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PLLC

2007-00550

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DEC 20 2007

PUBLIC SERVICE  
COMMISSION

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**J. WADE HENDRICKS**  
DIRECT DIAL 502-560-4227  
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December 19, 2007

**HAND DELIVERY**

Elizabeth O'Donnell  
Executive Director  
Public Service Commission of Kentucky  
211 Sower Boulevard  
Frankfort, Kentucky 40602

**Re: Louisville Gas and Electric Company**

Dear Ms. O'Donnell:

Enclosed for filing please find the original and ten copies of the Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations, along with a Motion for Deviation from Rules and for Incorporation by Reference. Extra copies of the Application and the Motion are enclosed to be file stamped and returned to the undersigned.

Please do not hesitate to contact me if you have any questions or require additional information.

Very truly yours,

J. Wade Hendricks

JWH/dvg  
Enclosures

cc: Dennis Howard, II, Esq.  
Daniel Arbough  
Lonnie Bellar  
Rick Lovekamp  
Allyson Sturgeon, Esq.  
Don Harris  
John Wiedmar

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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

DEC 20 2007

PUBLIC SERVICE  
COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE )  
GAS AND ELECTRIC COMPANY FOR AN )  
ORDER AUTHORIZING THE ISSUANCE )  
OF SECURITIES AND THE ASSUMPTION ) CASE NO. 2007-00550  
OF OBLIGATIONS )

APPLICATION

Louisville Gas and Electric Company ("LG&E" or the "Company") hereby requests, pursuant to KRS 278.300, that the Commission authorize the issuance of securities, assumption of obligations and entrance into all necessary agreements and other documents relating thereto as more fully described herein. Specifically, LG&E requests authority to obtain long-term debt financing from an affiliate within the E.ON AG ("E.ON") holding company system. In support of this Application, LG&E states as follows:

1. The Company's full name is Louisville Gas and Electric Company. The post office address of the Company is 220 West Main Street, Louisville, Kentucky 40202. LG&E is a Kentucky corporation, a utility as defined by KRS 278.010(3)(a), and (b) and as of October 31, 2007, provides retail electric service to approximately 401,000 customers and retail gas service to approximately 324,000 customers in seventeen counties in Kentucky. A description of LG&E's properties is set out in Exhibit 1 to this Application. A certified copy of the Company's Articles of Incorporation was filed with the Commission in Case No. 2005-00471 (*In the Matter of: The Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Authority to Transfer Functional Control of Their Transmission System*) and is incorporated by reference herein pursuant to 807 KAR 5:001, Section 8(3).

2. LG&E obtains financing through numerous sources of capital, including the form of debt that is the subject of this Application. LG&E does not assign specific financing to any particular project or use, and does not project finance projects. Thus, the uses cited below are general reasons for LG&E's need for debt financing, rather than projects for which the financing will be required.

3. LG&E anticipates incurring capital expenditures during 2008 for its share of construction costs for Trimble County Unit 2 in Trimble County, Kentucky. LG&E requested a Certificate of Public Convenience and Necessity and a Site Compatibility Certificate for those facilities in Case No. 2004-00507 (*In the Matter of: The Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity, and a Site Compatibility Certificate, for the Expansion of the Trimble County Generating Station*). The Commission granted the requested certificates by Orders dated November 1, 2005 and November 9, 2005 in Case No. 2004-00507. This facility is described in the Engineering, Procurement and Construction Contract (the "EPC Contract") previously filed by LG&E's sister utility, Kentucky Utilities Company. By Motion filed concurrently herewith, LG&E is requesting that the EPC Contract be incorporated by reference herein. During 2008, LG&E anticipates incurring up to \$56 million in construction costs in connection with Trimble County Unit 2.

4. In addition, LG&E anticipates that it will require funds for general operational expenditures on an ongoing basis throughout 2008.

### **Description of LG&E's Position Within the Holding Company and the Affiliate**

5. E.ON U.S. LLC ("E.ON US") is an indirect subsidiary of E.ON. The Company is a wholly owned subsidiary of E.ON US. E.ON U.S. Holding GmbH, is also a subsidiary of E.ON. Fidelia Corporation ("Fidelia"), a finance company subsidiary organized in Delaware, is a subsidiary of E.ON U.S. Holding GmbH. Fidelia lends money to companies in the E.ON Holding Company System and upon request of the Company would lend money to the Company as set out in this Application.

### **Description of the New Long-Term Debt**

6. This Application relates to the issuance of long-term unsecured debt by LG&E to Fidelia.<sup>1</sup> The Company proposes to borrow money from Fidelia in an amount not to exceed \$25,000,000 at one or more times during the period ending December 31, 2008. The Company anticipates issuing unsecured notes to Fidelia with final maturity not to exceed thirty years. Such borrowing would only occur if the interest rate on the loan would result in an equal or lower cost of borrowing than the Company could obtain in a loan from E.ON or in the capital markets on its own. All borrowings from Fidelia would be at the lowest of 1) E.ON's effective cost of capital; 2) Fidelia's effective cost of capital; and 3) the Company's effective cost of capital determined by reference to the effective cost of a direct borrowing by the Company from an independent third party for a comparable term loan that could be obtained at the time of the loan (the "Best Rate

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<sup>1</sup> The Commission has previously approved other long-term debt financing between LG&E and an affiliate within the E.ON holding company system. See Case No. 2007-00039 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of March 22, 2007, Case No. 2006-00445 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of January 31, 2007, Case No. 2003-00300 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of September 22, 2003, and Case No. 2003-00058 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Orders of April 14, 2003 and April 30, 2003.

Method"). The Best Rate Method assures the Company that it will not pay more for a loan from Fidelity than it would pay in the capital markets for a similar loan. The Company's treasury group has evaluated its capital requirements through December 31, 2008, and the appropriate sources of capital available to it (both existing and potential). The Company has determined that it is cost effective to borrow money from Fidelity through this intercompany loan facility and desires to take advantage of this opportunity.

7. The interest rates will be set at the time of issuance of each note and would depend on the maturity of the notes. The interest rate on each note would be the lower of (a) the average of three quotes obtained by the affiliate company from international investment banks for an unsecured bond issued by E.ON for the applicable term of the loan; and (b) the lowest of three quotes obtained by the Company from international investment banks for a secured bond issued by the Company with the applicable term of the loan. This method complies with the Best Rate Method because this rate would be determined using the lower of the average of actual quotes obtained based upon the credit of E.ON or the lowest of three actual quotes obtained by the Company.

8. A note would be executed by the Company each time a loan was made by Fidelity to the Company stating the interest rate, maturity date and payment terms. Attached to the Application as Exhibit 2 is the form of the intercompany loan agreement and note. Issuance expenses for the intercompany loans described herein will not exceed, in total, the sum of \$50,000. In connection with the issuance of the debt, LG&E may enter into one or more interest rate hedging agreements (T-bill lock, swap or similar agreement, collectively the "Hedging Facility") either with an E.ON affiliate or with a bank or financial institution. The Hedging Facility would be an interest rate agreement designed to allow the Company to lock in the

underlying interest rate on the loan in advance of the closing of the loan. The Hedging Facility will set forth the specific terms under which the Company will agree to make payments, and the other terms and conditions of any rights or obligations thereunder.

9. No contracts have been made for the disposition of any of the securities which LG&E proposes to issue.

10. A redacted copy of the Engineering, Procurement and Construction Contract for Trimble County Unit 2, which describes those facilities, was filed, along with a Motion for Confidential Protection, by LG&E's sister utility, Kentucky Utilities Company in the Record of Case No. 2007-00024 (*In the Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*). By Motion filed concurrently herewith, LG&E is requesting that the Engineering, Procurement and Construction Contract be incorporated by reference herein.

11. LG&E shall, as soon as reasonably practicable after the issuance of each note referred to herein, file with the Commission a statement setting forth the date or dates of issuance of the notes, the proceeds of such notes, the interest rates, costs or gains with the Hedging Facility, and all fees and expenses involved in such issuance.

12. Exhibit 3 to this Application contains the financial exhibit required by 807 KAR 5:001, Section 11(2)(a), and described by 807 KAR 5:001, Section 6. It also contains information required by 807 KAR 5:001, Section 11(2)(b).

13. Exhibit 4 to this Application is a certified copy of LG&E's Board of Directors resolution authorizing the issuance of the notes, and the transactions related thereto as discussed in this Application.

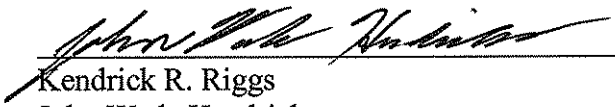
14. Other requirements of the Commission's regulation regarding this Application, 807 KAR 5:001, Section 11, including (1)(b) regarding the amount and kind of notes, etc., and (1)(c) regarding the use to be made of the proceeds, have been supplied in the discussion above in Paragraphs 2 through 8 of this Application.

**WHEREFORE**, Louisville Gas and Electric Company respectfully requests that the Commission enter its Order, authorizing it to issue securities and to execute, deliver and perform the obligations of LG&E under the intercompany loan agreement and the notes, as set forth in this Application. LG&E further requests that the Order of the Commission specifically include provisions stating:

1. LG&E is authorized to issue and deliver its unsecured notes in an aggregate principal amount not to exceed \$25,000,000 in the manner set forth in its Application.

2. LG&E is authorized to execute, deliver and perform the obligations of LG&E under, *inter alia* the loan agreement with Fidelity Corporation, the notes, and such other agreements and documents as set out in its Application, and to perform the transactions contemplated by such agreements.

Respectfully submitted,



Kendrick R. Riggs  
John Wade Hendricks  
Stoll Keenon Ogden PLLC  
2000 PNC Plaza  
500 West Jefferson Street  
Louisville, Kentucky 40202  
(502) 333-6000

Allyson K. Sturgeon  
Senior Corporate Attorney  
E.ON U.S. LLC  
220 West Main Street  
Louisville, KY 40202  
(502) 627-2088

Counsel for Louisville Gas and Electric  
Company

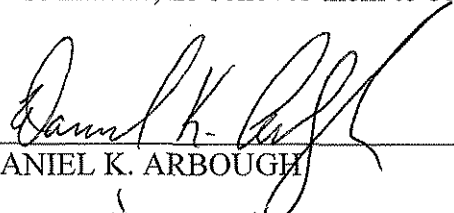


VERIFICATION

COMMONWEALTH OF KENTUCKY

COUNTY OF JEFFERSON

Daniel K. Arbough being first duly sworn, deposes and says that he is Treasurer for Louisville Gas and Electric Company, that he has read the foregoing Application and knows the contents thereof, and that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and that as to these matters, he believes them to be true.

  
\_\_\_\_\_  
DANIEL K. ARBOUGH

Subscribed and sworn before me this 18<sup>th</sup> day of December, 2007.

My Commission Expires: August 31, 2011.

  
\_\_\_\_\_  
NOTARY PUBLIC, STATE AT LARGE



LOUISVILLE GAS AND ELECTRIC COMPANY  
(807 KAR 5:001, Section 11, Item 1 (a))

A DESCRIPTION OF APPLICANT'S PROPERTY, INCLUDING A  
STATEMENT OF THE NET ORIGINAL COST OF THE PROPERTY  
AND THE COST THEREOF TO APPLICANT

October 31, 2007

The applicant's generating and transmission systems described herein are calculated annually. As of December 31, 2006, the applicant owned and operated thermal-electric generating units with an aggregate station rating totaling 3,083 Mw. This total consisted of 2,418 Mw of steam generation capacity and 665 Mw of combustion turbine peaking units. The applicant also owned an 80 Mw hydroelectric generating station, the operation of which is affected by the water level and flow of the Ohio River.

The applicant's electric transmission system included substation capacity of approximately 11,900 Mva and approximately 894 miles of lines, and is interconnected with the systems of neighboring utilities. The applicant's electric distribution system included substation capacity of approximately 4,940 Mva, approximately 3,931 miles of overhead lines and approximately 2,161 miles of underground conduit.

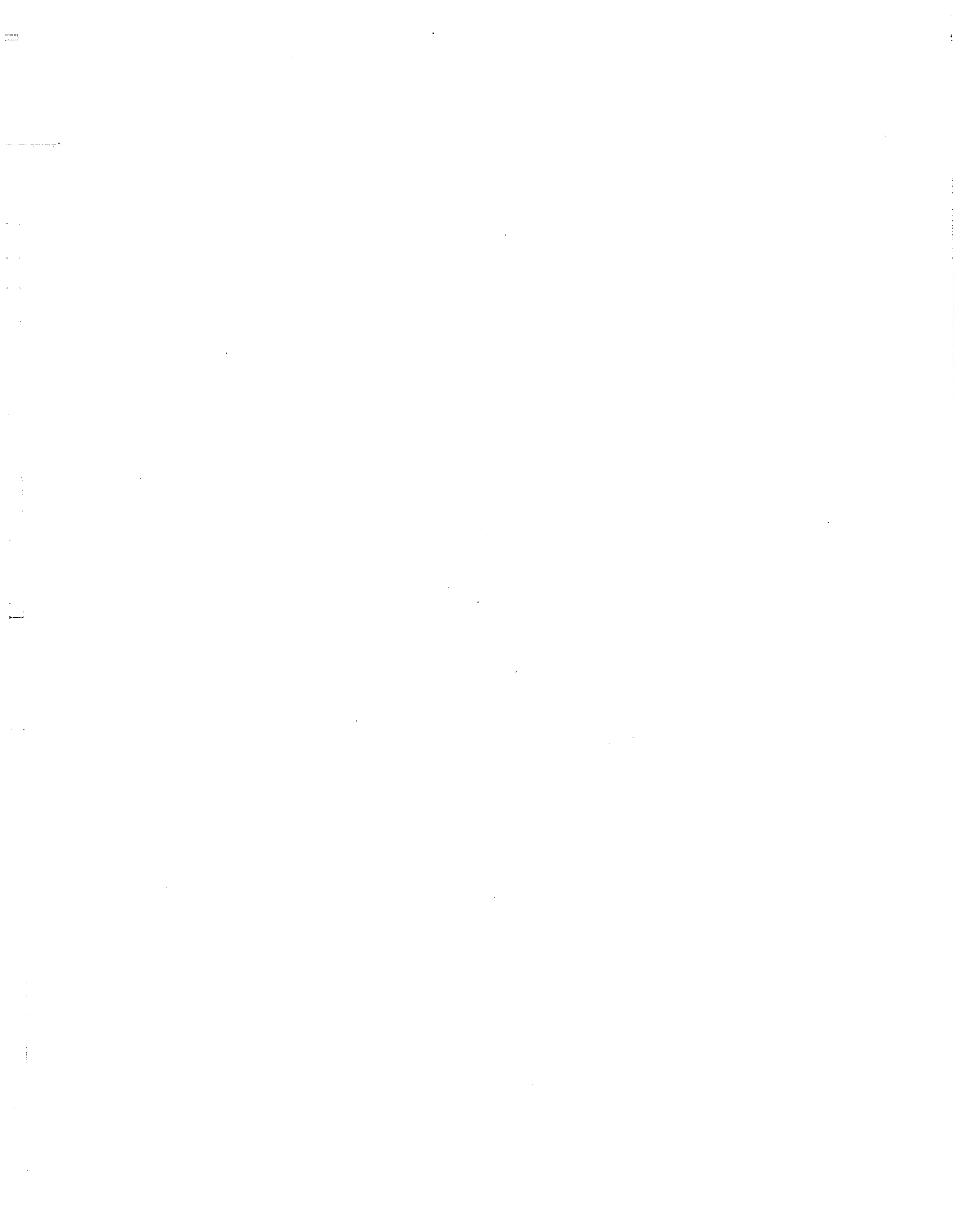
The applicant operated underground gas storage facilities with a current working gas capacity of approximately 15.1 billion cubic feet used for seasonal and peak-day augmentation of winter pipe line supply.

The applicant's gas transmission system included 260 miles of transmission mains, and the gas distribution system includes 4,175 miles of distribution mains.

Other properties include an office building, service centers, warehouses, garages and other structures and equipment, the use of which is common to both the electric and gas departments.

The net original cost of the property and cost thereof to the applicant at October 31, 2007, was:

	<u>Electric</u>	<u>Gas</u>	<u>Common</u>	<u>Total</u>
Original Cost	\$ 3,463,553,149	\$ 603,681,894	\$ 203,798,626	\$ 4,271,033,669
Less Reserve for Depreciation	\$ 1,561,882,720	\$ 205,536,549	\$ 87,255,924	\$ 1,854,675,193
Net Original Cost	\$ 1,901,670,429	\$ 398,145,345	\$ 116,542,702	\$ 2,416,358,476
Allocation of Common To Electric and Gas	\$ 86,241,599	\$ 30,301,103	\$ (116,542,702)	\$ -
Total	\$ 1,987,912,028	\$ 428,446,448	\$ -	\$ 2,416,358,476



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**Louisville Gas & Electric Company**  
*(as Borrower)*

**Fidella Corporation**  
*(as Lender)*

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**LOAN AGREEMENT**

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**THIS AGREEMENT** made on \_\_\_\_\_, \_\_\_\_\_

**Between**

**LOUISVILLE GAS & ELECTRIC COMPANY** a Kentucky corporation, as borrower (the *Borrower*); and

**FIDELIA CORPORATION**, a Delaware corporation, as lender (the *Lender*).

**Whereas**

(A) The Lender and the Borrower hereby enter into an agreement for the provision by the Lender to the Borrower of a loan in the amount of \$ \_\_\_\_\_ (the Loan Amount).

**Now it is hereby agreed as follows:**

**1. Definitions**

1.1 In this Agreement

**Business Day** means a day on which banks in New York are generally open

**Default Interest Rate** means: the rate, as determined by the Lender, applying to the principal element of an overdue amount under Clause 6.3, calculated as the sum of the interest rate in effect immediately before the due date of such amount, plus 1%;

**Effective Date** shall have the meaning given to it in Clause 2.1;

**Final Repayment Date** means \_\_\_\_\_;

**Interest Payment Date** means \_\_\_\_\_ and \_\_\_\_\_ of each year during the term of this agreement, provided, that:

any Interest Payment Date which is not a Business Day shall be extended to the next succeeding Business Day;

**Loan Amount** means \$ \_\_\_\_\_;

**Maturity Date** means the Final Repayment Date;

**Request** means a request for the Loan Amount from the Borrower to the Lender under the terms of clause 3.1;

**Termination Event** means an event specified as such in Clause 7;

**Value Date** means the date upon which cleared funds are made available to the Borrower by the Lender pursuant to a Request made in accordance with Clause 3.1. Such date shall be a Business Day as defined herein.

## **2. Term Loan**

- 2.1 This Agreement shall come into effect on \_\_\_\_\_, \_\_\_\_ (the "Effective Date").
- 2.2 The Lender grants to the Borrower upon the terms and conditions of this Agreement a term loan in an amount of \$\_\_\_\_\_.
- 2.3 The new indebtedness shall be evidenced by a note in substantially the form of Exhibit "A" attached hereto.

## **3. Availability of Requests**

- 3.1 On the Effective Date, the Borrower will submit a request (the "Request") to the Lender for the Loan Amount, such Request specifying the Value Date, the Maturity Date and the bank account to which payment is to be made. The Request shall be submitted to the Lender by the Borrower and delivered in accordance with Clause 9.3.

## **4. Interest**

- 4.1 The rate of interest on the Loan Amount is \_\_\_\_%.
- 4.2 Interest shall accrue on the basis of a 360-day year consisting of twelve 30 day months upon the Loan Amount.
- 4.3 Interest shall be payable in arrears on each Interest Payment Date.



## **5. Repayment and Prepayment**

- 5.1 The Borrower shall repay the Loan Amount together with all interest accrued thereon and all other amounts due from the Borrower hereunder on the Final Repayment Date, whereupon this Agreement shall be terminated.
- 5.2 On any Interest Payment Date, and with at least three business day's prior written notice, the Borrower shall be entitled to prepay any amount of the loan outstanding, provided such payment is not less than \$1,000,000 and provided further, the Borrower shall pay a prepayment charge equal to the present value of the difference between (i) the interest payable provided in this loan agreement and (ii) the interest payable at the prevailing interest rate at the time of prepayment, for the period from the date of prepayment through the Maturity Date, which difference, if negative, shall be deemed to be zero. The present value will be determined using the prevailing interest rate at the time of the prepayment as the discount rate.
- 5.3 A certificate from the Lender as to the amount due at any time from the Borrower to the Lender under this Agreement shall, in the absence of manifest error, be conclusive.

## **6. Payments**

- 6.1 All payments of principal to be made to the Lender by the Borrower shall be made on the Final Repayment Date, or on an Interest Payment Date under Clause (5.2) to such account as the Lender shall have specified.
- 6.2 Interest shall be payable in arrears on each Interest Payment Date.
- 6.3 If and to the extent that full payment of any amount due hereunder is not made by the Borrower on the due date then, interest shall be charged at the Default Interest Rate on such overdue amount from the date of such default to the date payment is received by the Lender.

## **7. Termination Events**

- 7.1 The Borrower shall notify the Lender of any Event of Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of it.
- 7.2 The following shall constitute an Event of Default hereunder:
- 7.2.1 Default is made by the Borrower in the payment of any sum due under this Agreement and such default continues for a period of 10 Business Days;
  - 7.2.2 Bankruptcy proceedings are initiated against the Borrower;
  - 7.2.3 The Borrower leaves the E.ON Group (i.e. the companies consolidated in E.ON AG's balance sheet);

If a Termination Event occurs under Clause (7.2.2) of this section, the Loan Amount outstanding together with interest will become due and payable immediately.

If a Termination Event occurs according to Clauses (7.2.1) or (7.2.3) of this Section, Lender shall at its discretion grant Borrower a reasonable grace period unless such grace period shall be detrimental to the Lender. If the Termination Event is uncured at the expiration of such period, the Loan Amount outstanding together with interest will become due and payable immediately.

## **8. Operational Breakdown**

- 8.1 The Borrower is not liable for any damages incurred by the Lender and the Lender is not liable for any damages incurred by the Borrower caused by Acts of God or other circumstances incurred by one party for which the other party cannot be held responsible (i.e. power outages, strikes, lock-outs, domestic and foreign acts of government and the like).

**9. Notices**

- 9.1 Each communication to be made in respect of this Agreement shall be made in writing but, unless otherwise stated, may be made by facsimile transmission or letter.
- 9.2 Communications to the Borrower shall be addressed to: Louisville Gas & Electric Company, 220 W. Main St., Louisville, KY 40202, Attn: Treasurer fax# (502)627-4742 except for confirmations which should be sent to the attention of Karen Callahan.
- 9.3 Communications to the Lender shall be addressed to: Fidella Corporation, 919 N. Market Street, Suite 504, Wilmington, Delaware 19801, Attn: President.

**10. Assignment**

- 10.1 The Lender may at any time assign, novate or otherwise transfer all or any part of its rights and obligations under this Agreement to any affiliate of the Lender.

**11. Severability**

- 11.1 If any of the provisions of this Agreement becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

**12. Counterparts**

- 12.1 This Agreement may be executed in any number of counterparts that shall together constitute one Agreement. Any party may enter into an Agreement by signing any such counterpart.

**13. Law**

13.1 This Agreement shall be governed by and construed for all purposes in accordance with the laws of Delaware.

**IN WITNESS** whereof the parties have executed this Agreement the day and year first above written.

**SIGNED** by \_\_\_\_\_ )  
for and on behalf of )  
Louisville Gas & Electric Company)

**SIGNED** by \_\_\_\_\_ )  
for and on behalf of )  
Fidelia Corporation )

**EXHIBIT "A"**

**PROMISSORY NOTE**

U.S. \$ \_\_\_\_\_

Louisville, KY, \_\_\_\_\_, \_\_\_\_\_

Louisville Gas & Electric Company ("LG&E"), for value received, hereby promises to pay to the order of Fidella Corporation ("Fidella") in lawful money of the United States of America (in freely transferable U.S. dollars and in same day funds), in accordance with the method of payment specified in that certain LG&E Loan Agreement dated as of \_\_\_\_\_, \_\_\_\_\_, between LG&E and Fidella ("the Agreement"), the principal sum of \$ \_\_\_\_\_, which amount shall be payable at such times as provided in the Agreement.

LG&E promises also to pay interest on the unpaid principal amount hereof in like money and in like manner at the rates which shall be determined in accordance with the provisions of the Agreement, said interest to be payable at the time provided for in the Agreement. This Note is referred to in the Agreement and is entitled to the benefits thereof and the security contemplated thereby. This Note evidences a loan made by Fidella, during such time as such loan is being maintained. This Note is subject to prepayment as specified in the Agreement. In case LG&E defaults on the loan, the principal and accrued interest on this Note may be declared to be due and payable in the manner and with the effect provided in the Agreement.

LG&E hereby waives presentment, demand, protest or notice of any kind in connection with this Note.

This Note shall be governed and construed and interpreted in accordance with the laws of the State of Delaware

Louisville Gas & Electric Company

By: \_\_\_\_\_



## LOUISVILLE GAS AND ELECTRIC COMPANY

FINANCIAL EXHIBIT  
(807 KAR 5:001 SEC. 6)

October 31, 2007

- (1) Amount and kinds of stock authorized.

75,000,000 shares of Common Stock, without par value.

- (2) Amount and kinds of stock issued and outstanding.

21,294,223 shares of Common Stock, without par value, recorded at \$425,170,424.

- (3) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets or otherwise.

On January 31, 2007, the Kentucky Commission issued an Order approving LG&E's application for certain financial transactions, including arrangements which provide a source of funds for the redemption of LG&E's preferred stock. In March 2007, a committee of LG&E's board authorized the redemption of the preferred stock, effective in April 2007, pursuant to existing redemption provisions applicable to such series. In April 2007, LG&E redeemed all of its outstanding shares of its series of preferred stock at the following redemption prices, respectively, plus an amount equal to accrued and unpaid dividends to the redemption date:

- 860,287 shares of 5% cumulative preferred stock (par value \$25 per share) at \$28 per share;
- 200,000 shares of \$5.875 cumulative preferred stock (without par value) at \$100 per share; and
- 500,000 shares of auction rate, series A, cumulative preferred stock (without par value) at \$100 per share.

- (4) Brief description of each mortgage on property of applicant, giving date of execution, name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of indebtedness actually secured, together with any sinking fund provisions.

None

- (5) Amount of bonds authorized, and amount issued, giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with amount of interest paid thereon during the last fiscal year.

## Unsecured

<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Rate of Interest</u>	<u>Principal Amount</u>		<u>Interest Expense</u>
			<u>Authorized</u>	<u>Outstanding at October 31, 2007</u>	<u>Year Ended October 31, 2007</u>
Pollution Control Bonds					
Sept. 17, 1992	Sept. 1, 2017	Variable	\$31,000,000	\$ 0	\$ 539,943
Sept. 17, 1992	Sept. 1, 2017	Variable	60,000,000	0	1,030,340
Aug. 15, 1993	Aug. 15, 2013	Variable	35,200,000	0	604,548
May 1, 2000	May 1, 2027	Variable	25,000,000	25,000,000	932,882
Aug. 1, 2000	Aug. 1, 2030	Variable	83,335,000	83,335,000	3,316,914
Sept. 11, 2001	Sept. 1, 2027	Variable	10,104,000	10,104,000	395,855
Mar. 6, 2002	Sept. 1, 2026	Variable	22,500,000	22,500,000	825,873
Mar. 6, 2002	Sept. 1, 2026	Variable	27,500,000	27,500,000	1,009,401
Mar. 22, 2002	Nov. 1, 2027	Variable	35,000,000	35,000,000	1,289,803
Mar. 22, 2002	Nov. 1, 2027	Variable	35,000,000	35,000,000	1,288,192
Oct. 15, 2002	Oct. 1, 2032	Variable	41,665,000	41,665,000	1,574,612
Nov. 20, 2003	Oct. 1, 2033	Variable	128,000,000	128,000,000	4,709,884
Apr. 13, 2005	Feb. 1, 2035	Variable	40,000,000	40,000,000	1,458,994
Apr. 26, 2007	Jun. 1, 2033	Variable	31,000,000	31,000,000	591,129
Apr. 26, 2007	Jun. 1, 2033	Variable	35,200,000	35,200,000	675,146
Apr. 26, 2007	Jun. 1, 2033	4.6%	60,000,000	60,000,000	1,449,000
Interest Rate Swaps					1,504,382
					<u>\$23,196,898</u>

- (6) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest, in whose favor, together with amount of interest paid thereon during the last fiscal year.

<u>Payee</u>	<u>Date of Issue</u>	<u>Intercompany Notes Payable</u>		<u>Amount</u>	<u>Interest Expense</u>
		<u>Date of Maturity</u>	<u>Rate of Interest</u>		<u>Year Ended October 31, 2007</u>
Fidelia Corp.	4/30/03	4/30/13	4.55%	100,000,000	\$4,550,000
Fidelia Corp.	8/15/03	8/15/13	5.31%	100,000,000	5,310,000
Fidelia Corp.	1/15/04	1/16/12	4.33%	25,000,000	1,082,500
Fidelia Corp.	4/13/07	4/13/37	5.98%	70,000,000	2,302,300
Fidelia Corp.	4/13/07	4/13/31	5.93%	68,000,000	2,217,820
					<u>\$15,462,620</u>

- (7) Other indebtedness, giving same by classes and describing security, if any, with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.

None, other than current and accrued liabilities.

- (8) Rate and amount of dividends paid during the five previous fiscal years, and the amount of capital stock on which dividends were paid each year. (1)

2002	\$69,000,000
2003	-
2004	57,000,000
2005	39,000,000



2006 95,000,000

As of May 1998, the 21,294,223 shares are all owned by E.ON U.S. LLC (formerly, LG&E Energy LLC) and all dividends declared by LG&E's Board of Directors are paid to E.ON U.S. LLC.

Dividends on 5% Cumulative Preferred Stock, \$25 par value

For each of the quarters in the previous five fiscal years, the Company declared and paid dividends of \$.3125 per share on the 860,287 shares of 5% Cumulative Preferred Stock, \$25 par value, outstanding for a total of \$268,841. The annual amount of dividends for each of the previous five fiscal years was \$1,075,366. All shares were redeemed on April 16, 2007.

Dividends on \$5.875 Cumulative Preferred Stock, without par value

For each of the quarters shown for Common Stock on the previous page the Company declared and paid dividends of \$1.46875 per share on the \$5.875 series preferred stock outstanding. The preferred stock has a sinking fund requirement sufficient to retire a minimum of 12,500 shares on July 15 of each year commencing with July 15, 2003, and the remaining 187,500 shares on July 15, 2008 at \$100 per share. The Company redeemed 12,500 shares in accordance with these provisions annually on July 15, 2003 through July 15, 2006. The 200,000 remaining shares were redeemed April 16, 2007.

Annual dividends for the previous five fiscal years were:

2002	1,468,750
2003	1,432,034
2004	1,358,594
2005	1,285,156
2006	1,211,719

Dividends on Auction Rate Cumulative Preferred Stock, without par value

<u>Month Declared</u>		<u>Payment Date</u>	<u>Rate Per Share</u>	<u>Amount</u>
March	2002	4/15/2002	0.85875	\$429,375
June	2002	7/15/2002	0.82500	412,500
September	2002	10/15/2002	0.87750	438,750
December	2002	1/15/2003	0.84250	421,250
				<u>\$1,701,875</u>
March	2003	4/15/2003	0.60000	\$300,000
June	2003	7/15/2003	0.53750	268,750
September	2003	10/15/2003	0.34750	173,750
December	2003	1/15/2004	0.33000	165,000
				<u>\$907,500</u>
March	2004	4/15/2004	0.37500	\$187,500
June	2004	7/15/2004	0.43750	218,750
September	2004	10/15/2004	0.48750	243,750

December	2004	1/18/2005	0.62500	312,500
				<u>\$962,500</u>
March	2005	4/15/2005	0.75000	\$375,000
June	2005	7/15/2005	0.97500	487,500
September	2005	10/17/2005	0.97500	487,500
December	2005	1/17/2006	1.10000	550,000
				<u>\$1,900,000</u>
March	2006	4/15/2006	1.20000	\$600,000
June	2006	7/15/2006	1.33750	668,750
September	2006	10/15/2006	1.44750	723,750
December	2006	1/15/2007	1.27500	637,500
				<u>2,630,000</u>

Dividend is based on 500,000 shares for all periods. All shares were redeemed on April 16, 2007.

(9) Detailed Income Statement and Balance Sheet.

See pages 5 through 7

**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**STATEMENT OF INCOME**  
**OCTOBER 31, 2007**

Page 5 of 7

	<u>YEAR ENDED CURRENT</u>
Electric Operating Revenues.....	954,517,881.39
Gas Operating Revenues.....	<u>340,052,072.36</u>
Total Operating Revenues.....	<u>1,294,569,953.75</u>
Fuel for Electric Generation.....	316,420,031.29
Power Purchased.....	90,266,914.52
Gas Supply Expenses.....	242,185,417.81
Other Operation Expenses.....	177,595,199.32
Maintenance.....	80,034,293.48
Depreciation.....	119,559,093.38
Amortization Expense.....	6,189,631.68
Regulatory Credits.....	(2,352,437.61)
Taxes	
Federal Income.....	50,704,876.39
State Income.....	10,306,157.68
Deferred Federal Income - Net.....	(2,080,921.61)
Deferred State Income - Net.....	(52,377.18)
Federal Income - Estimated.....	(994,403.85)
State Income - Estimated.....	(307,929.48)
Property and Other.....	22,998,813.00
Investment Tax Credit.....	11,779,626.00
Amortization of Investment Tax Credit.....	(3,957,584.12)
Gain from Disposition of Allowances.....	(553,092.69)
Accretion Expense.....	<u>2,165,392.19</u>
Total Operating Expenses.....	<u>1,119,906,700.20</u>
Net Operating Income.....	174,663,253.55
Other Income Less Deductions.....	<u>(1,855,478.32)</u>
Income Before Interest Charges.....	<u>172,807,775.23</u>
Interest on Long Term Debt.....	42,550,838.24
Amortization of Debt Expense - Net.....	1,433,512.47
Other Interest Expenses.....	<u>3,733,286.81</u>
Total Interest Charges.....	<u>47,717,637.52</u>
Net Inc Before Cumulative Effect of Acctg Chg.....	125,090,137.71
Cumulative Effect of Accounting Change Net of Tax...	<u>-</u>
Net Income.....	125,090,137.71
Preferred Dividend Requirements.....	<u>1,545,864.15</u>
Earnings Available for Common.....	<u><u>123,544,273.56</u></u>

LOUISVILLE GAS AND ELECTRIC COMPANY  
BALANCE SHEET AS OF OCTOBER 31, 2007

ASSETS AND OTHER DEBITS

Utility Plant	
Utility Plant at Original Cost.....	4,271,033,669.56
Less Reserves for Depreciation & Amortization.....	1,854,675,192.61
Total.....	2,416,358,476.95
Investments - At Cost	
Ohio Valley Electric Corporation.....	594,286.00
Nonutility Property-Less Reserve.....	11,879.20
Special Funds.....	18,926,435.46
Other.....	-
Total.....	19,532,600.66

Current and Accrued Assets

Cash.....	2,622,328.85
Special Deposits.....	1,219,155.66
Temporary Cash Investments.....	35,642.67
Accounts Receivable-Less Reserve.....	121,960,497.24
Notes Receivable from Assoc. Companies.....	-
Accounts Receivable from Assoc Companies.....	74,186.13
Materials & Supplies-At Average Cost	
Fuel.....	44,038,169.12
Plant Materials & Operating Supplies.....	26,234,921.95
Stores Expense.....	4,570,683.69
Gas Stored Underground.....	102,511,420.41
Allowance Inventory.....	12,078.67
Prepayments.....	3,516,638.13
Miscellaneous Current & Accrued Assets.....	180,802.72
Total.....	306,976,525.24

Deferred Debits and Other

Unamortized Debt Expense.....	9,832,489.44
Unamortized Loss on Bonds.....	19,273,633.37
Accumulated Deferred Income Taxes.....	52,312,663.60
Deferred Regulatory Assets.....	166,543,940.10
Other Deferred Debits.....	36,974,477.68
Total.....	284,937,204.19
Total Assets and Other Debits.....	3,027,804,807.04

LIABILITIES AND OTHER CREDITS

Capitalization	
Common Stock.....	425,170,424.09
Common Stock Expense.....	(835,888.64)
Paid-In Capital.....	40,000,000.00
Other Comprehensive Income.....	(8,948,177.00)
Retained Earnings.....	672,960,370.81
Total Common Equity.....	1,128,346,729.26
Preferred Stock.....	-
Pollution Control Bonds.....	574,304,000.00
Mandatory Redeemable Preferred Stock.....	-
L.T. Notes Payable to Associated Companies.....	363,000,000.00
Total Capitalization.....	2,065,650,729.26

Current and Accrued Liabilities

Long-Term Debt Due in 1 Year.....	-
ST Notes Payable to Associated Companies.....	111,608,000.00
Notes Payable to Associated Companies.....	-
Notes Payable.....	-
Accounts Payable.....	79,555,449.70
Accounts Payable to Associated Companies.....	29,788,134.00
Customer Deposits.....	19,203,998.92
Taxes Accrued.....	22,926,189.00
Interest Accrued.....	5,374,203.96
Dividends Declared.....	-
ST Obligations Under Capital Leases.....	434,802.13
Misc. Current & Accrued Liabilities.....	11,813,206.40
Total.....	280,703,984.11

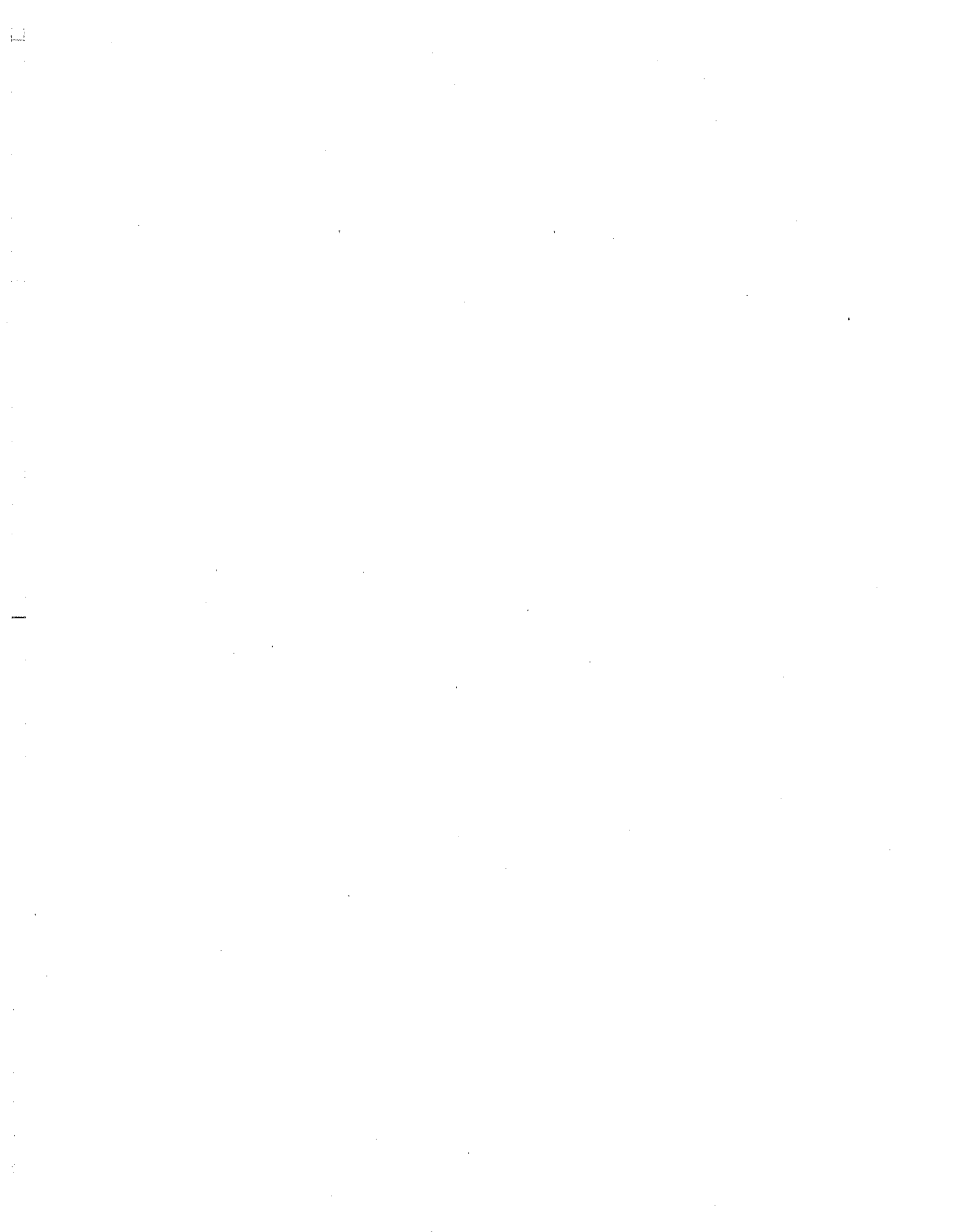
Deferred Credits and Other

LT Obligations Under Capital Leases.....	70,949.00
Accumulated Deferred Income Taxes.....	393,203,395.03
Investment Tax Credit.....	46,551,177.29
Regulatory Liabilities.....	54,147,927.16
Customer Advances for Construction.....	18,161,712.86
Asset Retirement Obligations.....	29,323,324.44
Other Deferred Credits.....	42,631,589.89
Misc. Long-Term Liabilities.....	6,585,931.00
Accum Provision for Post-Retirement Benefits.....	90,774,087.00
Total.....	681,450,093.67
Total Liabilities and Other Credits.....	3,027,804,807.04

**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**ANALYSIS OF RETAINED EARNINGS**  
**OCTOBER 31, 2007**

	<u>YEAR ENDED CURRENT MONTH</u>
	<u>THIS YEAR</u>
Balance at Beginning of Period.....	617,945,169.80
Add:	
Credits from Income.....	125,090,137.71
FIN 48 Adjustment.....	258,182.00
Deduct:	
Adjustment to Retained Earnings.....	3,787,254.55
Preferred Dividends	
\$25 Par Value	
5% Series.....	495,864.15
Without Par Value	
Auction Rate.....	1,050,000.00
Preferred Dividends Accrued	
\$25 Par Value	
5% Series.....	
Without Par Value	
Auction Rate.....	
Common Dividends	
Common Stock Without Par Value.....	65,000,000.00
Balance at End of Period.....	672,960,370.81

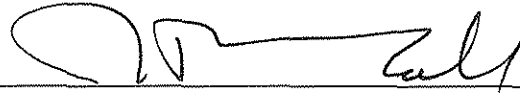
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**SECRETARY'S CERTIFICATE**

I, John R. McCall, certify that I am Executive Vice President, General Counsel and Corporate Secretary of Louisville Gas and Electric Company, a Kentucky corporation (the "Company"); that I am one of the officers of the Company authorized to make certified copies of the corporate records; and as Corporate Secretary, I have access to all original records of the Company. I do hereby certify that attached hereto are resolutions of the Board of Directors of the Company adopted by unanimous written consent in lieu of a meeting December 17, 2007, and that the same are in full force and effect as of the date hereof.

**IN WITNESS WHEREOF**, I have signed this Certificate this 17<sup>th</sup> day of December, 2007.



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John R. McCall  
Corporate Secretary

## APPROVAL OF 2008 INTERCOMPANY LOAN FACILITIES

**WHEREAS**, the Company desires to enter into intercompany long-term loans with Fidelia Corporation or other affiliates of E.ON North America, Inc. (collectively, "Fidelia"), in the amount of up to approximately \$25 million during 2008 (the "Intercompany Loans"), and

**WHEREAS**, the Intercompany Loans will provide the Company with funds in connection with capital expenditures associated with the construction of Trimble County 2 and for general operational expenditures.

**NOW, THEREFORE, BE IT RESOLVED**, that the Company is hereby authorized and directed to proceed with the Intercompany Loans as generally described in these resolutions; and

**FURTHER RESOLVED**, that, subject to receipt of all required regulatory approvals regarding the Intercompany Loans, the Company is authorized to enter into such loans; and

**FURTHER RESOLVED**, that the appropriate officers of the Company be, and each of them hereby is, authorized and directed, for and on behalf of the Company to take such actions and to execute, deliver and file the Intercompany Loans and such other agreements and documents, and to make changes thereto, as they shall, in their discretion, deem necessary, appropriate or advisable to consummate the transactions contemplated by these resolutions, with the taking of such actions and the execution of such agreements or documents conclusively to evidence the authorization thereof by the Board of Directors; and

**FURTHER RESOLVED**, that the appropriate officers of the Company be, and each of them hereby is, authorized and directed to prepare, execute and deliver such applications, filings or notices to governmental, commercial or financial entities as they may deem necessary or advisable in connection with the Intercompany Loans, including but not limited to submissions to federal and state regulatory agencies; and

**FURTHER RESOLVED**, that all actions heretofore or hereafter taken by any officer of the Company in connection with the transactions contemplated by these resolutions be, and they hereby are, approved, ratified and confirmed in all respects.