and revenues lost by implementing DSM programs and/or incentives designed to

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
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NOTES TO FINANCIAL STATEMENTS (Continued)			

provide financial rewards to the utility for implementing cost-effective DSM programs. The cost of such programs shall be assigned only to the class or classes of customers which benefit from the programs.

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 by-products from the production of energy from coal.

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

E.W. Brown - a generating station in Kentucky with capacity of 1,594 MW.

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.

GHG - greenhouse gas(es).

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

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

kWh - kilowatt-hour, basic unit of electrical energy.

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

LIBOR - London Interbank Offered Rate.

MATS - Mercury and Air Toxics Standards.

MW - megawatt, one thousand kilowatts.

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

NERC - North American Electric Reliability Corporation.

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Louisville Gas and Electric Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

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

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.

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

PP&E - property, plant and equipment.

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.

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.

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

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

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

VIE - variable interest entity.

VEBA - Voluntary Employee Benefit Association Trust, accounts for health and welfare plans for future benefit payments for employees, retirees or their beneficiaries.

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

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As permitted by the FERC for the Year Ended December 31, 2014 Form 1, the Notes to Financial Statements set forth below are principally from the Respondent's SEC Form 10-K for the Year Ended December 31, 2014, which was filed with the SEC on February 23, 2015. Accordingly, these Notes do not reflect updated information since this filing date.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

General

Capitalized terms and abbreviations appearing in the notes to financial statements are defined in the glossary. Dollars are in millions, unless otherwise noted.

Business and Consolidation

LG&E is engaged in the regulated generation, transmission, distribution and sale of electricity. LG&E also engages in the regulated distribution and sale of natural gas.

LG&E has no controlling interest in a VIE or equity method investments. All other investments are carried at cost or fair value.

The financial statements of LG&E include its share of any undivided interests in jointly owned facilities, as well as its share of the related operating costs of those facilities. See Note 9 for additional information.

Regulation

LG&E is a cost-based rate-regulated utility for which rates are set by regulators to enable LG&E to recover the costs of providing electric or gas service and to provide a reasonable return to its shareholder. Rates are generally established based on a historical or 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 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. 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 4 for additional details regarding regulatory matters.

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Accounting Records

LG&E's system of accounts 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 the uncertain future events and (2) the amount of the loss can be reasonably estimated. Accounting guidance defines "probable" as cases in which "the future event or events are likely to occur." LG&E continuously assesses 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.

Price Risk Management

Interest rate contracts are used to hedge exposures to changes in the fair value of debt instruments and to hedge exposures to variability in expected cash flows associated with existing floating-rate debt instruments or forecasted fixed-rate issuances of debt. Similar derivatives may receive different accounting treatment, depending on management's intended use and documentation.

Certain energy and energy-related contracts meet the definition of a derivative, while others do 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 that would facilitate net settlement. Certain derivative energy contracts have been excluded from the requirements of derivative accounting treatment because NPNS has been elected. These contracts are accounted for using accrual accounting. All other contracts that have been classified as derivative contracts are reflected on the Balance Sheets at fair value. These contracts are recorded as "Price risk management assets" and "Price risk management liabilities" on the Balance Sheets. 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." LG&E considers intra-month transactions to be spot activity, which is not accounted for as a derivative.

Energy and energy-related contracts are assigned a strategy and accounting classification. Processes exist that

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allow for subsequent review and validation of the contract information. See Note 13 for more information. The accounting department provides the traders with guidelines on appropriate accounting classifications for various contract types and strategies. Some examples of these guidelines include, but are not limited to:

- Physical coal, limestone, lime, electric transmission, gas transportation, gas storage and renewable energy credit contracts not traded on an exchange are not derivatives due to the lack of net settlement provisions.
- Only contracts where physical delivery is deemed probable throughout the entire term of the contract can qualify for NPNS.
- Physical transactions that permit cash settlement and financial transactions do not qualify for NPNS because physical delivery cannot be asserted; however, these transactions can receive cash flow hedge treatment if they effectively hedge the volatility in the future cash flows for energy-related commodities.
- Derivative transactions that do not qualify for NPNS or cash flow hedge treatment, or for which NPNS or cash flow hedge treatment is not elected, are recorded at fair value through earnings.

A similar process is also followed by the treasury department as it relates to interest rate derivatives. 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.
- Derivative transactions may be marked to fair value through regulatory assets/liabilities if approved by the appropriate regulatory body. These transactions generally include the effect of interest rate swaps that are included in customer rates.

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.

LG&E has 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.

See Notes 12 and 13 for additional information on derivatives.

Revenue

Revenue Recognition

Operating revenues are recorded based on energy deliveries through the end of the calendar month. Unbilled retail revenues result because customers' meters are read and bills are rendered throughout the month, rather than all being read at the end of the month. Unbilled revenues for a month are calculated by multiplying an estimate of unbilled kWh by the estimated average cents per kWh. Unbilled wholesale energy revenues are recorded at month-end to reflect estimated amounts until actual dollars and MWhs are confirmed and invoiced.

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Any difference between estimated and actual revenues is adjusted the following month.

Accounts Receivable

Accounts receivable are reported on the Balance Sheets at the gross outstanding amount adjusted for an allowance for doubtful accounts.

Allowance for Doubtful Accounts

Accounts receivable collectability is evaluated using a combination of factors, including past due status based on contractual terms, trends in write-offs, the age of the receivable, counterparty creditworthiness and economic conditions. Specific events, such as bankruptcies, are also considered. 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.

Accounts receivable are written off in the period in which the receivable is deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when it is known they will be received.

The changes in the allowance for doubtful accounts at December 31 were:

	Balance at Beginning of Period	Additions		Deductions (b)	Balance at End of Period
		Charged to Income	Charged to Other Accounts (a)		
2014	\$ 2	\$ 5	\$ (1)	\$ 4	\$ 2
2013	1	2	1	2	2

(a) Primarily related to capital projects, thus the provision was recorded as an adjustment to construction work in progress.

(b) Primarily related to uncollectible accounts written off.

Cash

Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Fair Value Measurements

LG&E values 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

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securities including investments in defined benefit plans, and cash and cash equivalents. LG&E uses, 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.

LG&E classifies 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, LG&E's assessment of the significance of a particular input may affect how the assets and liabilities are classified within the fair value hierarchy.

Investments

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.

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Cost Method Investment

LG&E has an investment in OVEC, which is accounted for using the cost method. The investment is recorded in "Other noncurrent assets" on the Balance Sheets. LG&E and 11 other electric utilities are equity owners of OVEC. OVEC's power is currently supplied to LG&E and 12 other companies affiliated with the various owners. LG&E owns 5.63% of OVEC's common stock. Pursuant to a power purchase agreement, LG&E is contractually entitled to its ownership percentage of OVEC's output, which is approximately 120 MW.

LG&E's investment in OVEC is not significant. The direct exposure to loss as a result of LG&E's involvement with OVEC is generally limited to the value of its investment; however, LG&E is conditionally responsible for a pro-rata share of certain OVEC obligations. As part of PPL's acquisition of LKE, the value of the power purchase contract was recorded as an intangible asset with an offsetting regulatory liability, both of which are being amortized using the units-of-production method until March 2026, the expiration date of the agreement. See Notes 10 and 14 for additional discussion on the power purchase agreement.

Long-Lived and Intangible Assets

Property, Plant and Equipment

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, which establishes its original cost. 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. The cost of repairs and minor replacements are charged to expense as incurred. LG&E records costs associated with planned major maintenance projects in the period in which the costs are incurred. No costs associated with planned major maintenance projects are accrued in advance of the period in which the work is performed. LG&E accrues 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. See "Asset Retirement Obligations" below and Note 4 for additional information.

LG&E does not record an allowance for funds used during construction as a return is provided on construction work in progress.

Depreciation

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's weighted-average rates of depreciation for regulated utility plant were 4.05% and 4.52% at December 31, 2014 and 2013.

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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, LG&E considers 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.

LG&E accounts for emission allowances as intangible assets. LG&E is allocated emission allowances by states based on its generation facilities' historical emissions experience, and have purchased emission allowances generally when it is expected that additional allowances will be needed. The carrying value of allocated emission allowances is initially recorded at zero value and purchased allowances are initially recorded based on their purchase price. When consumed or sold, emission allowances are removed from the Balance Sheet at their weighted-average carrying value. Since the economic benefits of emission allowances are not diminished until they are consumed, emission allowances are not amortized; rather, they are expensed when consumed or a gain or loss is recognized when sold. Such expense is included in "Fuel" on the Statements of Income. Gains and losses on the sale of emission allowances are included in "Other operation and maintenance" on the Statements of Income.

Asset Impairment (Excluding Investments)

LG&E reviews 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.

Goodwill is reviewed 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. LG&E is a single reporting unit.

LG&E 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 two-step quantitative

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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 two-step 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, the implied fair value of goodwill must be calculated in the same manner as goodwill in a business combination. The fair value of a reporting unit is allocated to all assets and liabilities of that unit as if the reporting unit had been acquired in a business combination. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount, goodwill is written down to its implied fair value.

LG&E elected to perform the qualitative step zero evaluation of goodwill in the fourth quarter of 2014 and determined that it was not more likely than not that the fair value of its reporting unit was less than its carrying value.

Asset Retirement Obligations

LG&E records 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. The accretion and depreciation expenses recorded by LG&E are recorded as a regulatory asset, such that there is no earnings impact.

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 15 for additional information on AROs.

Compensation and Benefits

Defined Benefits

LG&E sponsors and participates in defined benefit pension and other postretirement plans. The plans LG&E participates in are sponsored by LG&E and LKE. LKE allocates a portion of the liability and net periodic defined benefit pension and other postretirement costs of certain plans to LG&E based on its participation. An asset or liability is recorded to recognize the funded status of all defined benefit plans with an offsetting entry to regulatory assets or liabilities. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheet.

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

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value is added (or subtracted if negative) to the expected value to determine the new market-related value.

LG&E and LKE use 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 expected average remaining service of active plan participants. 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 expected average remaining service period of active plan participants.

See Note 8 for a discussion of defined benefits.

Taxes

Income Taxes

LG&E is included in PPL's consolidated U.S. federal income tax return.

Significant management judgment is required in developing LG&E's provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken in tax returns and valuation allowances on deferred tax assets.

Significant management judgment is also required to determine the amount of benefit to be recognized in relation to an uncertain tax position. LG&E uses a two-step process to evaluate tax positions. The first step requires LG&E 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 LG&E to recognize in the 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%. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact LG&E's financial statements in future periods.

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.

LG&E may record valuation allowances to reduce deferred tax assets to the amounts that are more likely than not to be realized. LG&E considers the reversal of temporary differences, future taxable income and ongoing prudent and feasible tax planning strategies in initially recording and subsequently reevaluating the need for valuation allowances. If LG&E determines that it is 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 LG&E determines that it is not able to realize all or part of net deferred tax assets in the future, adjustments to the valuation allowances would decrease

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income by increasing tax expense in the period that such determination is made.

LG&E defers investment tax credits when the credits are utilized and amortizes the deferred amounts over the average lives of the related assets.

LG&E recognizes interest and penalties in "Income Taxes" on its Statements of Income.

LG&E records the receipt of grants related to assets as a reduction to the book basis of the property and the related deferred income taxes as an immediate reduction to income tax expense.

LG&E's provision for deferred income taxes for regulated assets is based upon the ratemaking principles reflected in rates established by the regulators. The difference in the provision for deferred income taxes for regulated assets 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."

LG&E's income tax provision is calculated in accordance with an intercompany tax sharing agreement which provides that taxable income be calculated as if LG&E filed a separate return. Tax benefits are not shared between companies. LG&E is only entitled to tax benefits that it generated. 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. LG&E's intercompany tax receivables (payables) were \$74 million and (\$8) million at December 31, 2014 and 2013.

See Note 3 for additional discussion regarding income taxes.

Taxes, Other Than Income

LG&E presents sales taxes in "Other current liabilities" on the Balance Sheets. These taxes are not reflected on the Statements of Income. See Note 3 for details on taxes included in "Taxes, other than income" on the Statements of Income.

Other

Leases

LG&E evaluates whether arrangements entered into contain leases for accounting purposes. See Note 7 for a discussion of arrangements under which LG&E is a lessee for accounting purposes.

Fuel, Materials and Supplies

Fuel, natural gas stored underground and materials and supplies are valued at the lower of cost or market using the average cost method. Fuel costs for electric generation are charged to expense as used. Natural gas supply costs are charged to expense as delivered to the distribution system. See Note 4 for further discussion of the fuel adjustment clause and gas supply clause.

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"Fuel, materials and supplies" on the Balance Sheets consisted of the following at December 31.

	<u>2014</u>	<u>2013</u>
Fuel	\$ 66	\$ 64
Natural gas stored underground (a)	54	48
Materials and supplies	42	42
Total	<u>\$ 162</u>	<u>\$ 154</u>

(a) The majority of natural gas stored underground is held to serve retail customers.

Guarantees

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 10 for further discussion of recorded and unrecorded guarantees.

New Accounting Guidance Adopted

Accounting for Obligations Resulting from Joint and Several Liability Arrangements

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

The adoption of this guidance did not have a significant impact on LG&E.

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

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

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The adoption of this guidance did not have a significant impact on LG&E.

2. Preferred Securities

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 2014 or 2013.

3. Income and Other Taxes

LG&E's provision for 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 at December 31 were as follows:

	<u>2014</u>	<u>2013</u>
Deferred Tax Assets		
Regulatory liabilities	\$ 51	\$ 59
Deferred investment tax credits	14	15
Income taxes due to customers	18	19
Derivative liability	32	14
Other	9	14
Total deferred tax assets	<u>124</u>	<u>121</u>
Deferred Tax Liabilities		
Plant - net	698	585
Regulatory assets	90	83
Accrued pension costs	28	24
Other	8	8
Total deferred tax liabilities	<u>824</u>	<u>700</u>
Net deferred tax liability	<u>\$ 700</u>	<u>\$ 579</u>

LG&E expects to have adequate levels of taxable income to realize its recorded deferred income tax assets.

At December 31, 2014, LG&E had \$4 million of state credit carryforwards that expire in 2022.

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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:

	<u>2014</u>	<u>2013</u>
Income Tax Expense (Benefit)		
Current - Federal	\$ (25)	\$ 52
Current - State	10	16
Total Current Expense (Benefit)	<u>(15)</u>	<u>68</u>
Deferred - Federal	114	33
Deferred - State	6	(2)
Total Deferred Expense, excluding benefits of operating loss carryforwards	<u>120</u>	<u>31</u>
Investment tax credit, net - Federal	<u>(2)</u>	<u>(2)</u>
Tax benefit of operating loss carryforwards		
Deferred - Federal	-	(3)
Total Tax Benefit of Operating Loss Carryforwards	<u>-</u>	<u>(3)</u>
Total income tax expense	<u>\$ 103</u>	<u>\$ 94</u>
Total income tax expense - Federal	\$ 87	\$ 80
Total income tax expense - State	16	14
Total income tax expense	<u>\$ 103</u>	<u>\$ 94</u>

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	<u>2014</u>	<u>2013</u>
Reconciliation of Income Taxes		
Federal income tax on Income Before Income Taxes		
at statutory tax rate - 35%	\$ 95	\$ 90
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	10	10
Amortization of investment tax credit	(2)	(2)
Other	-	(4)
Total increase	<u>8</u>	<u>4</u>
Total income tax expense	<u>\$ 103</u>	<u>\$ 94</u>
Effective income tax rate	37.9%	36.6%

	<u>2014</u>	<u>2013</u>
Taxes, other than income		
Property and other	\$ 25	\$ 24
Total	<u>\$ 25</u>	<u>\$ 24</u>

Unrecognized Tax Benefits

LG&E's unrecognized tax benefits and changes in those unrecognized tax benefits were insignificant at December 31, 2014 and 2013. At December 31, 2014, no significant changes in unrecognized tax benefits are projected over the next 12 months.

At December 31, 2014 and 2013, the total unrecognized tax benefits and related indirect effects that, if recognized, would decrease the effective tax rate were insignificant.

At December 31, 2014 and 2013, the receivable (payable) balances recorded for interest related to tax positions and the interest expense (benefit) recognized in income taxes were insignificant.

LG&E's income tax provision is calculated in accordance with an intercompany tax sharing agreement which provides that taxable income be calculated as if LG&E filed a separate consolidated return. Based on this tax sharing agreement, LG&E indirectly files tax returns in two major tax jurisdictions. With few exceptions, at December 31, 2014, these jurisdictions, as well as the tax years that are no longer subject to examination, were as follows:

U.S. (federal)
Kentucky (state)

10/31/2010 and prior
2010 and prior

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4. Utility Rate Regulation

Regulatory Assets and Liabilities

As discussed in Note 1 and summarized below, LG&E reflects the effects of regulatory actions in the financial statements for its cost-based rate-regulated utility operations. Regulatory assets and liabilities are classified as current if, upon initial recognition, the entire amount related to that item will be recovered or refunded within a year of the Balance Sheet date.

LG&E is subject to the jurisdiction of the KPSC and FERC.

LG&E'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 generally earns a return on regulatory assets.

As a result of purchase accounting requirements, certain fair value amounts related to contracts that had favorable or unfavorable terms relative to market were recorded on the Balance Sheets with an offsetting regulatory asset or liability. LG&E recovers in customer rates the cost of coal contracts, power purchases and emission allowances. As a result, management believes the regulatory assets and liabilities created to offset the fair value amounts at LKE's acquisition date meet the recognition criteria established by existing accounting guidance and eliminate any rate-making impact of the fair value adjustments. LG&E's customer rates will continue to reflect the original contracted prices for these contracts.

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The following table provides information about the regulatory assets and liabilities of cost-based rate-regulated utility operations at December 31.

	<u>2014</u>	<u>2013</u>
Current Regulatory Assets:		
Environmental cost recovery	\$ 4	\$ 2
Gas supply clause	15	10
Fuel adjustment clause	2	2
Demand side management	-	3
Total current regulatory assets	<u>\$ 21</u>	<u>\$ 17</u>
Noncurrent Regulatory Assets:		
Defined benefit plans	\$ 215	\$ 164
Storm costs	43	51
Unamortized loss on debt	18	18
Interest rate swaps	89	44
AROs	28	21
Other	4	5
Total noncurrent regulatory assets	<u>\$ 397</u>	<u>\$ 303</u>
	<u>2014</u>	<u>2013</u>
Current Regulatory Liabilities:		
Demand side management	\$ 1	\$ -
Gas supply clause	6	3
Gas line tracker	3	6
Total current regulatory liabilities	<u>\$ 10</u>	<u>\$ 9</u>
Noncurrent Regulatory Liabilities:		
Coal contracts (a)	\$ 25	\$ 43
Power purchase agreement - OVEC (a)	63	69
Net deferred tax assets	24	26
Interest rate swaps	42	43
Other	2	2
Total noncurrent regulatory liabilities	<u>\$ 156</u>	<u>\$ 183</u>

(a) These liabilities were recorded as offsets to certain intangible assets that were recorded at fair value upon the acquisition of LKE by PPL.

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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

Defined benefit plan regulatory assets and liabilities represent the portion of unrecognized transition obligation, prior service cost and net actuarial 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 re-measured. Of the regulatory asset and liability balances recorded, costs of \$25 million are expected to be amortized into net periodic defined benefit costs in 2015.

Storm Costs

LG&E has the ability to request from the KPSC, 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 can request recovery of those expenses in a base rate case and begin amortizing the costs when recovery starts. LG&E's storm costs are being amortized through various dates ending in 2020.

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 2035.

Environmental Cost Recovery

Kentucky law permits LG&E 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 electric 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 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 within 12 months. As a result of the settlement agreement in the 2012 rate case, beginning in 2013, LG&E began receiving a 10.25% return on equity for all ECR projects included in the 2009 and 2011 compliance plans.

Gas Supply Clause

LG&E's natural gas rates contain a gas supply clause, whereby the expected cost of natural gas supply and

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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 includes a separate natural gas procurement incentive mechanism, which allows LG&E's rates to be adjusted annually to share variances between actual costs and market indices between the shareholders and the customers during each performance-based rate year (12 months ending October 31). 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 within 18 months.

Fuel Adjustment Clause

LG&E'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 rates. The KPSC requires public hearings 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, 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.

Demand Side Management

LG&E's DSM program consists of energy efficiency programs which are intended to reduce peak demand and delay the investment in additional power plant construction, provide customers with tools and information to become better managers of their energy usage and prepare for potential future legislation governing energy efficiency. LG&E's rates contain a DSM provision which includes a rate recovery mechanism that provides for concurrent recovery of DSM costs, and allows for the recovery of DSM revenues from lost sales associated with the DSM programs. Additionally, LG&E earns an approved return on equity for capital expenditures associated with the residential and commercial load management/demand conservation programs. The cost of DSM programs is assigned only to the class or classes of customers that benefit from the programs.

Interest Rate Swaps

Periodically, LG&E enters into forward-starting interest rate swaps with PPL that have terms identical to forward-starting swaps entered into by PPL with third parties. Net realized gains and losses on all of these 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 will be recognized in "Interest Expense" on the Statements of Income over the life of the underlying debt at the time the underlying hedged interest expense is recorded. At December 31, 2014, the notional amount of forward starting interest rate swaps outstanding was \$500 million. The swaps range in maturity through 2045. There were no forward starting interest rate swaps outstanding at December 31, 2013. Net cash settlements of \$43 million were received on swaps that were terminated in 2013. Net realized gains on these terminated swaps will be returned through regulated rates. As such, the net settlements were recorded in regulatory liabilities and are being recognized in "Interest Expense" on the Statements of Income over the life of the new debt which matures in 2043. See Note 13 for additional information related to the forward-starting interest rate swaps.

In addition to the hedges terminated as a result of the debt issuance, realized amounts associated with LG&E's

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interest rate swaps, including a terminated swap contract from 2008, are recoverable through rates based on an order from the KPSC, LG&E's unrealized losses and gains are recorded as a regulatory asset or liability 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. Amortization of the gain or loss related to the 2008 terminated swap contract is to be recovered through 2035.

AROs

As discussed in Note 1, the accretion and depreciation expenses related to LG&E's AROs are recorded as a regulatory asset, such that there is no earnings impact. When an asset with an ARO is retired, the related ARO regulatory asset is offset against the associated cost of removal regulatory liability, PP&E and ARO liability.

Gas Line Tracker

In the 2012 rate case order, the KPSC approved the GLT rate recovery mechanism. The GLT authorizes LG&E to recover its incremental operating expenses, depreciation and property taxes, and to earn a 10.25% return on equity for capital associated with the five year gas service riser, leak mitigation and customer service line ownership programs. As part of this program, LG&E makes necessary repairs and assumes ownership of natural gas lines. LG&E annually files projected costs in October to become effective on the first billing cycle in January. After the completion of a plan year, LG&E submits a balancing adjustment filing to the KPSC to amend rates charged for the differences between the actual costs and actual GLT charges for the preceding year. The regulatory assets or liabilities represent the amounts that have been under- or over-recovered due to these timing differences.

Coal Contracts

As a result of purchase accounting associated with PPL's acquisition of LKE, LG&E's coal contracts were recorded at fair value on the Balance Sheet with offsets to regulatory assets for those contracts with unfavorable terms relative to current market prices and offsets to regulatory liabilities for those contracts with favorable terms relative to current market prices. These regulatory assets and liabilities are being amortized over the same terms as the related contracts, which expire at various times through 2016.

Power Purchase Agreement - OVEC

As a result of purchase accounting associated with PPL's acquisition of LKE, the fair value of the OVEC power purchase agreement was recorded on the Balance Sheet with an offset 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.

Regulatory Liability Associated with Net Deferred Tax Assets

LG&E's regulatory liabilities associated with net deferred tax assets represent the future revenue impact from the reversal of deferred income taxes required primarily for unamortized investment tax credits. These regulatory liabilities are recognized when the offsetting deferred tax assets are recognized. For general-purpose

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financial reporting, these regulatory liabilities and the deferred tax assets are not offset; rather, each is displayed separately.

Regulatory Matters

Rate Case Proceedings

On November 26, 2014, LG&E filed a request with the KPSC for an increase in annual base electricity rates of approximately \$30 million and annual base gas rates of approximately \$14 million. The proposed base rate increases would result in an electricity rate increase of 2.7% and a gas rate increase of 4.2% and would become effective in July 2015. LG&E's application includes a request for an authorized return-on-equity of 10.5%. The application is based on a forecasted test year of July 1, 2015 through June 30, 2016. A number of parties have been granted intervention requests in the proceeding. A hearing on the application is scheduled to commence on April 21, 2015. LG&E cannot predict the outcome of this proceeding.

CPCN Filings

In January 2014, LG&E and KU filed an application for a CPCN with the KPSC requesting approval to build a solar generating facility at the E.W. Brown generating site. LG&E and KU entered into a stipulation in this proceeding agreeing to certain matters with some interveners and a hearing was held in November 2014. In December 2014, a final order was issued approving the request to construct the solar generating facility at E.W. Brown along with the acceptance of the provisions in the stipulation agreement.

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5. Financing Activities

Credit Arrangements and Short-term Debt

LG&E maintains a credit facility to enhance liquidity, provide credit support and provide a backstop to its commercial paper program. The amounts borrowed below are recorded as "Short-term debt" on the Balance Sheets. The following credit facility was in place at:

December 31, 2014					
	<u>Expiration</u> <u>Date</u>	<u>Capacity</u>	<u>Borrowed</u>	<u>Letters of Credit and Commercial Paper Issued</u>	<u>Unused Capacity</u>
Syndicated Credit Facility (a) (b)	July 2019	\$ 500	-	\$ 264	\$ 236

December 31, 2013		
	<u>Borrowed</u>	<u>Issued</u>
Syndicated Credit Facility (a) (b)	-	\$ 20

- (a) LG&E pays customary fees under its facility and borrowings generally bear interest at LIBOR-based rates plus an applicable margin.
- (b) The facility contains a financial covenant requiring debt to total capitalization not to exceed 70% as calculated in accordance with the facility and other customary covenants.

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LG&E maintains a commercial paper program 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 LG&E's Syndicated Credit Facility. The following commercial paper program was in place at:

<u>December 31, 2014</u>			
<u>Weighted - Average Interest Rate</u>	<u>Capacity</u>	<u>Commercial Paper Issuances</u>	<u>Unused Capacity</u>
0.42%	<u>\$ 350</u>	<u>\$ 264</u>	<u>\$ 86</u>
<u>December 31, 2013</u>			
<u>Weighted - Average Interest Rate</u>	<u>Commercial Paper Issuances</u>		
0.29%	<u>\$ 20</u>		

See Note 11 for discussion of intercompany borrowings.

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Long-term Debt

	<u>Weighted- Average Rate</u>	<u>Maturities</u>	<u>December 31, 2014</u>
First Mortgage Bonds (a) (b)	2.85%	2015 - 2043	\$ 1,359
Total Long-term Debt Before Adjustments			<u>1,359</u>
Other			
Fair market value adjustments			(1)
Unamortized discount			(5)
Total Long-term Debt			<u>1,353</u>
Less current portion of Long-term Debt			<u>250</u>
Total Long-term Debt, noncurrent			<u>\$ 1,103</u>
			<u>December 31, 2013</u>
First Mortgage Bonds (a) (b)	2.77%	2015 - 2043	\$ 1,359
Total Long-term Debt Before Adjustments			<u>1,359</u>
Other			
Fair market value adjustments			(1)
Unamortized discount			(5)
Total Long-term Debt			<u>1,353</u>
Less current portion of Long-term Debt			<u>-</u>
Total Long-term Debt, noncurrent			<u>\$ 1,353</u>

(a) LG&E's first mortgage bonds 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 \$3.7 billion and \$3.2 billion at December 31, 2014 and 2013.

(b) Includes LG&E'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 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. The related revenue bond documents allow LG&E to convert the interest rate mode on the bonds from time to time to a commercial paper rate, daily rate, weekly rate, term

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rate of at least one year or, in some cases, an auction rate or a LIBOR index rate.

At December 31, 2014, the aggregate tax-exempt revenue bonds issued on behalf of LG&E that were in a term rate mode totaled \$391 million. At December 31, 2014, the aggregate tax-exempt revenue bonds issued on behalf of LG&E that were in a variable rate mode totaled \$183 million.

Several series of the tax-exempt revenue bonds are insured by monoline bond insurers whose ratings were reduced due to exposures relating to insurance of sub-prime mortgages. Of the bonds outstanding, \$135 million are in the form of insured auction rate securities, wherein interest rates are reset either weekly or every 35 days via an auction process. Beginning in late 2007, the interest rates on these insured bonds began to increase due to investor concerns about the creditworthiness of the bond insurers. During 2008, interest rates increased, and LG&E experienced failed auctions when there were insufficient bids for the bonds. When a failed auction occurs, the interest rate is set pursuant to a formula stipulated in the indenture. As noted above, the instruments governing these auction rate bonds permit LG&E to convert the bonds to other interest rate modes.

Certain variable rate tax-exempt revenue bonds totaling \$23 million at December 31, 2014, are subject to tender for purchase by LG&E at the option of the holder and to mandatory tender for purchase by LG&E upon the occurrence of certain events.

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 2015 through 2019 and thereafter are as follows:

2015	\$	250
2016		25
2017		194
2018		98
2019		40
Thereafter		752
Total	<u>\$</u>	<u>1,359</u>

Legal Separateness

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 LKE are each separate legal entities. These subsidiaries are not liable for the debts

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of LKE. Accordingly, creditors of LKE may not satisfy their debts from the assets of its subsidiaries absent a specific contractual undertaking by a subsidiary to pay the creditors or as required by applicable law or regulation. Similarly, LKE is not liable for the debts of its subsidiaries, nor are its subsidiaries liable for the debts of one another. Accordingly, creditors of these subsidiaries may not satisfy their debts from the assets of LKE (or its 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.

Distributions and Related Restrictions

LKE primarily relies on dividends from its subsidiaries to fund its dividends to PPL. LG&E is 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 believes, however, that this statutory restriction, as applied to its 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 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 the acquisition of LKE by PPL. In May 2012, FERC approved the petition with the further condition that LG&E may not pay dividends if such payment would cause its adjusted equity ratio to fall below 30% of total capitalization. Accordingly, at December 31, 2014, net assets of \$0.9 billion were restricted for purposes of paying dividends to LKE, and net assets of \$1.2 billion were available for payment of dividends to LKE. LG&E believes it will not be required to change its current dividend practices as a result of the foregoing requirement. Orders from the KPSC require LG&E to obtain prior consent or approval before lending amounts to PPL or LKE.

6. Acquisitions, Development and Divestitures

LG&E from time to time evaluates 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 the projects, sell, cancel or expand them, execute tolling agreements or pursue other options. Any resulting transactions may impact future financial results.

Development

Future Capacity Needs

To meet new, more stringent EPA regulations, LG&E anticipates retiring three older coal-fired electric generating units at the Cane Run plant in 2015, which have a combined summer capacity rating of 563 MW.

Construction activity continues on the previously announced NGCC unit, Cane Run Unit 7, scheduled to be operational in May 2015. In October 2013, LG&E and KU announced plans for a 10 MW solar generation facility to be operational in 2016 at a cost of approximately \$36 million. In December 2014, a final order was issued by the KPSC approving the request to construct the solar generating facility at E. W. Brown.

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7. Leases

LG&E has entered into various agreements for the lease of office space, vehicles, land, gas storage and other equipment.

Rent - Operating Leases

Rent expense for operating leases for the years ended December 31, 2014 and 2013 was \$7 million for each year.

Total future minimum rental payments for all operating leases are estimated to be:

2015	\$	6
2016		4
2017		3
2018		2
2019		2
Thereafter		11
Total	<u>\$</u>	<u>28</u>

8. Retirement and Postemployment Benefits

Defined Benefits

LG&E sponsors and participates in non-contributory defined benefit pension plans. These plans are applicable to the majority of LG&E employees. The plan LG&E participates in is sponsored by LKE. LG&E is allocated a portion of the funded status and costs of the plan sponsored by LKE based on its participation in the plan, which management believes is reasonable. LG&E's and LKE's defined benefit pension plans 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 majority of employees are eligible for certain health care and life insurance benefits upon retirement through a contributory plan sponsored by LKE. Postretirement health benefits may be paid from 401(h) accounts established as part of the LKE plan within the PPL Services Corporation Master Trust, funded VEBA trusts and company funds.

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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	
	2014	2013
Net periodic defined benefit costs (credits):		
Service cost	\$ 1	\$ 2
Interest cost	15	14
Expected return on plan assets	(19)	(20)
Amortization of:		
Prior service cost (credit)	2	2
Actuarial (gain) loss	6	14
Net periodic defined benefit costs (credits)	<u>\$ 5</u>	<u>\$ 12</u>
Other Changes in Plan Assets and Benefit Obligations		
Recognized in Regulatory Assets - Gross:		
Net (gain) loss	\$ 14	\$ (20)
Prior service cost (credit)	9	-
Amortization of:		
Prior service (cost) credit	(2)	(2)
Actuarial gain (loss)	(6)	(14)
Total recognized in regulatory assets	<u>15</u>	<u>(36)</u>
Total recognized in net periodic benefit costs and regulatory assets	<u>\$ 20</u>	<u>\$ (24)</u>

For the pension plan sponsored by LG&E, the estimated amounts to be amortized from regulatory assets into net periodic defined benefit costs in 2015 are \$14 million (\$3 million amortization of prior service cost and \$11 million amortization of actuarial loss). For the pension plan LG&E participates in, estimated amounts to be amortized from regulatory assets into net periodic defined benefit costs in 2015 are \$10 million (\$2 million amortization of prior service cost and \$8 million amortization of actuarial loss). For the postretirement plan LG&E participates in, the estimated amount to be amortized from regulatory assets into net periodic defined benefit costs in 2015 is \$1 million (amortization of prior service cost).

The pension benefit costs charged to operating expense were \$3 million and \$9 million in 2014 and 2013, and amounts charged to construction work in progress and other non-operating expense accounts were \$2 million and \$3 million in 2014 and 2013 for LG&E's pension plan. Allocations to LG&E for pension benefit costs charged to operating expense were \$2 million and \$5 million in 2014 and 2013, and amounts charged to construction work in progress and other non-operating expense accounts were \$1 million and \$2 million in 2014 and 2013. Allocations to LG&E for postretirement benefit costs charged to operating expense were both \$4 million in both 2014 and 2013, and amounts charged to construction work in progress and other non-operating expense accounts were \$1 million in both 2014 and 2013. These allocated amounts are based on LG&E's

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participation in those plans, which management believes is reasonable.

The following weighted-average assumptions were used in the valuation of the benefit obligations at December 31.

	Pension Benefits	
	2014	2013
Discount rate	4.20%	5.13%

The following weighted-average assumptions were used to determine the net periodic defined benefit costs for the years ended December 31.

	Pension Benefits	
	2014	2013
Discount rate	5.13%	4.20%
Expected return on plan assets (a)	7.00%	7.10%

- (a) The expected long-term rates of return for pension 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.

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The funded status of LG&E's plan at December 31 was as follows:

	Pension Benefits	
	2014	2013
Change in Benefit Obligation		
Benefit Obligation, beginning of period	\$ 291	\$ 331
Service cost	1	2
Interest cost	15	14
Plan amendments (a)	9	-
Actuarial (gain) loss	36	(35)
Gross benefits paid (b)	(21)	(21)
Benefit Obligation, end of period	<u>\$ 331</u>	<u>\$ 291</u>
Change in Plan Assets		
Plan assets at fair value, beginning of period	281	287
Actual return on plan assets	41	4
Employer contributions	-	11
Gross benefits paid (b)	(21)	(21)
Plan assets at fair value, end of period	<u>301</u>	<u>281</u>
Funded Status, end of period	<u>\$ (30)</u>	<u>\$ (10)</u>
Amounts recognized in the Balance Sheets consist of:		
Noncurrent liability	(30)	(10)
Net amount recognized, end of period	<u>\$ (30)</u>	<u>\$ (10)</u>
Amounts recognized in regulatory assets (pre-tax) consists of:		
Prior service cost (credit)	\$ 22	\$ 15
Net actuarial (gain) loss	98	90
Total	<u>\$ 120</u>	<u>\$ 105</u>

- (a) The plan was amended in December 2014 to enhance the early retirement factors for all plan participants retiring on or after January 1, 2015. This modification resulted in an increase of \$9 million in the plan's projected benefit obligation as of December 31, 2014.
- (b) LG&E's pension plan offered a limited-time program in 2014 and 2013 during which terminated vested participants could elect to receive their accrued pension benefit as a one-time lump-sum payment. The gross benefits paid includes \$8 million and \$7 million of lump-sum cash payments made to terminated vested participants in 2014 and 2013 in connection with this offering.

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LG&E's pension plan had projected and accumulated benefit obligations in excess of plan assets at December 31, 2014 and 2013.

In addition to the plan it sponsors, LG&E is allocated a portion of the funded status and costs of certain defined benefit plans sponsored by LKE based on its 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 for pension benefits resulted in a liability of \$27 million and \$9 million at December 31, 2014 and 2013. Allocations to LG&E for other postretirement benefits resulted in a liability of \$85 million and \$73 million at December 31, 2014 and 2013.

Plan Assets - Pension Plans

The pension plans sponsored by LKE and LG&E 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. The investment strategy for the Master Trust is to achieve a risk-adjusted return on a mix of assets that, in combination with LG&E'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 on a plan basis based on input from external consultants with a goal of limiting funded status volatility. The EBPB monitors the investments in each portfolio on a plan basis, 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 on a plan basis, as well as the weighted average of such guidelines, as of the end of 2014 are presented below.

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The asset allocation for the trust and the target allocation by portfolio at December 31 are as follows:

	Percentage of Trust Assets	2014 Target Asset Allocation (a)	
	2014 (a)	Weighted Average	LKE Plans
Growth Portfolio	51%	52%	52%
Equity securities	26%		
Debt securities (b)	13%		
Alternative investments	12%		
Immunizing Portfolio	47%	46%	46%
Debt securities (b)	44%		
Derivatives	3%		
Liquidity Portfolio	2%	2%	2%
Total	100%	100%	100%

	Percentage of Trust Assets
	2013
Growth Portfolio	59%
Equity securities	30%
Debt securities (b)	17%
Alternative investments	12%
Immunizing Portfolio	39%
Debt securities (b)	40%
Derivatives	-1%
Liquidity Portfolio	2%
Total	100%

(a) Allocations exclude consideration of a group annuity contract held by the LG&E and KU Retirement Plan. Includes commingled debt funds, which are treated as debt securities for asset allocation purposes.

LG&E's and LKE's pension plans' assets are invested solely in the Master Trust, which is fully disclosed below. The fair value of LG&E's plan's assets of \$301 million and \$281 million at December 31, 2014 and 2013 represents an interest of approximately 6% and 7% in the Master Trust. The fair value of LKE's plan's assets of \$1.3 billion and \$1.2 billion at December 31, 2014 and 2013 represent approximately 28% and 29% in the Master Trust.

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The fair value of net assets in the Master Trust by asset class and level within the fair value hierarchy was:

	December 31, 2014			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 246	\$ 246	\$ -	\$ -
Equity securities				
U.S.:				
Large-cap	432	114	318	-
Small-cap	145	145	-	-
International	615	-	615	-
Commingled debt	818	-	818	-
Debt securities:				
U.S. Treasury and U.S. government sponsored agency	723	706	17	-
Residential/commercial backed securities	2	-	2	-
Corporate	1,109	-	1,088	21
International government	8	-	8	-
Other	9	-	9	-
Alternative investments				
Commodities	90	-	90	-
Real estate	148	-	148	-
Private equity	104	-	-	104
Hedge funds	223	-	223	-
Derivatives:				
Interest rate swaps and swaptions	92	-	92	-
Other	12	-	12	-
Insurance contracts	33	-	-	33
PPL Services Corporation Master Trust assets, at fair value	<u>\$ 4,809</u>	<u>\$ 1,211</u>	<u>\$ 3,440</u>	<u>\$ 158</u>
Receivables and payables, net (a)	(41)			
401(h) account restricted for other postretirement benefit obligations	<u>(136)</u>			
Total PPL Services Corporation Master Trust pension assets	<u>\$ 4,632</u>			

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	December 31, 2013			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 120	\$ 120	\$ -	\$ -
Equity securities				
U.S.:				
Large-cap	480	134	346	-
Small-cap	137	137	-	-
International	630	163	467	-
Commingled debt	749	13	736	-
Debt securities:				
U.S. Treasury and U.S. government sponsored agency	617	563	54	-
Residential/commercial backed securities	12	-	11	1
Corporate	963	-	940	23
International government	7	-	7	-
Other	24	-	24	-
Alternative investments				
Commodities	108	-	108	-
Real estate	134	-	134	-
Private equity	80	-	-	80
Hedge funds	210	-	210	-
Derivatives:				
Interest rate swaps and swaptions	(49)	-	(49)	-
Other	12	-	12	-
Insurance contracts	37	-	-	37
PPL Services Corporation Master Trust assets, at fair value	<u>\$ 4,271</u>	<u>\$ 1,130</u>	<u>\$ 3,000</u>	<u>\$ 141</u>
Receivables and payables, net (a)				
401(h) account restricted for other postretirement benefit obligations	<u>(115)</u>			
Total PPL Services Corporation Master Trust pension assets	<u>\$ 4,156</u>			

(a) Receivables and payables represent amounts for investments sold/purchased but not yet settled along with interest and dividends earned but not yet received.

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A reconciliation of the Master Trust assets classified as Level 3 at December 31, 2014 is as follows:

	Residential/ commercial backed securities	Corporate debt	Private equity	Insurance contracts	Other debt	Total
Balance at beginning of period	\$ 1	\$ 23	\$ 80	\$ 37	\$ -	\$ 141
Actual return on plan assets						
Relating to assets still held at the reporting date	(1)	(1)	19	1	-	18
Relating to assets sold during the period	-	(1)	-	-	-	(1)
Purchases, sales and settlements	-	-	5	(5)	-	-
Balance at end of period	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ 104</u>	<u>\$ 33</u>	<u>\$ -</u>	<u>\$ 158</u>

A reconciliation of the Master Trust assets classified as Level 3 at December 31, 2013 is as follows:

	Residential/ commercial backed securities	Corporate debt	Private equity	Insurance contracts	Other debt	Total
Balance at beginning of period	\$ 1	\$ 27	\$ 75	\$ 42	\$ 1	\$ 146
Actual return on plan assets						
Relating to assets still held at the reporting date	-	-	3	2	-	5
Relating to assets sold during the period	-	5	-	-	-	5
Purchases, sales and settlements	-	(9)	2	(7)	-	(14)
Transfers from level 3 to level 2	-	-	-	-	(1)	(1)
Balance at end of period	<u>\$ 1</u>	<u>\$ 23</u>	<u>\$ 80</u>	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ 141</u>

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. These investments are classified as Level 2, except for exchange-traded funds, which are classified as Level 1 based on quoted prices

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in active markets. The fair value measurements for Level 2 investments are based on firm quotes of net asset values per share, which are not considered obtained from a quoted price in an active market. 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 and exchange traded funds.

Investments in commodities represent ownership of units of a commingled fund that is invested as a long-only, unleveraged portfolio of exchange-traded futures and forward contracts in tangible commodities to obtain broad exposure to all principal groups in the global commodity markets, including energies, agriculture and metals (both precious and industrial) using proprietary commodity trading strategies. The fund has daily liquidity with a specified notification period. The fund's fair value is based upon a unit value as calculated by the fund's trustee.

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 manager 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. Four of the partnerships have limited lives of ten years, while the fifth has a life of 15 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. The Master Trust has unfunded commitments of \$55 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.

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Investments in hedge funds represent investments in three hedge fund of 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 hedge fund of funds include long/short equity, market neutral, distressed debt, and relative value. Generally, shares may be redeemed within 65 to 95 days with prior written notice. The funds are subject to short term lockups and have limitations on the amount that may be withdrawn based on a percentage of the total net asset value of the fund, among other restrictions. All withdrawals are subject to the general partner's approval. The fair value for two of the funds has been estimated using the net asset value per share and the third fund's fair value is based on an ownership interest in partners' capital to which a proportionate share of net assets is attributed.

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 interest rate swaps and swaptions (the option to enter into an interest rate swap) which are valued based on the swap details, such as swap curves, notional amount, index and term of index, reset frequency, volatility and payer/receiver credit ratings.

Insurance contracts, classified as Level 3, represent an investment in an immediate participation guaranteed group annuity contract. The fair value is based on contract value, which represents cost plus interest income less distributions for benefit payments and administrative expenses.

Plan Assets - Other Postretirement Benefit Plans

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.

Expected Cash Flows - Defined Benefit Plans

LG&E's defined benefit pension plan has the option to utilize available prior year credit balances to meet current and future contribution requirements. LG&E contributed \$13 million to its pension plan in January 2015. LG&E contributed \$8 million to LKE's pension plan on behalf of LG&E employees in January 2015.

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The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the plans for LG&E retirees.

	<u>LG&E Sponsored Pensions</u>	<u>Allocated from LKE Pension Plan</u>
2015	\$ 15	\$ 11
2016	16	12
2017	17	12
2018	18	13
2019	19	13
2020-2024	105	71

Savings Plans

Substantially all employees of LG&E are eligible to participate in a 401(k) deferred savings plan. Employer contributions to the plan were \$5 million and \$7 million in 2014 and 2013.

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9. Jointly Owned Facilities

At December 31, 2014 and 2013, the Balance Sheets reflect the owned interests in the facilities listed below.

	<u>Ownership Interest</u>	<u>Electric Plant</u>	<u>Accumulated Depreciation</u>	<u>Construction Work in Progress</u>
<u>December 31, 2014</u>				
Generating Plants				
E.W. Brown Units 6-7	38.00%	\$ 40	\$ 10	\$ -
Paddy's Run Unit 13 & E.W. Brown Unit 5	53.00%	47	7	-
Trimble County Unit 1	75.00%	309	51	59
Trimble County Unit 2	14.25%	205	23	15
Trimble County Units 5-6	29.00%	29	5	-
Trimble County Units 7-10	37.00%	70	11	-
Cane Run Unit 7	22.00%	-	-	113
<u>December 31, 2013</u>				
Generating Plants				
E.W. Brown Units 6-7	38.00%	\$ 40	\$ 7	\$ 1
Paddy's Run Unit 13 & E.W. Brown Unit 5	53.00%	46	5	1
Trimble County Unit 1	75.00%	308	42	18
Trimble County Unit 2	14.25%	200	19	14
Trimble County Units 5-6	29.00%	29	3	-
Trimble County Units 7-10	37.00%	69	7	1
Cane Run Unit 7	22.00%	-	-	91

LG&E provides its own funding for its share of each of the above facilities. LG&E 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.

10. Commitments and Contingencies

Energy Purchases, Energy Sales and Other Commitments

Energy Purchase Commitments

LG&E enters into purchase contracts to supply the coal and natural gas requirements for generation facilities

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and LG&E's gas supply operations. These contracts include the following commitments:

<u>Contract Type</u>	<u>Maximum Maturity Date</u>
Coal	2019
Coal Transportation and Fleeting Services	2024
Natural Gas Storage	2024
Natural Gas Transportation	2024

LG&E has a power purchase agreement with OVEC expiring in June 2040. See "Guarantees and Other Assurances" below for information on the OVEC power purchase contract. Future obligations for power purchases from OVEC are unconditional demand payments, comprised of annual minimum debt service payments, as well as contractually required reimbursement of plant operating, maintenance and other expenses as follows:

2015	\$	18
2016		18
2017		19
2018		20
2019		22
Thereafter		510
	<u>\$</u>	<u>607</u>

In addition, LG&E had total energy purchases under the OVEC power purchase agreement of \$17 million and \$18 million during 2014 and 2013.

Legal Matters

LG&E is involved in legal proceedings, claims and litigation in the ordinary course of business. LG&E cannot predict the outcome of such matters, or whether such matters may result in material liabilities, unless otherwise noted.

Cane Run Environmental Claims

On December 16, 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 alleging violations of the Clean Air Act and RCRA. In addition, these plaintiffs assert common law claims of nuisance, trespass and negligence. These plaintiffs seek injunctive relief and civil penalties, plus costs and attorney fees, for the alleged statutory violations. Under the common law claims, these plaintiffs seek monetary compensation and punitive damages for property damage and diminished property values for a class consisting of residents within four miles of the plant. In their individual capacities, these plaintiffs seek compensation for alleged

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adverse health effects. In response to a motion to dismiss filed by LG&E and PPL, on July 17, 2014 the court dismissed the plaintiffs' RCRA claims and all but one of its Clean Air Act claims, but declined to dismiss their common law tort claims. Upon motion of LG&E and PPL, the district court certified for appellate review the issue of whether the state common law claims are preempted by federal statute. In December 2014, the U.S. Court of Appeals for the Sixth Circuit issued an order granting appellate review regarding issues to be presented by both parties. LG&E cannot predict the outcome of this matter or the potential impact on operations of the Cane Run plant. LG&E has previously announced that it anticipates retiring the coal-fired units at Cane Run before the end of 2015.

Mill Creek Environmental Claims

In May 2014, the Sierra Club filed a citizen suit against LG&E in the U.S. District Court for the Western District of Kentucky for alleged violations of the Clean Water Act. The Sierra Club alleges that various discharges at the Mill Creek plant constitute violations of the plant's water discharge permit. The Sierra Club seeks civil penalties, injunctive relief, plus costs and attorney's fees. LG&E cannot predict the outcome of this matter or the potential impact on the operations of the Mill Creek plant but believe the plant is operating in compliance with the permits.

Regulatory Issues

See Note 4 for information on regulatory matters related to utility rate regulation.

Potential Impact of Financial Reform Legislation

The Dodd-Frank Act amended the Commodity Exchange Act (CEA) to include provisions that impose regulatory reporting requirements for most over-the-counter derivative transactions, and in the future will require many such transactions to be executed through an exchange and to be centrally-cleared. The Dodd-Frank Act amendments to the CEA also provide that the U.S. Commodity Futures Trading Commission (CFTC) may impose collateral (margin) requirements for over-the-counter derivative transactions that are not cleared, as well as establish speculative position limits for nonfinancial commodity derivatives and regulatory capital requirements for certain types of entities that enter into non-cleared swaps. The CFTC and the banking regulators continue to finalize rules implementing the major provisions in the Dodd-Frank Act.

LG&E is not required to register as either a "swap dealer" or a "major swap participant" under the new regulatory regime. Consequently, LG&E is not subject to the extensive regulatory requirements applicable to such registered entities, including Business Conduct Standards and other complex requirements under CFTC regulations. Nonetheless, the Dodd-Frank Act and implementing regulations have imposed on LG&E additional and costly compliance, recordkeeping, reporting and documentation requirements.

In the future, LG&E may be required to post additional collateral (margin) for over-the-counter derivatives transactions that are not cleared. In addition, LG&E could face significantly higher operating costs if it or its counterparties are subject to certain regulations implementing the Dodd-Frank Act which are expected to be finalized during 2015. On January 12, 2015, President Obama signed into law a broad legislative exemption from the margin requirements for non-cleared swaps to which a commercial end-user is a counterparty. While

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the specifics of this new legislative exemption must be reconciled with proposed but not yet finalized margin regulations, LG&E does not anticipate being subject to direct regulatory margin requirements associated with its non-cleared swap transactions. Instead, LG&E's swap counterparties likely will continue to require posting of collateral and other forms of credit support (subject to unsecured thresholds and industry-standard documentation) for certain of its non-cleared swap activities.

Additionally, the regulatory burdens and costs that the Dodd-Frank Act regulations impose on market participants could limit LG&E's non-cleared swap transactions, or could cause decreased liquidity in the over-the-counter swap markets, as the CFTC's speculative position limits rules for nonfinancial commodity derivatives are finalized and implemented, and as financial institutions and other market participants discontinue proprietary trading operations or dealing activity in certain swaps markets. Such increased costs and decreased liquidity could make it more difficult for LG&E to successfully and cost-efficiently meet commercial risk hedging targets. LG&E will continue to evaluate the Dodd-Frank Act provisions of the CEA, and implementing regulations, but could incur significant costs related to ongoing compliance with the law and regulations.

FERC Market-Based Rate Authority

In 1998, the FERC authorized LG&E and KU to make wholesale sales of electricity and related products at market-based rates. In those orders, the FERC directed LG&E and KU to file an updated market analysis within three years after the order, and every three years thereafter. Since then, periodic market-based rate filings with the FERC have been made by LG&E and KU. In December 2013, LG&E and KU filed market-based rate updates for the Eastern region. In November 2014, the FERC accepted LG&E and KU's updated market power analysis finding that they qualify for continued market-based rate authority in the Eastern region.

Electricity - Reliability Standards

The NERC is responsible for establishing and enforcing mandatory reliability standards (Reliability Standards) regarding the bulk power system. 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 power electricity system, including electric utility companies, generators and marketers. Under the Federal Power Act, the FERC may assess civil penalties of up to \$1 million per day, per violation, for certain violations.

LG&E monitors its compliance with the Reliability Standards and continues to self-report potential violations of certain applicable reliability requirements and submit accompanying mitigation plans, as required. The resolution of a number of potential violations is pending. Any Regional Reliability Entity (including RFC or SERC) 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 its programs to ensure compliance with the Reliability Standards by LG&E, certain other instances of potential non-compliance may be identified from time to time. LG&E cannot predict the outcome of these matters, and cannot estimate a range of reasonably possible losses, if any.

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In October 2012, the FERC initiated its consideration of proposed changes to Reliability Standards to address the impacts of geomagnetic disturbances on the reliable operation of the bulk-power system, which might, among other things, lead to a requirement to install equipment that blocks geomagnetically induced currents on implicated transformers. On May 16, 2013, FERC issued Order No. 779, requiring NERC to submit two types of Reliability Standards for FERC's approval. The first type would require certain owners and operators of the nation's electricity infrastructure, such as LG&E, to develop and implement operational procedures to mitigate the effects of geomagnetic disturbances on the bulk-power system. This NERC proposed standard was filed by NERC with FERC for approval in January 2014, and was approved on June 19, 2014. The second type is to require owners and operators of the bulk-power system to assess certain geomagnetic disturbance events and develop and implement plans to protect the bulk-power system from those events. This proposal was filed by NERC with FERC for approval by January 22, 2015 and is pending consideration by FERC. LG&E may be required to make significant expenditures in new equipment or modifications to its facilities to comply with the new requirements. LG&E is unable to predict the amount of any expenditures that may be required as a result of the adoption of any Reliability Standards for geomagnetic disturbances.

Environmental Matters

Due to the environmental issues discussed below or other environmental matters, it may be necessary for LG&E to modify, curtail, replace or cease operation of certain facilities or performance of certain operations to comply with statutes, regulations and other requirements of regulatory bodies or courts. In addition, legal challenges to new environmental permits or rules add to the uncertainty of estimating the future cost of these permits and rules.

LG&E is entitled to recover, through the ECR mechanism, certain costs of complying with the Clean Air Act, as amended, and those federal, state or local environmental requirements applicable to coal combustion wastes and by-products from facilities that generate electricity from coal in accordance with approved compliance plans. Costs not covered by the ECR mechanism are subject to rate recovery before the KPSC or the FERC. LG&E can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

Air

CSAPR

The EPA's CSAPR addresses the interstate transport of fine particulates and ozone. In accordance with an October 2014 U.S. Court of Appeals decision, CSAPR establishes interstate allowance trading programs for sulfur dioxide and nitrogen oxide emissions from fossil-fueled plants in two phases: Phase 1 commenced in January 2015 and Phase 2 commences in 2017. Sulfur dioxide emissions are subject to an annual trading program and nitrogen oxide emissions are subject to annual and ozone season programs. Oral arguments pertaining to outstanding challenges to the EPA's CSAPR will be heard before the D.C. Circuit Court on February 25, 2015.

Although LG&E does not anticipate significant costs to comply with these programs, changes in market or operating conditions could result in impacts that are higher than anticipated.

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National Ambient Air Quality Standards

In 2008, the EPA revised the National Ambient Air Quality Standard for ozone. As a result, states in the ozone transport region (OTR) are required by the Clean Air Act to impose additional reductions in nitrogen oxide emissions based upon reasonably available control technologies. The EPA proposed to further strengthen the ozone standard in November 2014, which could lead to further nitrogen oxide reductions, for LG&E's fossil-fueled plants within the OTR. The EPA is under court order to finalize the standard by October 1, 2015. States are also obligated to address interstate transport issues associated with new ozone standards through the establishment of "good neighbor" state implementation plans for those states that are found to contribute significantly to another states' non-attainment. The EPA recently sent a policy memo to state agencies to facilitate the development of these plans, including modeling data showing which states are contributing. The implementation of such plans could have an impact on the structure and stringency of CSAPR Phase 2 reductions (discussed above).

In 2010, the EPA finalized a new National Ambient Air Quality Standard for sulfur dioxide and required states to identify areas that meet those standards and areas that are in "non-attainment". In July 2013, the EPA finalized non-attainment designations for parts of the country, including Jefferson County in Kentucky. Attainment must be achieved by 2018. States are working to finalize designations for other areas and in April 2014, the EPA proposed timeframes for completing these designations. LG&E anticipates that some of the measures required for compliance with the CSAPR (as discussed above), or the MATS, or the Regional Haze Rules (as discussed below), such as upgraded or new sulfur dioxide scrubbers at certain plants and the previously announced retirement of coal-fired generating units at the Cane Run plant, will help to achieve compliance with the new sulfur dioxide standard. If additional reductions were to be required, the financial impact could be significant.

In December 2012, the EPA issued final rules that tighten the annual National Ambient Air Quality Standard for fine particulates. The rules were challenged by industry groups, and in May 2014 the D.C. Circuit Court upheld them. On January 15, 2015, the EPA published a final rule establishing area designations under the standard. Non-attainment areas were identified. Mitigation in Jefferson County is expected to be supported by projects already underway at Cane Run and Mill Creek and in northern Kentucky by projects at Trimble County. States have until 2021 to achieve attainment in non-attainment areas.

Until final rules are promulgated, non-attainment designations are finalized and state compliance plans are developed, LG&E cannot predict the ultimate outcome of the new National Ambient Air Quality standards for ozone, sulfur dioxide and particulate matter.

MATS

In February 2012, the EPA finalized the MATS rule requiring reductions of mercury and other hazardous air pollutants from fossil-fuel fired power plants, known as the MATS, with an effective date of April 16, 2012. The rule was challenged by industry groups and states and was upheld by the D.C. Circuit Court, in April 2014. On November 25, 2014, the U.S. Supreme Court granted a petition for review of the rule. The rule provides for a three-year compliance deadline with the potential for a one-year extension as provided under the statute. LG&E has received compliance extensions for its plants.

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At the time the MATS rule was proposed, LG&E filed requests with the KPSC for environmental cost recovery based on its expected need to install environmental controls including chemical additive and fabric-filter baghouses to remove air pollutants. Recovery of the cost of certain controls was granted by the KPSC in December 2011. LG&E's anticipated retirement of certain coal-fired electricity generating units located at Cane Run is in response to MATS and other environmental regulations. The retirement of these units is not expected to have a material impact on the financial condition or results of operations of LG&E.

LG&E is conducting in-depth reviews of the EPA's recent amendments to the final rule and certain proposed corrections, none of which are currently expected to be significant.

Regional Haze and Visibility

The EPA's regional haze programs were developed under the Clean Air Act to eliminate man-made visibility degradation by 2064. Under the programs, states are required to make reasonable progress every decade through the application, among other things, of Best Available Retrofit Technology (BART) on power plants commissioned between 1962 and 1977.

The primary power plant emissions affecting visibility are sulfur dioxide, nitrogen oxides and particulates. To date, the focus of regional haze regulation has been the western U.S. As for the eastern U.S., the EPA had determined that region-wide reductions under the CSAPR trading program could, in most instances, be utilized under state programs to satisfy BART requirements for sulfur dioxide and nitrogen oxides. However, the EPA's determination is being challenged by environmental groups and others.

LG&E's Mill Creek Units 3 and 4 are required to reduce sulfuric acid mist emissions because they were determined to have a significant regional haze impact. These reductions are required in the regional haze state implementation plan that the Kentucky Division for Air Quality submitted to the EPA. LG&E is currently installing sorbent injection technology to comply with these reductions, the costs of which are not expected to be significant.

New Source Review (NSR)

The EPA has continued its NSR enforcement efforts targeting coal-fired generating plants. The EPA has asserted that modification of these plants has increased their emissions and, consequently, that they are subject to stringent NSR requirements under the Clean Air Act.

States and environmental groups also have commenced litigation alleging violations of the NSR regulations by coal-fired generating plants across the nation. If LG&E is found to have violated NSR regulations by significantly increasing pollutants through a major plant modification, it would, among other things, be required to meet stringent permit limits reflecting Best Available Control Technology (BACT) for pollutants meeting the National Ambient Air Quality Standards (NAAQS) in the area and reflecting Lowest Achievable Emission Rates for pollutants not meeting the NAAQS in the area. The costs to meet such limits, including installation of technology at certain units, could be material.

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TC2 Air Permit

The Sierra Club and other environmental groups petitioned the Kentucky Environmental and Public Protection Cabinet to overturn the air permit issued for the TC2 baseload coal-fired generating unit, but the agency upheld the permit in an order issued in September 2007. In response to subsequent petitions by environmental groups, the EPA ordered certain non-material changes to the permit which, in January 2010, were incorporated into a final revised permit issued by the Kentucky Division for Air Quality. In March 2010, the environmental groups petitioned the EPA to object to the revised state permit. Until the EPA issues a final ruling on the pending petition and all available appeals are exhausted, LG&E cannot predict the outcome of this matter or the potential impact on plant operations, including increased capital costs, if any.

Climate Change

As a result of the April 2007 U.S. Supreme Court decision that the EPA has authority under the Clean Air Act to regulate carbon dioxide emissions from new motor vehicles, in April 2010 the EPA and the U.S. Department of Transportation issued new light-duty vehicle emissions standards that applied beginning with 2012 model year vehicles. The EPA also clarified that this standard, beginning in 2011, authorized regulation of carbon dioxide emissions from stationary sources under the NSR and Title V operating permit provisions of the Clean Air Act. The EPA's rules were challenged in court and on June 23, 2014 the U.S. Supreme Court ruled that the EPA has the authority to regulate carbon dioxide emissions under these provisions of the Clean Air Act but only for stationary sources that would otherwise have been subject to these provisions due to significant increases in emissions of other pollutants. As a result, any new sources or major modifications to an existing GHG source causing a net significant increase in carbon dioxide emissions must comply with BACT permit limits for carbon dioxide if it would otherwise be subject to BACT or lowest achievable emissions rate limits due to significant increases in other pollutants.

In June 2013, President Obama released his Climate Action Plan that reiterates the goal of reducing GHG emissions in the U.S. "in the range of" 17% below 2005 levels by 2020 through such actions as regulating power plant emissions, promoting increased use of renewables and clean energy technology, and establishing more restrictive energy efficiency standards. Additionally, the Climate Action Plan calls for the U.S. to prepare for the impacts of climate change. Requirements related to this could affect LG&E and others in the industry as modifications may be needed to electricity delivery systems to improve the ability to withstand major storms in order to meet those requirements. As further described above, the EPA has proposed rules pursuant to this directive, which it expects to finalize in the second or third quarter of 2015. The EPA has also announced that it will be developing a federal implementation plan which would apply to any states that fail to submit an acceptable state implementation plan. The Administration's increase in its estimate of the "social cost of carbon" (which is used to calculate benefits associated with proposed regulations) from \$23.8 to \$38 per metric ton for 2015 may also lead to more costly regulatory requirements.

In January 2014, the EPA issued a revised proposal to regulate carbon dioxide emissions from new power plants. The revised proposal calls for separate emission standards for coal and gas units based on the application of different technologies. The coal standard is based on the application of partial carbon capture and sequestration technology, but because this technology is not presently commercially available, the revised proposal effectively precludes the construction of new coal-fired plants. The standard for NGCC power plants

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is the same as the EPA proposed in 2012 and is not continuously achievable. The preclusion of new coal-fired plants and the compliance difficulties posed for new gas-fired plants could have a significant industry-wide impact.

The EPA has also issued proposed regulations addressing carbon dioxide emissions from existing power plants. The existing plant proposal contains state-specific rate-based reduction goals and guidelines for the development, submission and implementation of state plans to achieve the state goals. State-specific goals were calculated from 2012 data by applying EPA's broad interpretation and definition of the Best System of Emission Reduction resulting in stringent targets to be met in two phases (2020-2029 and 2030 and beyond). The regulation of carbon dioxide emissions from existing power plants could have a significant industry-wide impact depending on the structure and stringency of the final rule and state implementation plans.

In June 2014, the EPA also proposed a regulation addressing carbon dioxide emissions from existing power plants that are modified or reconstructed. LG&E does not expect a significant impact from this rulemaking as there are no plans to modify or reconstruct its existing plants in a manner that would trigger the proposed requirements.

In April 2014, the Kentucky General Assembly passed legislation which limits the measures that the Kentucky Energy and Environment Cabinet may consider in setting performance standards to comply with the EPA's regulations governing GHG emissions from existing sources. The legislation provides that such state GHG performance standards shall be based on emission reductions, efficiency measures, and other improvements available at each power plant, rather than renewable energy, end-use energy efficiency, fuel switching and re-dispatch. These statutory restrictions may make it more difficult for Kentucky to achieve the GHG reduction levels which the EPA has proposed for Kentucky.

A number of lawsuits have been filed asserting common law claims including nuisance, trespass and negligence against various companies with GHG emitting plants and, although the decided cases to date have not sustained claims brought on the basis of these theories of liability, the law remains unsettled on these claims. In September 2009, the U.S. Court of Appeals for the Second Circuit in the case of AEP v. Connecticut reversed a federal district court's decision and ruled that several states and public interest groups, as well as the City of New York, could sue five electric utility companies under federal common law for allegedly causing a public nuisance as a result of their emissions of GHGs. In June 2011, the U.S. Supreme Court overturned the Second Circuit and held that such federal common law claims were displaced by the Clean Air Act and regulatory actions of the EPA. In addition, in *Comer v. Murphy Oil* (Comer case), the U.S. Court of Appeals for the Fifth Circuit (Fifth Circuit) declined to overturn a district court ruling that plaintiffs did not have standing to pursue state common law claims against companies that emit GHGs. The complaint in the Comer case named the previous indirect parent of LKE as a defendant based upon emissions from the Kentucky plants. In January 2011, the U.S. Supreme Court denied a petition to reverse the Fifth Circuit's ruling. In May 2011, the plaintiffs in the Comer case filed a substantially similar complaint in federal district court in Mississippi against 87 companies, including KU and three other indirect subsidiaries of LKE, but excluding LG&E, under a Mississippi statute that allows the re-filing of an action in certain circumstances. In March 2012, the Mississippi federal district court granted defendants' motions to dismiss the state common law claims. Plaintiffs appealed to the U.S. Court of Appeals for the Fifth Circuit, and in May 2013, the Fifth Circuit affirmed the district court's dismissal of the case. Additional litigation in federal and state courts over such issues is

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continuing. LG&E cannot predict the outcome of these lawsuits or estimate a range of reasonably possible losses, if any.

In 2014, LG&E's power plants emitted approximately 18 million tons of carbon dioxide compared with approximately 17 million tons in 2013. All tons are U.S. short tons (2,000 pounds/ton).

Renewable Energy Legislation

LG&E believes there are financial, regulatory and operational uncertainties related to the implementation of renewable energy mandates that will need to be resolved before it can estimate the impact of such requirements. Such uncertainties, among others, include the need to provide back-up supply to augment intermittent renewable generation, potential generation over-supply and downward pressure on energy prices that could result from such renewable generation and back-up and the need for substantial changes to transmission and distribution systems to accommodate renewable energy sources. These uncertainties are not directly addressed by proposed legislation.

Water/Waste

Coal Combustion Residuals (CCRs)

In June 2010, the EPA proposed two approaches to regulating the disposal and management of CCRs (as either hazardous or non-hazardous) under the RCRA. CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. On December 19, 2014, the EPA issued its pre-publication version of the rule regulating coal combustion residuals (CCRs), imposing extensive new requirements, including location restrictions, design and operating standards, groundwater monitoring and corrective action requirements and closure and post-closure care requirements on CCR impoundments and landfills that are located on active power plants and are not closed. Under the rule the EPA will regulate CCRs as non-hazardous under Subtitle D of RCRA and allow beneficial use of CCRs, with some restrictions. The CCR Rule will become effective six months after publication in the Federal Register with publication expected in early 2015. This self-implementing rule requires posting of compliance documentation on a publically accessible website and is enforced through citizen suits. This new separate federal rule is expected to create conflicts with the existing state rules, permits, and compliance orders from the individual states. LG&E expects that its plants using surface impoundments for management and disposal of CCRs or the past management of CCRs and continued use to manage waste waters will be most impacted by this rule. The rule's specific closure requirements for CCR impoundments and landfills may require increases to AROs for these facilities at LG&E's coal-fired plants.

LG&E cannot predict how this rule will impact its facilities, but the financial and operational impact could be significant.

Trimble County Landfill

In May 2011, LG&E submitted an application for a special waste landfill permit to handle CCRs generated at the Trimble County plant. After extensive review of the permit application in May 2013, the Kentucky Division of Waste Management denied the permit application on the grounds that the proposed facility would violate the

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Kentucky Cave Protection Act because it would eliminate an on-site karst feature considered to be a cave. After assessing additional options for managing coal combustion residuals, in January 2014, LG&E submitted to the Kentucky Division of Waste Management a landfill permit application for an alternate site adjacent to the plant. LG&E has also applied for other necessary regulatory approvals including a dredge and fill permit from the U.S. Army Corps of Engineers, in which proceeding the EPA has submitted certain comments or data requests to which LG&E and KU are responding. LG&E is unable to determine the potential impact of this matter until all permits are issued and any resulting legal challenges are concluded.

Seepages and Groundwater Infiltration

Seepages or groundwater infiltration have been detected at active and retired wastewater basins and landfills at various LG&E plants. LG&E has completed or is completing assessments of seepages or groundwater infiltration at various facilities and has completed or is working with agencies to respond to notices of violations and implement assessment or abatement measures, where required or applicable. A range of reasonably possible losses cannot currently be estimated.

Clean Water Act 316(b)

The EPA's final 316(b) rule for existing facilities became effective on October 14, 2014, and regulates cooling water intake structures and their impact on aquatic organisms. States are allowed considerable authority to make site-specific determinations under the rule. The rule requires existing facilities to choose between several options to reduce the impact to aquatic organisms that become trapped against water intake screens (impingement) and to determine the intake structure's impact on aquatic organisms pulled through a plant's cooling water system (entrainment). Plants already equipped with closed-cycle cooling, an acceptable option, would likely not incur substantial costs. Once-through systems would likely require additional technology to comply with the rule. Mill Creek Unit 1 is the only unit expected to be impacted. LG&E is evaluating compliance strategies but does not presently expect the compliance costs to be material.

Effluent Limitations Guidelines (ELGs) and Standards

In June 2013, the EPA published proposed regulations to revise discharge limitations for steam electric generation wastewater permits. The proposed limitations are based on the EPA review of available treatment technologies and their capacity for reducing pollutants and include new requirements for fly ash and bottom ash transport water and metal cleaning waste waters, as well as new limits for scrubber wastewater and landfill leachate. The EPA's proposed ELG regulations contain requirements that would affect the inspection and operation of CCR facilities if finalized as proposed. The EPA has indicated that it will coordinate these regulations with the regulation of CCRs discussed above. The proposal contains alternative approaches, some of which could significantly impact LG&E's coal-fired plants. The final regulation is expected to be issued by the third or fourth quarter of 2015. At the present time, LG&E is unable to predict the outcome of this matter or estimate a range of reasonably possible costs, but the costs could be significant. Pending finalization of the ELGs, certain states (including Kentucky) and environmental groups are proposing more stringent technology-based limits in permit renewals. Depending on the final limits imposed, the costs of compliance could be significant and costs could be imposed ahead of federal timelines.

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Waters of the United States (WOTUS)

On April 21, 2014, the EPA and the U.S. Army Corps of Engineers (Army Corps) published a proposed rule defining WOTUS that could greatly expand the federal government's interpretation of what constitutes WOTUS subject to regulation under the Clean Water Act. If the definition is expanded as proposed by the EPA and the Army Corps, permits and other regulatory requirements may be imposed for many matters presently not covered (including vegetation management for transmission lines and activities affecting storm water conveyances and wetlands), the implications of which could be significant. The EPA plans to make certain changes to the proposed regulation based on comments received. The U.S. House and Senate are considering legislation to block this regulation. Until a final rule is issued, LG&E cannot predict the outcome of the pending rulemaking.

Other Issues

The EPA is reassessing its polychlorinated biphenyls (PCB) regulations under the Toxic Substance Control Act, which currently allow certain PCB articles to remain in use. In April 2010, the EPA issued an Advanced Notice of Proposed Rulemaking for changes to these regulations. This rulemaking could lead to a phase-out of all or some PCB-containing equipment. The EPA is planning to propose the revised regulations in 2015. PCBs are found, in varying degrees, in LG&E's operations. LG&E cannot predict at this time the outcome of these proposed EPA regulations and what impact, if any, they would have on its facilities, but the costs could be significant.

In May 2010, the Kentucky Waterways Alliance and other environmental groups filed a petition with the Kentucky Energy and Environment Cabinet challenging the Kentucky Pollutant Discharge Elimination System permit issued in April 2010, which covers water discharges from the Trimble County plant. In November 2010, the Cabinet issued a final order upholding the permit. In December 2010, the environmental groups appealed the order to the Trimble Circuit Court, but the case was subsequently transferred to the Franklin Circuit Court. In September 2013, the court reversed the Cabinet order upholding the permit and remanded the permit to the agency for further proceedings. In October 2013, LG&E filed a notice of appeal with the Kentucky Court of Appeals. LG&E is unable to predict the outcome of this matter or estimate a range of reasonably possible losses, if any.

Superfund and Other Remediation

LG&E is remediating or has completed the remediation of several sites that were not addressed under a regulatory program such as Superfund, but for which LG&E may be liable for remediation. These include a number of former coal gas manufacturing plants previously owned or operated or currently owned by predecessors or affiliates of LG&E. There are additional sites, formerly owned or operated by LG&E predecessors or affiliates, for which LG&E lacks information on current site conditions and is therefore unable to predict what, if any, potential liability it may have.

Depending on the outcome of investigations at sites where investigations have not begun or been completed or developments at sites for which LG&E currently lacks information, the costs of remediation and other liabilities could be material. LG&E cannot estimate a range of reasonably possible losses, if any, related to these matters.

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The EPA is evaluating the risks associated with polycyclic aromatic hydrocarbons and naphthalene, chemical by-products of coal gas manufacturing. As a result of the EPA's evaluation, individual states may establish stricter standards for water quality and soil cleanup. This could require LG&E to take more extensive assessment and remedial actions at former coal gas manufacturing plants. LG&E cannot estimate a range of reasonably possible losses, if any, related to these matters.

From time to time, LG&E undertakes remedial action in response to notices of violations, spills or other releases at various on-site and off-site locations, negotiates with the EPA and state and local agencies regarding actions necessary for compliance with applicable requirements, negotiates with property owners and other third parties alleging impacts from LG&E's operations and undertakes 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 LG&E's operations.

Future cleanup or remediation work at sites currently under review, or at sites not currently identified, may result in significant additional costs for LG&E.

Other

Guarantees and Other Assurances

In the normal course of business, LG&E enters into agreements that provide financial performance assurance to third parties on behalf of certain subsidiaries. Such agreements include, for example, 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.

Pursuant to the OVEC power purchase contract, LG&E is obligated to pay for its share of OVEC's excess debt service, post-retirement and decommissioning costs, as well as any shortfall from amounts currently included within a demand charge designed and currently expected to cover these costs over the term of the contract. LG&E's proportionate share of OVEC's outstanding debt was \$87 million at December 31, 2014. 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.

LG&E provides 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 including LG&E, 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.

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11. Related Party Transactions

Wholesale Sales and Purchases

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. When KU has excess generation capacity after serving its own retail customers and its generation cost is lower than that of LG&E, LG&E purchases electricity from KU. 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. 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

LKS provides LG&E with administrative, management and support services. Where applicable, the costs of these services are charged to LG&E as direct support costs. General costs that cannot be directly attributed to a specific LKE subsidiary are allocated and charged to LG&E and other subsidiaries as indirect support costs. LKS bases its indirect allocations on the subsidiaries' number of employees, total assets, revenues, number of customers and/or other statistical information.

LKS charged LG&E \$203 million and \$216 million for the years ended December 31, 2014 and 2013, and believes these amounts are reasonable, including amounts applied to accounts that are further distributed between capital and expense.

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 are reimbursed through LKS.

Intercompany Derivatives

Periodically, LG&E enters into forward-starting interest rate swaps with PPL. These hedging instruments have terms identical to forward-starting swaps entered into by PPL with third parties. See Note 13 for additional information on intercompany derivatives.

Other

See Note 1 for discussions regarding the intercompany tax sharing agreement. See Note 8 for discussions regarding intercompany allocations associated with defined benefits.

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12. Fair Value Measurements and Credit Concentration

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. Transfers between levels are recognized at end-of-reporting-period values. During 2014 and 2013, there were no transfers between Level 1 and Level 2. See Note 1 for information on the levels in the fair value hierarchy.

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Recurring Fair Value Measurements

The assets and liabilities measured at fair value were:

	December 31, 2014			
	Total	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	\$ 10	\$ 10	\$ -	\$ -
Cash collateral posted to counterparties (a)	21	21	-	-
Total assets	\$ 31	\$ 31	\$ -	\$ -
Liabilities				
Price risk management liabilities:				
Interest rate swaps	\$ 81	\$ -	\$ 81	\$ -
Total liabilities	\$ 81	\$ -	\$ 81	\$ -

	December 31, 2013			
	Total	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	\$ 8	\$ 8	\$ -	\$ -
Cash collateral posted to counterparties (a)	22	22	-	-
Total assets	\$ 30	\$ 30	\$ -	\$ -
Liabilities				
Price risk management liabilities:				
Interest rate swaps	\$ 36	\$ -	\$ 36	\$ -
Total liabilities	\$ 36	\$ -	\$ 36	\$ -

(a) Included in "Other noncurrent assets" on the Balance Sheets. Represents cash collateral posted to offset exposure with counterparties related to certain interest rate swaps under master netting arrangements that are not offset.

Price Risk Management Assets/Liabilities - Interest Rate Swaps

To manage interest rate risk, LG&E uses interest rate contracts such as forward-starting swaps, floating-to-fixed and fixed-to-floating swaps. 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) as well as inputs that may not be observable, such as credit valuation adjustments. In certain cases, market information cannot practicably 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. Accounting personnel,

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who report to the CFO, interpret analysis quarterly to classify the contracts in the fair value hierarchy. Valuation techniques are evaluated periodically.

Financial Instruments Not Recorded at Fair Value

The carrying amounts of long-term debt on the Balance Sheets and their estimated fair values are set forth below. The fair values of these instruments were estimated using an income approach by discounting future cash flows at estimated current cost of funding rates, which incorporate the credit risk of LG&E. These instruments are classified as Level 2. The effect of third-party credit enhancements is not included in the fair value measurement.

	December 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$ 1,353	\$ 1,455	\$ 1,353	\$ 1,372

The carrying value of short-term debt (including notes between affiliates), when outstanding, approximates fair value due to the variable interest rates associated with the short-term debt and is classified as Level 2.

Credit Concentration Associated with Financial Instruments

Contracts are entered into with many entities for the purchase and sale of energy. When NPNS is elected, the fair value of these contracts is not reflected in the financial statements. However, the fair value of these contracts is considered when committing to new business from a credit perspective. See Note 13 for information on credit policies used to manage credit risk, including master netting arrangements and collateral requirements.

At December 31, 2014, LG&E's credit exposure was not significant.

13. Derivative Instruments and Hedging Activities

Risk Management Objectives

PPL has a risk management policy approved by the Board of Directors to manage market risk associated with commodities, interest rates on debt issuances (including price, liquidity and volumetric risk) and credit risk (including non-performance risk and payment default risk). Senior 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 and market prices, and verification of risk and transaction limits.

Market Risk

Market risk includes the potential loss that may be incurred as a result of price changes associated with a

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particular financial or commodity instrument as well as market liquidity and volumetric risks. Forward contracts and swaps are utilized as part of risk management strategies to minimize unanticipated fluctuations in earnings caused by changes in commodity prices and interest rates. Many of the contracts meet the definition of a derivative. All derivatives are recognized on the Balance Sheets at their fair value, unless NPNS is elected.

The table below summarizes the market risks that affect LG&E.

Commodity price risk (including basis and volumetric risk)	M
Interest rate risk:	
Debt issuances	M
Defined benefit plans	M
Equity securities price risk:	
Defined benefit plans	M

M = LG&E's regulatory environment, by definition, significantly mitigates market risk.

Commodity price risk

LG&E's rates include certain mechanisms for fuel, gas supply and environmental expenses. These mechanisms generally provide for timely recovery of market price and volumetric fluctuations associated with these expenses.

Interest rate risk

LG&E is exposed to interest rate risk associated with forecasted fixed-rate and existing floating-rate debt issuances. LG&E utilizes over-the-counter interest rate swaps to limit exposure to market fluctuations on floating-rate debt, and utilizes forward starting interest rate swaps to hedge changes in benchmark interest rates, when appropriate, in connection with future debt issuances.

Credit Risk

Credit risk is the potential loss that may be incurred due to a counterparty's non-performance.

The majority of LG&E's credit risk stems from energy sales and purchases. In the event a supplier of LG&E defaults on its obligation, it 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 LG&E would be recoverable from customers through applicable rate mechanisms, thus mitigating LG&E's financial risk.

LG&E has 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. LG&E may request additional credit assurance, in certain circumstances, in the event that the

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counterparties' credit ratings fall below investment grade, their tangible net worth falls below specified percentages or their exposures exceed an established credit limit. See Note 13 for credit concentration associated with energy trading partners.

Master Netting Arrangements

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.

LG&E had no obligation to return cash collateral under master netting arrangements at December 31, 2014 and 2013.

LG&E had posted cash collateral under master netting arrangements of \$21 million and \$22 million at December 31, 2014 and 2013.

See "Offsetting Derivative Investments" below for a summary of derivative positions presented in the Balance Sheets where a right of setoff exists under these arrangements.

Interest Rate Risk

LG&E issues debt to finance its operations, which exposes it to interest rate risk. Various financial derivative instruments are utilized to adjust the mix of fixed and floating interest rates in its debt portfolio, adjust the duration of the debt portfolio 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 portfolio due to changes in benchmark interest rates.

Cash Flow Hedges

Periodically, LG&E enters into forward-starting interest rate swaps with PPL that have terms identical to forward-starting swaps entered into by PPL with third parties. Realized gains and losses on all of these 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 will be recognized in "Interest Expense" on the Statements of Income over the life of the underlying debt at the time the underlying hedged interest expense is recorded. At December 31, 2014, the total notional amount of LG&E's forward starting interest rate swaps outstanding was \$500 million. The swaps range in maturity through 2045. There were no forward starting interest rate swaps outstanding at December 31, 2013. Net cash settlements of \$43 million were received on swaps that were terminated in 2013. The settlements are included in "Regulatory liabilities" (noncurrent) on the Balance Sheets and "Cash Flows from Operating Activities" on the Statement of Cash Flows.

Economic Activity

LG&E enters into interest rate swap contracts that economically hedge interest payments on variable rate debt. Because realized gains and losses from the swaps, including a terminated swap contract, are recoverable through regulated rates, any subsequent changes in fair value of these derivatives are included in regulatory assets or

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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, 2014 and December 31, 2013, LG&E held contracts with a notional amount of \$179 million that range in maturity through 2033.

Accounting and Reporting

All derivative instruments are recorded at fair value on the Balance Sheets as an asset or liability unless NPNS is elected. Changes in the fair value of derivatives not designated as NPNS are recognized currently in earnings unless specific hedge accounting criteria are met and designated as such, except for the changes in fair value of LG&E's interest rate swaps that are recognized as regulatory assets or regulatory liabilities. See Note 4 for amounts recorded in regulatory assets and regulatory liabilities at December 31, 2014 and 2013.

See Note 1 for additional information on accounting policies related to derivative instruments.

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	December 31, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps	\$ -	\$ 33	\$ -	\$ -

(a) Represents the location on the Balance Sheet.

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The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets and liabilities.

<u>Derivative Instruments</u>	<u>Location of Gain (Loss)</u>	<u>2014</u>	<u>2013</u>
Interest rate swaps	Regulatory asset - noncurrent	\$ (33)	\$ -
	Regulatory liabilities - noncurrent	-	36

The following table presents the fair value and the location on the Balance Sheets of derivatives not designated as hedging instruments.

	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Current:				
Other Current				
Assets/Liabilities (a):				
Interest rate swaps	\$ -	\$ 5	\$ -	\$ 4
Total current	-	5	-	4
Noncurrent:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps	-	43	-	32
Total noncurrent	-	43	-	32
Total derivatives	\$ -	\$ 48	\$ -	\$ 36

(a) Represents the location on the Balance Sheets.

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets.

<u>Derivative Instruments</u>	<u>Location of Gain (Loss)</u>	<u>2014</u>	<u>2013</u>
Interest rate swaps	Interest Expense	\$ (8)	\$ (8)

<u>Derivative Instruments</u>	<u>Location of Gain (Loss)</u>	<u>2014</u>	<u>2013</u>
Interest rate swaps	Regulatory assets - noncurrent	\$ (12)	\$ 22

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Offsetting Derivative Instruments

LG&E has master netting arrangements pursuant to which it trades 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 setoff 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.

LG&E has 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.

	Liabilities			
	Gross	Eligible for Offset		Net
		Derivative Instruments	Cash Collateral Pledged	
December 31, 2014				
Treasury derivatives	\$ 81	\$ -	\$ 20	\$ 61
December 31, 2013				
Treasury derivatives	\$ 36	\$ -	\$ 20	\$ 16

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 LG&E. 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 the 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 LG&E's obligation under the contract. 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

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assumed immediate payment or immediate and ongoing full collateralization for derivative instruments in net liability positions with "adequate assurance" features.

At December 31, 2014, 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:

Aggregate fair value of derivative instruments in a net liability position with credit risk-related contingent provisions	\$	30
Aggregate fair value of collateral posted on these derivative instruments		21
Aggregate fair value of additional collateral requirements in the event of a credit downgrade below investment grade (a)		10

(a) Includes the effect of net receivables and payables already recorded on the Balance Sheet.

14. Other Intangible Assets

The gross carrying amount and the accumulated amortization of other intangible assets were:

	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Subject to amortization:				
Coal contracts (a)	\$ 124	\$ 98	\$ 124	\$ 81
Land and transmission rights	7	1	7	1
Emission allowances (b)	1	-	1	-
OVEC power purchase agreement (c)	87	23	87	17
Total subject to amortization	<u>\$ 219</u>	<u>\$ 122</u>	<u>\$ 219</u>	<u>\$ 99</u>

- (a) Gross carrying amount represents the fair value at the acquisition date of coal contracts with terms favorable to market recognized as a result of the 2010 acquisition by PPL. An offsetting regulatory liability was recorded related to these contracts, which is being amortized over the same period as the intangible assets, eliminating any income statement impact. See Note 4 for additional information.
- (b) Emission allowances are expensed when consumed or sold; therefore, there is no accumulated amortization.
- (c) 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 4 for additional information.

Current intangible assets are included in "Other current assets" on the Balance Sheets. Long-term intangible assets are presented as "Other intangibles" on the Balance Sheets.

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Amortization expense was as follows:

	<u>2014</u>	<u>2013</u>
Intangible assets with regulatory offset	\$ 23	\$ 23

Amortization expense for each of the next five years, excluding consumption of emission allowances, is estimated to be:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Intangibles with regulatory offset	\$ 24	\$ 13	\$ 6	\$ 6	\$ 6

15. Asset Retirement Obligations

LG&E's AROs are primarily related to the final retirement of assets associated with generating units. LG&E also has AROs related to natural gas mains and wells. LG&E'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. As described in Notes 1 and 4, LG&E's accretion and depreciation expense are recorded as a regulatory asset, such that there is no earnings impact. In 2014, AROs were revalued primarily due to updates in the estimated cash flows for ash ponds based on updated cost estimates. In 2013, AROs were revalued primarily due to updates in the estimated cash flows for ash ponds and CCR surface impoundments based on updated cost estimates.

The changes in the carrying amounts of AROs were as follows.

	<u>2014</u>	<u>2013</u>
ARO at beginning of period	\$ 74	\$ 62
Accretion expense	4	3
Changes in estimated cash flow or settlement date	1	17
Obligations settled	<u>(5)</u>	<u>(8)</u>
ARO at end of period	<u>74</u>	<u>74</u>

Substantially all of the ARO balances are classified as noncurrent at December 31, 2014 and 2013.

See Note 10 for information on CCRs regulation that could require the recording of additional AROs in 2015.

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16. New Accounting Guidance Pending Adoption

Reporting of Discontinued Operations

In April 2014, the Financial Accounting Standards Board (FASB) issued accounting guidance that changes the criteria for determining what should be classified as a discontinued operation and also changes the related presentation and disclosure requirements. A discontinued operation may include a component of an entity or a group of components of an entity, or a business activity.

A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on the entity's operations and financial results when any of the following occurs: (1) The components of an entity or group of components of an entity meets the criteria to be classified as held for sale, (2) The component of an entity or group of components of an entity is disposed of by sale, or (3) The component of an entity or group of components of an entity is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spinoff).

For public business entities, this guidance should be applied prospectively to all disposals (or classifications as held for sale) of components of an entity that occur within the annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted.

LG&E adopted this guidance effective January 1, 2015. The new guidance will impact the amounts presented as discontinued operations on the Statements of Income and will enhance the related disclosure requirements should operations be discontinued.

Accounting for Revenue from Contracts with Customers

In May 2014, the FASB issued accounting guidance that establishes a comprehensive new model for the recognition of revenue from contracts with customers. This model is based on the core principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

For public business entities, this guidance can be applied using either a full retrospective or modified retrospective transition method, beginning in annual reporting periods beginning after December 15, 2016 and interim periods within those years. Early adoption is not permitted. LG&E will adopt this guidance effective January 1, 2017.

LG&E is currently assessing the impact of adopting this guidance, as well as the transition method it will use.

Reporting Uncertainties about an Entity's Ability to Continue as a Going Concern

In August 2014, the FASB issued accounting guidance which will require management to assess, for each interim and annual period, whether there are conditions or events that raise substantial doubt about an entity's ability to continue as a going concern. Substantial doubt about an entity's ability to continue as a going concern

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exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date the financial statements are issued.

When management identifies conditions or events that raise substantial doubt about an entity's ability to continue as a going concern, management is required to disclose information that enables users of the financial statements to understand the principal conditions or events that raised substantial doubt about the entity's ability to continue as a going concern and management's evaluation of the significance of those conditions or events. If substantial doubt about the entity's ability to continue as a going concern has been alleviated as a result of management's plan, the entity should disclose information that allows the users of the financial statements to understand those plans. If the substantial doubt about the entity's ability to continue as a going concern is not alleviated by management's plans, management's plans to mitigate the conditions or events that gave rise to the substantial doubt about the entity's ability to continue as a going concern should be disclosed, as well as a statement that there is substantial doubt the entity's ability to continue as a going concern within one year after the date the financial statements are issued.

For all entities, this guidance should be applied prospectively within the annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted.

LG&E will adopt this guidance for the annual period ending December 31, 2016. The adoption of this guidance is not expected to have a significant impact on LG&E.

Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity

In November 2014, the FASB issued guidance that clarifies how current accounting guidance should be interpreted when evaluating the economic characteristics and risks of a host contract of a hybrid financial instrument issued in the form of a share. This guidance does not change the current criteria for determining whether separation of an embedded derivative feature from a hybrid financial instrument is required. Entities are still required to evaluate whether the economic risks of the embedded derivative feature are clearly and closely related to those of the host contract, among other relevant criteria.

An entity should consider the substantive terms and features of the entire hybrid financial instrument, including the embedded derivative feature being evaluated for bifurcation, in evaluating the nature of the host contract to determine whether the host contract is more akin to a debt instrument or more akin to an equity instrument. An entity should assess the relative strength of the debt-like and equity-like terms and features when determining how to weight those terms and features.

For public business entities, this guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 and should be applied using a modified retrospective method for existing hybrid financial instruments issued in the form of a share as of the beginning of the fiscal year the guidance is adopted. Early adoption is permitted. Retrospective application is permitted but not required.

LG&E will adopt this guidance on January 1, 2016. LG&E is currently assessing this guidance, which is not

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expected to have a significant impact on LG&E.

Income Statement Presentation of Extraordinary and Unusual Items

In January 2015, the FASB issued accounting guidance that eliminates the concept of extraordinary items, which requires an entity to separately classify, present in the income statement and disclose material events and transactions that are both unusual and occur infrequently. The requirement to report material events or transactions that are unusual or infrequent as a separate component of income from continuing operations has been retained, as has the requirement to separately present the nature and financial effects of each event or transaction in the income statement as a separate component of continuing operations or disclose them within the notes to the financial statements. The scope of these requirements has been expanded to include items that are both unusual and occur infrequently.

For all entities, this guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted provided that an entity applies the guidance from the beginning of the fiscal year of adoption. The guidance may be applied either retrospectively or prospectively.

LG&E will adopt this guidance on January 1, 2016. The adoption of this guidance is not expected to have a significant impact on LG&E.

17. Notes to Statement of Cash Flows

Supplemental disclosures of cash flow information

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Cash paid during the period for:		
Income taxes	\$ 65	\$ 51
Interest on borrowed money	38	28
Other cash paid for interest	8	8

18. Notes to Statement of Income for the Year

See page 115, line 6, column (g). Electric Utility Depreciation Expense includes \$8 million applicable to Common Utility Plant apportioned to Electric Operations.

See page 115, line 6, column (i). Gas Utility Depreciation Expense \$3 million applicable to Common Utility Plant apportioned to Gas Operations.

See page 115, line 8, column (g). Electric Utility Amortization and Depletion of Utility Plant includes \$7 million applicable to Common Utility Plant apportioned to Electric Operations.

See page 115, line 8, column (i). Gas Utility Amortization and Depletion of Utility Plant includes \$3 million

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applicable to Common Utility Plant apportioned to Gas Operations.

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STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

Line No.	Other Cash Flow Hedges Interest Rate Swaps (f)	Other Cash Flow Hedges [Specify] (g)	Totals for each category of items recorded in Account 219 (h)	Net Income (Carried Forward from Page 117, Line 78) (i)	Total Comprehensive Income (j)
1					
2					
3					
4				163,405,117	163,405,117
5					
6					
7					
8					
9				168,075,992	168,075,992
10					

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**SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS
FOR DEPRECIATION, AMORTIZATION AND DEPLETION**

Report in Column (c) the amount for electric function, in column (d) the amount for gas function, in column (e), (f), and (g) report other (specify) and in column (h) common function.

Line No.	Classification (a)	Total Company for the Current Year/Quarter Ended (b)	Electric (c)
1	Utility Plant		
2	In Service		
3	Plant in Service (Classified)	5,086,581,478	4,003,957,262
4	Property Under Capital Leases		
5	Plant Purchased or Sold		
6	Completed Construction not Classified	611,853,233	492,288,060
7	Experimental Plant Unclassified		
8	Total (3 thru 7)	5,698,434,711	4,496,245,322
9	Leased to Others		
10	Held for Future Use	5,867,294	5,867,294
11	Construction Work in Progress	676,320,025	638,082,649
12	Acquisition Adjustments		
13	Total Utility Plant (8 thru 12)	6,380,622,030	5,140,195,265
14	Accum Prov for Depr, Amort, & Depl	2,416,826,220	2,008,999,108
15	Net Utility Plant (13 less 14)	3,963,795,810	3,131,196,157
16	Detail of Accum Prov for Depr, Amort & Depl		
17	In Service:		
18	Depreciation	2,377,880,501	2,008,923,672
19	Amort & Depl of Producing Nat Gas Land/Land Right		
20	Amort of Underground Storage Land/Land Rights	82	
21	Amort of Other Utility Plant	38,870,201	
22	Total In Service (18 thru 21)	2,416,750,784	2,008,923,672
23	Leased to Others		
24	Depreciation		
25	Amortization and Depletion		
26	Total Leased to Others (24 & 25)		
27	Held for Future Use		
28	Depreciation	75,436	75,436
29	Amortization		
30	Total Held for Future Use (28 & 29)	75,436	75,436
31	Abandonment of Leases (Natural Gas)		
32	Amort of Plant Acquisition Adj		
33	Total Accum Prov (equals 14) (22,26,30,31,32)	2,416,826,220	2,008,999,108

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS
FOR DEPRECIATION, AMORTIZATION AND DEPLETION

Gas (d)	Other (Specify) (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No.
					1
					2
838,406,461				244,217,755	3
					4
					5
109,781,738				9,783,435	6
					7
948,188,199				254,001,190	8
					9
					10
17,554,925				20,682,451	11
					12
965,743,124				274,683,641	13
272,699,438				135,127,674	14
693,043,686				139,555,967	15
					16
					17
272,699,356				96,257,473	18
					19
82					20
				38,870,201	21
272,699,438				135,127,674	22
					23
					24
					25
					26
					27
					28
					29
					30
					31
					32
272,699,438				135,127,674	33

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2014/Q4
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ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106)

- Report below the original cost of electric plant in service according to the prescribed accounts.
- In addition to Account 101, Electric Plant in Service (Classified), this page and the next include Account 102, Electric Plant Purchased or Sold; Account 103, Experimental Electric Plant Unclassified; and Account 106, Completed Construction Not Classified-Electric.
- Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.
- For revisions to the amount of initial asset retirement costs capitalized, included by primary plant account, increases in column (c) additions and reductions in column (e) adjustments.
- Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts.
- Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d)

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)
1	1. INTANGIBLE PLANT		
2	(301) Organization	2,240	
3	(302) Franchises and Consents		
4	(303) Miscellaneous Intangible Plant		
5	TOTAL Intangible Plant (Enter Total of lines 2, 3, and 4)	2,240	
6	2. PRODUCTION PLANT		
7	A. Steam Production Plant		
8	(310) Land and Land Rights	6,802,401	
9	(311) Structures and Improvements	302,333,229	12,564,494
10	(312) Boiler Plant Equipment	1,462,391,323	347,319,757
11	(313) Engines and Engine-Driven Generators		
12	(314) Turbogenerator Units	233,078,759	13,896,683
13	(315) Accessory Electric Equipment	179,528,349	4,221,034
14	(316) Misc. Power Plant Equipment	18,788,953	2,779,036
15	(317) Asset Retirement Costs for Steam Production	47,915,216	1,094,443
16	TOTAL Steam Production Plant (Enter Total of lines 8 thru 15)	2,250,838,230	381,875,447
17	B. Nuclear Production Plant		
18	(320) Land and Land Rights		
19	(321) Structures and Improvements		
20	(322) Reactor Plant Equipment		
21	(323) Turbogenerator Units		
22	(324) Accessory Electric Equipment		
23	(325) Misc. Power Plant Equipment		
24	(326) Asset Retirement Costs for Nuclear Production		
25	TOTAL Nuclear Production Plant (Enter Total of lines 18 thru 24)		
26	C. Hydraulic Production Plant		
27	(330) Land and Land Rights	6	
28	(331) Structures and Improvements	5,960,586	1,737,445
29	(332) Reservoirs, Dams, and Waterways	13,130,436	3,975,469
30	(333) Water Wheels, Turbines, and Generators	36,268,274	26,052,371
31	(334) Accessory Electric Equipment	6,148,011	2,066,328
32	(335) Misc. Power PLant Equipment	322,717	869,578
33	(336) Roads, Railroads, and Bridges	29,931	
34	(337) Asset Retirement Costs for Hydraulic Production	50,210	
35	TOTAL Hydraulic Production Plant (Enter Total of lines 27 thru 34)	61,910,171	34,701,191
36	D. Other Production Plant		
37	(340) Land and Land Rights	13,148	
38	(341) Structures and Improvements	15,004,440	
39	(342) Fuel Holders, Products, and Accessories	7,601,229	540,282
40	(343) Prime Movers	161,510,288	1,188,422
41	(344) Generators	33,483,435	465,567
42	(345) Accessory Electric Equipment	21,444,906	409,973
43	(346) Misc. Power Plant Equipment	3,796,323	
44	(347) Asset Retirement Costs for Other Production	32,135	
45	TOTAL Other Prod. Plant (Enter Total of lines 37 thru 44)	242,885,904	2,604,244
46	TOTAL Prod. Plant (Enter Total of lines 16, 25, 35, and 45)	2,555,634,305	419,180,882

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ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

distributions of these tentative classifications in columns (c) and (d), including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year.

7. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits distributed in column (f) to primary account classifications.

8. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirement of these pages.

9. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchase, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give also date

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)	Line No.
				1
			2,240	2
				3
				4
			2,240	5
				6
				7
	-4,076	-2,393	6,795,932	8
639,283			314,258,440	9
6,768,408			1,802,942,672	10
				11
564,792			246,410,650	12
196,133			183,553,250	13
94,077			21,473,912	14
17,631			48,992,028	15
8,280,324	-4,076	-2,393	2,624,426,884	16
				17
				18
				19
				20
				21
				22
				23
				24
				25
				26
			6	27
13,366			7,684,665	28
161,058			16,944,847	29
301,530			62,019,115	30
2,726			8,211,613	31
			1,192,295	32
			29,931	33
			50,210	34
478,680			96,132,682	35
				36
		2,393	15,541	37
			15,004,440	38
			8,141,511	39
-52,396			162,751,106	40
248,506			33,700,496	41
			21,854,879	42
			3,796,323	43
			32,135	44
196,110		2,393	245,296,431	45
8,955,114	-4,076		2,965,855,997	46

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ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)
47	3. TRANSMISSION PLANT		
48	(350) Land and Land Rights	10,884,232	265,159
49	(352) Structures and Improvements	6,602,296	122,044
50	(353) Station Equipment	141,382,698	17,039,705
51	(354) Towers and Fixtures	40,986,482	497,424
52	(355) Poles and Fixtures	60,618,598	7,440,319
53	(356) Overhead Conductors and Devices	48,913,901	4,182,873
54	(357) Underground Conduit	2,278,628	
55	(358) Underground Conductors and Devices	7,425,136	
56	(359) Roads and Trails		
57	(359.1) Asset Retirement Costs for Transmission Plant	218,085	
58	TOTAL Transmission Plant (Enter Total of lines 48 thru 57)	319,310,056	29,547,524
59	4. DISTRIBUTION PLANT		
60	(360) Land and Land Rights	4,123,724	
61	(361) Structures and Improvements	6,767,853	210,243
62	(362) Station Equipment	119,420,991	5,405,215
63	(363) Storage Battery Equipment		
64	(364) Poles, Towers, and Fixtures	159,309,141	11,523,004
65	(365) Overhead Conductors and Devices	261,175,950	15,251,895
66	(366) Underground Conduit	74,750,126	7,831,813
67	(367) Underground Conductors and Devices	161,832,023	21,321,223
68	(368) Line Transformers	145,012,373	6,200,554
69	(369) Services	30,062,650	268,808
70	(370) Meters	39,275,602	1,853,487
71	(371) Installations on Customer Premises		
72	(372) Leased Property on Customer Premises		
73	(373) Street Lighting and Signal Systems	87,996,469	8,184,978
74	(374) Asset Retirement Costs for Distribution Plant	637,770	
75	TOTAL Distribution Plant (Enter Total of lines 60 thru 74)	1,090,364,672	78,051,220
76	5. REGIONAL TRANSMISSION AND MARKET OPERATION PLANT		
77	(380) Land and Land Rights		
78	(381) Structures and Improvements		
79	(382) Computer Hardware		
80	(383) Computer Software		
81	(384) Communication Equipment		
82	(385) Miscellaneous Regional Transmission and Market Operation Plant		
83	(386) Asset Retirement Costs for Regional Transmission and Market Oper		
84	TOTAL Transmission and Market Operation Plant (Total lines 77 thru 83)		
85	6. GENERAL PLANT		
86	(389) Land and Land Rights		
87	(390) Structures and Improvements		
88	(391) Office Furniture and Equipment		
89	(392) Transportation Equipment	8,644,935	950,610
90	(393) Stores Equipment		
91	(394) Tools, Shop and Garage Equipment	5,039,014	811,076
92	(395) Laboratory Equipment		3,288
93	(396) Power Operated Equipment	2,350,967	132,201
94	(397) Communication Equipment	1,761,577	1,408,301
95	(398) Miscellaneous Equipment		
96	SUBTOTAL (Enter Total of lines 86 thru 95)	17,796,493	3,305,476
97	(399) Other Tangible Property		
98	(399.1) Asset Retirement Costs for General Plant		
99	TOTAL General Plant (Enter Total of lines 96, 97 and 98)	17,796,493	3,305,476
100	TOTAL (Accounts 101 and 106)	3,983,107,766	530,085,102
101	(102) Electric Plant Purchased (See Instr. 8)		
102	(Less) (102) Electric Plant Sold (See Instr. 8)		
103	(103) Experimental Plant Unclassified		
104	TOTAL Electric Plant in Service (Enter Total of lines 100 thru 103)	3,983,107,766	530,085,102

ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)	Line No.
				47
			11,149,391	48
8,173		43,757	6,759,924	49
458,805		265,626	158,229,224	50
127,268			41,356,638	51
252,096			67,806,821	52
409,195			52,687,579	53
			2,278,628	54
			7,425,136	55
				56
			218,085	57
1,255,537		309,383	347,911,426	58
				59
			4,123,724	60
16,653		-43,757	6,917,686	61
323,005		-265,626	124,237,575	62
				63
1,350,739			169,481,406	64
1,732,259			274,695,586	65
3,121			82,578,818	66
621,293			182,531,953	67
895,124			150,317,803	68
344			30,331,114	69
178,035			40,951,054	70
				71
				72
1,490,546			94,690,901	73
10,857			626,913	74
6,621,976		-309,383	1,161,484,533	75
				76
				77
				78
				79
				80
				81
				82
				83
				84
				85
				86
				87
				88
110,843			9,484,702	89
			5,850,090	90
			3,288	91
			2,483,168	92
			3,169,878	93
				94
				95
110,843			20,991,126	96
				97
				98
110,843			20,991,126	99
16,943,470	-4,076		4,496,245,322	100
				101
				102
				103
16,943,470	-4,076		4,496,245,322	104

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FOOTNOTE DATA			

Schedule Page: 204 Line No.: 8 Column: e

Sale of land to KU for jointly owned combustion turbines.

Schedule Page: 204 Line No.: 40 Column: d

Reversal of estimated retirements recorded in Completed Construction Not Classified - Electric (106) that were on a preliminary basis. Upon recording of final retirement, the estimated amounts were higher than the actual retirement amount.

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ELECTRIC PLANT HELD FOR FUTURE USE (Account 105)

1. Report separately each property held for future use at end of the year having an original cost of \$250,000 or more. Group other items of property held for future use.
2. For property having an original cost of \$250,000 or more previously used in utility operations, now held for future use, give in column (a), in addition to other required information, the date that utility use of such property was discontinued, and the date the original cost was transferred to Account 105.

Line No.	Description and Location Of Property (a)	Date Originally Included in This Account (b)	Date Expected to be used in Utility Service (c)	Balance at End of Year (d)
1	Land and Rights:			
2	Five Tracts in or near Louisville, Kentucky	Various	Various	505,041
3				
4	US 42: Tract No. D152	01/31/2000	2015-2018	253,321
5				
6	Fegenbush Lane at the General Electric Plant	05/01/2012	2018-2023	519,009
7				
8	Tucker Station Distribution Substation -			
9	Blankenbaker Station Business Park,			
10	Tract 13	07/01/2012	2015-2019	745,731
11				
12	Distribution Drive at Riverport	04/01/2013	2015-2019	839,535
13				
14	Land at Green River Facility	11/1/2014	2018-2021	211,409
15				
16				
17				
18				
19				
20				
21	Other Property:			
22	Site Development - Kentucky Street Substation D61			
23	and Kentucky Sub	06/30/1992	2015-2019	20,595
24				
25	Distribution Drive at Riverport	04/01/2013	2015-2019	2,772,653
26				
27				
28				
29				
30				
31				
32				
33				
34				
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36				
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42				
43				
44				
45				
46				
47	Total			5,867,294

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CONSTRUCTION WORK IN PROGRESS -- ELECTRIC (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107)
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstrating (see Account 107 of the Uniform System of Accounts)
3. Minor projects (5% of the Balance End of the Year for Account 107 or \$1,000,000, whichever is less) may be grouped.

Line No.	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
1	STEAM PRODUCTION MAJOR	
2	MC 1&2 FGD AND FABRIC FILTERS	259,279,099
3	MC3 FGD AND FABRIC FILTER	71,219,563
4	TC1 FABRIC FILTER	58,584,054
5	TC CCP LANDFILL PH1 RAVINE - LG&E	10,856,027
6	MC3 BURNERS REPLACEMENT	4,706,714
7	MC1 GENERATOR STATOR BAR	3,300,577
8	MC2 GENERATOR STATOR BAR	3,235,549
9	MC GSU SPARE TRANSFORMER	2,888,486
10	MC3 GENERATOR STATOR BAR	2,861,417
11	MC3 SUPER HEATER PENDANTS	1,907,370
12	MC3 BOILER EXTENDED ARCH	1,029,020
13	STEAM PRODUCTION MINOR	14,324,266
14		
15	HYDRAULIC POWER MAJOR	
16	OHIO FALLS REDEVELOPMENT UNIT #2	6,244,670
17	OHIO FALLS REDEVELOPMENT UNIT #8	4,044,890
18	OHIO FALLS REDEVELOPMENT UNIT #4	3,996,923
19	HYDRAULIC POWER MINOR	289,247
20		
21	OTHER PRODUCTION MAJOR	
22	CANE RUN UNIT #7 CCGT	112,456,252
23	OTHER PRODUCTION MINOR	1,691,090
24		
25	TRANSMISSION MAJOR	
26	NEW 345kV BREAKER STATION - NEW ALBANY SUBSTATION	12,005,753
27	NEW 345kV BREAKER STATION - PADDY'S WEST/NORTHSIDE	10,425,341
28	NEW 138kV CR7 SWITCHYARD	8,195,749
29	PRIORITY REPLACEMENT TRANSMISSION LINES	3,584,063
30	NEW 345kV CR7 LINE	2,265,378
31	RELOCATE 138kV CR7 LINE	1,716,372
32	LG&E BREAKER REPLACEMENTS	1,559,259
33	DSP LYNDON SOUTH SUBSTATION EXPANSION PROJECT	1,192,169
34	TRANSMISSION MINOR	4,416,941
35		
36	DISTRIBUTION MAJOR	
37	PILC UNDERGROUND CABLE REPLACEMENT	5,724,002
38	FORD SUBSTATION TRANSFORMER UPGRADE	3,160,993
39	LG&E POLE REPLACEMENT	2,800,649
40	DSP LYNDON SOUTH CIRCUIT UPGRADE	1,464,891
41	TRANSFORMER REPLACEMENT	1,385,188
42	DISTRIBUTION MINOR	15,270,687
43	TOTAL	638,082,649

ACCUMULATED PROVISION FOR DEPRECIATION OF ELECTRIC UTILITY PLANT (Account 108)

1. Explain in a footnote any important adjustments during year.
2. Explain in a footnote any difference between the amount for book cost of plant retired, Line 11, column (c), and that reported for electric plant in service, pages 204-207, column 9d), excluding retirements of non-depreciable property.
3. The provisions of Account 108 in the Uniform System of accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.
4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.

Section A. Balances and Changes During Year

Line No.	Item (a)	Total (c+d+e) (b)	Electric Plant in Service (c)	Electric Plant Held for Future Use (d)	Electric Plant Leased to Others (e)
1	Balance Beginning of Year	1,925,796,828	1,925,766,839	29,989	
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	112,317,408	112,317,408		
4	(403.1) Depreciation Expense for Asset Retirement Costs				
5	(413) Exp. of Elec. Plt. Leas. to Others				
6	Transportation Expenses-Clearing	277,889	277,889		
7	Other Clearing Accounts				
8	Other Accounts (Specify, details in footnote):	45,447		45,447	
9	Fuel Stock	218,469	218,469		
10	TOTAL Deprec. Prov for Year (Enter Total of lines 3 thru 9)	112,859,213	112,813,766	45,447	
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	16,914,982	16,914,982		
13	Cost of Removal	18,216,204	18,216,204		
14	Salvage (Credit)	1,027,078	1,027,078		
15	TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 12 thru 14)	34,104,108	34,104,108		
16	Other Debit or Cr. Items (Describe, details in footnote):	4,475,663	4,475,663		
17					
18	Book Cost or Asset Retirement Costs Retired	-28,488	-28,488		
19	Balance End of Year (Enter Totals of lines 1, 10, 15, 16, and 18)	2,008,999,108	2,008,923,672	75,436	

Section B. Balances at End of Year According to Functional Classification

20	Steam Production	1,294,269,823	1,294,194,387	75,436	
21	Nuclear Production				
22	Hydraulic Production-Conventional	7,789,869	7,789,869		
23	Hydraulic Production-Pumped Storage				
24	Other Production	91,436,878	91,436,878		
25	Transmission	145,367,280	145,367,280		
26	Distribution	457,889,683	457,889,683		
27	Regional Transmission and Market Operation				
28	General	12,245,575	12,245,575		
29	TOTAL (Enter Total of lines 20 thru 28)	2,008,999,108	2,008,923,672	75,436	